

# Welcome to Today's Webcast!

## "Reduce Costs by Optimizing Complex Services Spend"

**We'll be starting momentarily.**

Today's Presenters:

- D. Steven Wade, Director, CAPS Research
- John Stapleton, Principal and Co-Founder, TelAdvisor Group
- John Garvin, Principal and Co-Founder, TelAdvisor Group
- Trae Chancellor, Senior Vice President, IT Engineering, PeopleSoft
- Bob Shecterle, Vice President, PeopleSoft SRM
- Roberta Duffy, Editor, *Inside Supply Management*®



# **Sourcing and Managing The Complex Services Spend**

**D. Steven Wade**

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## Sourcing and Managing Your Services Spend

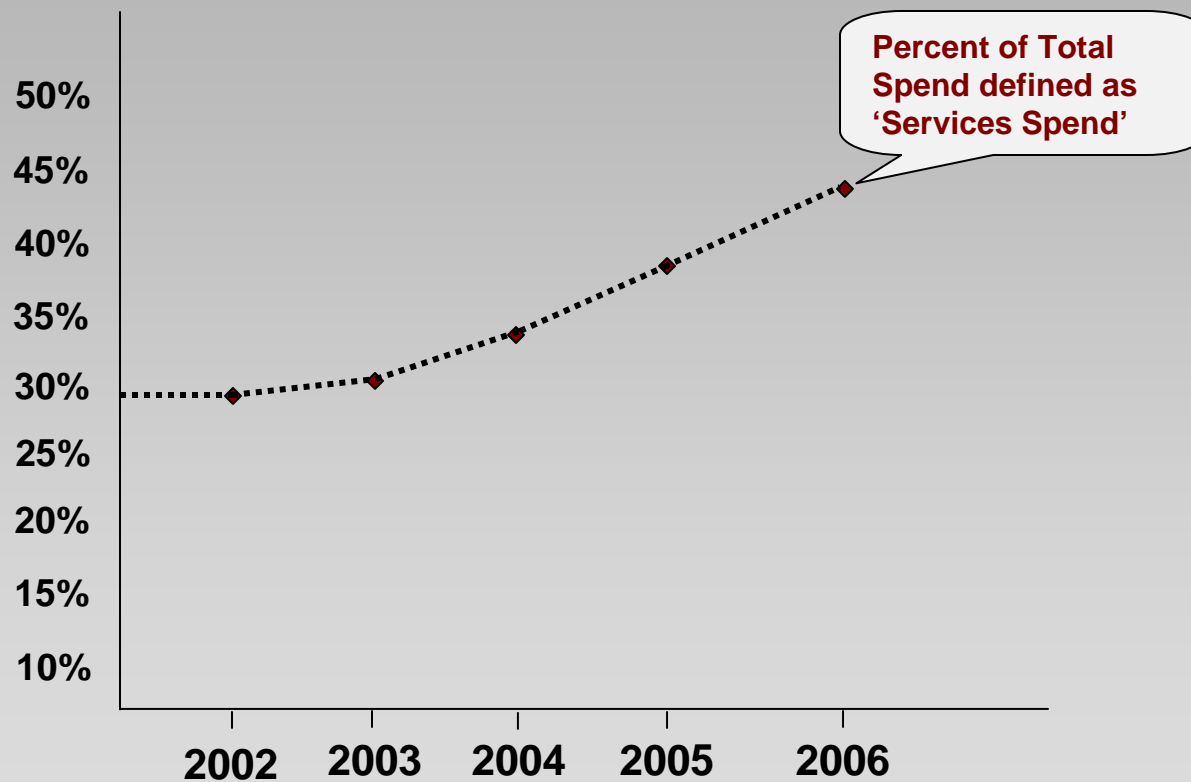
**Fact 1:** Total organizational spend for services continues to grow.

**Fact 2:** Services are difficult to source and manage.

**Fact 3:** Effectively managing your services spend offers significant opportunities for near-term cost savings.

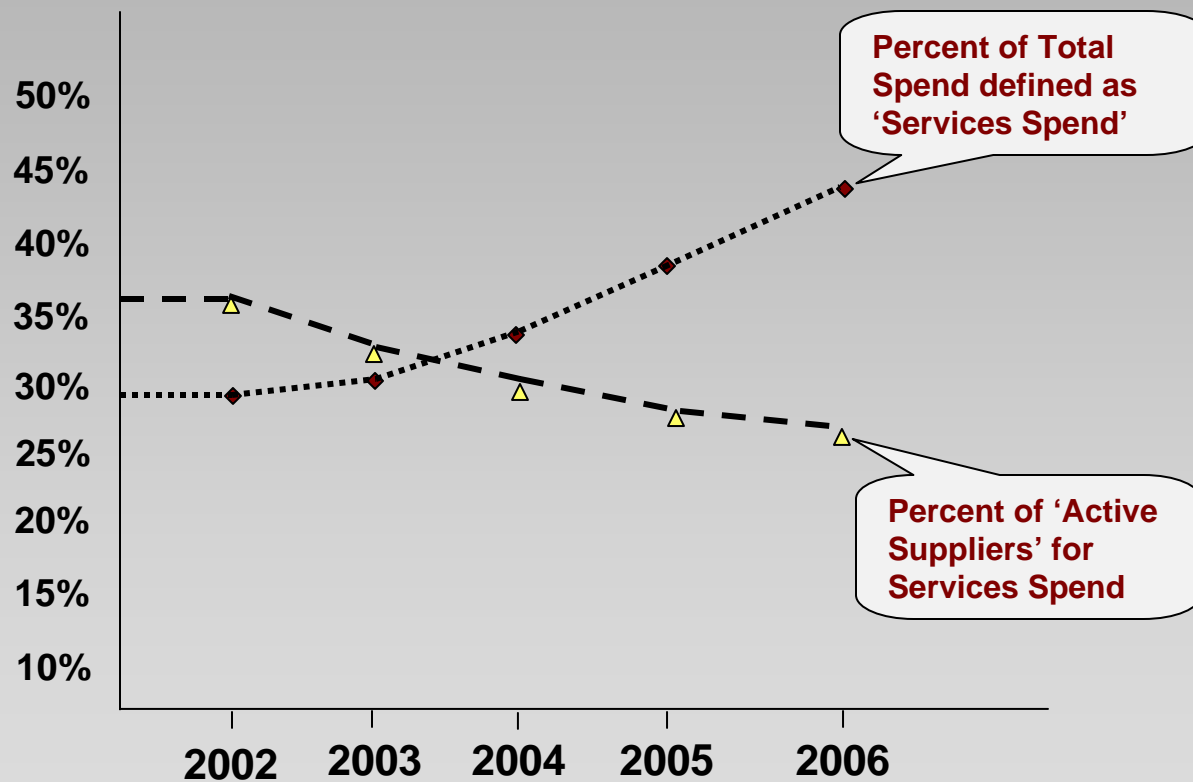
## Sourcing and Managing Your Services Spend

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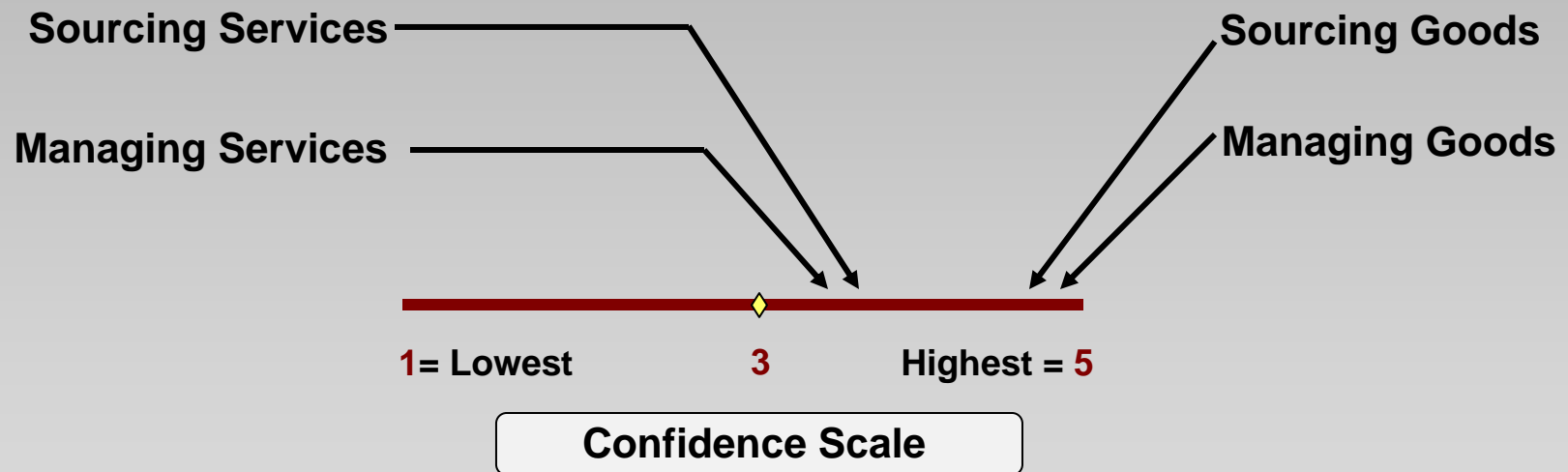
**Fact 2:** Services are difficult to source and manage.

### Defining Services:



## Sourcing and Managing Your Services Spend

**Fact 2:** Services are difficult to source and manage.



## **Sourcing and Managing Your Services Spend**

**Fact 3:** Effectively Managing your Services offers significant opportunities for near-term cost savings.

**Example: 145 survey responses**

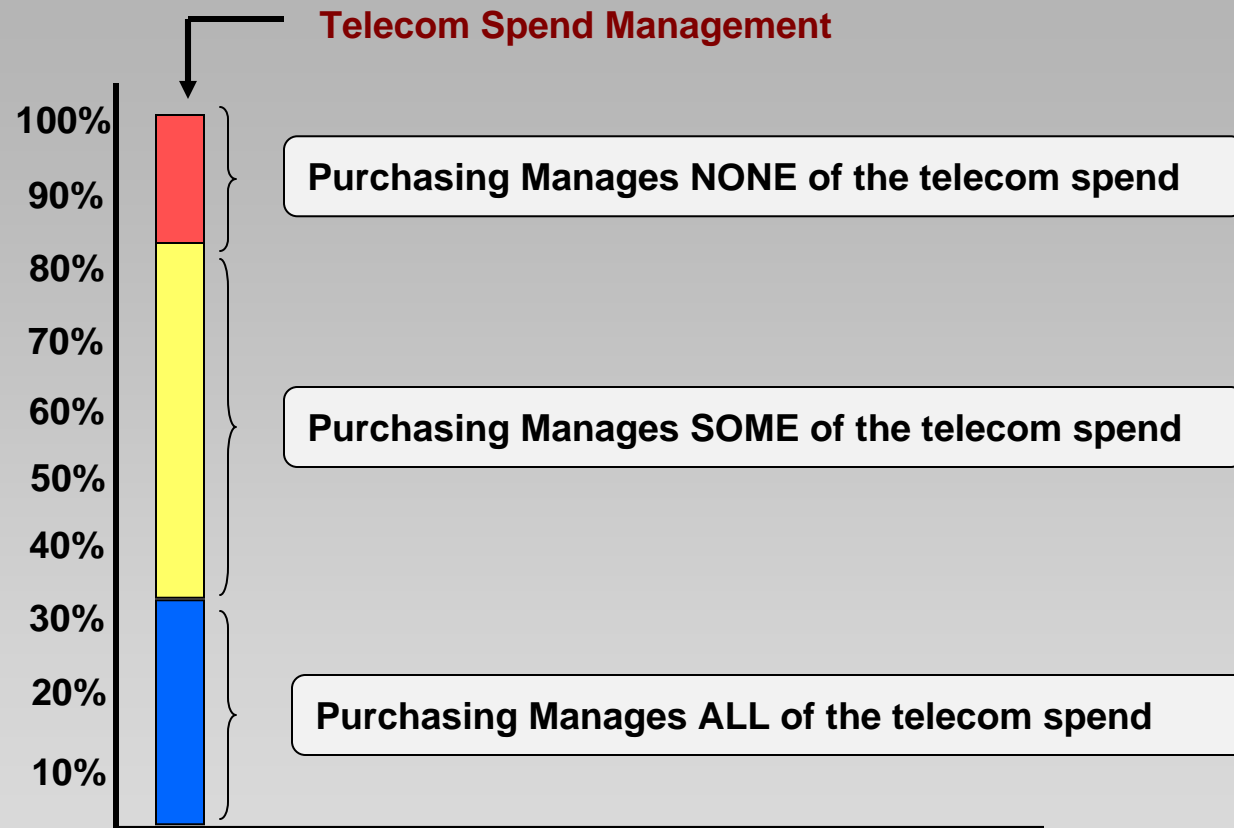
**Telecommunications Spend = 2% average of total purchase spend.**

**Measured Revenue = \$ 1,137.7 Billion**

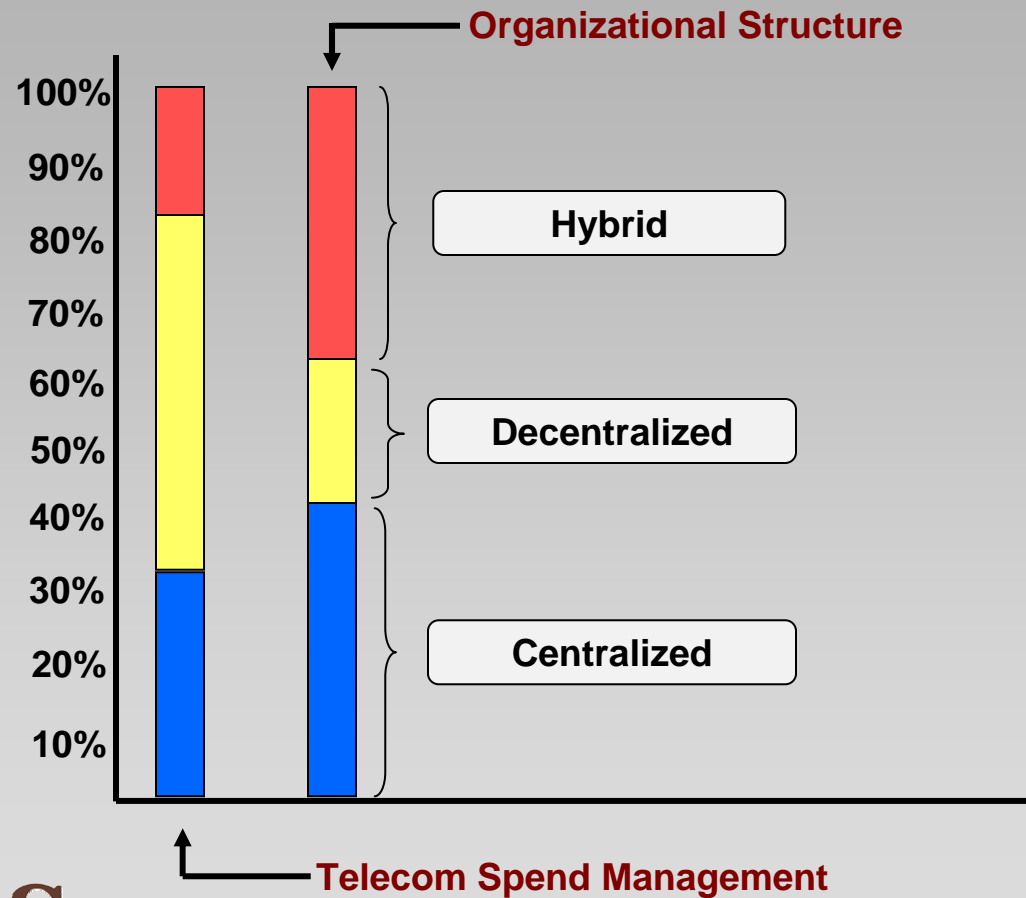
**Measured Spend = \$ 376.8 Billion**

**Telecommunications Spend = \$ 7.6 Billion**

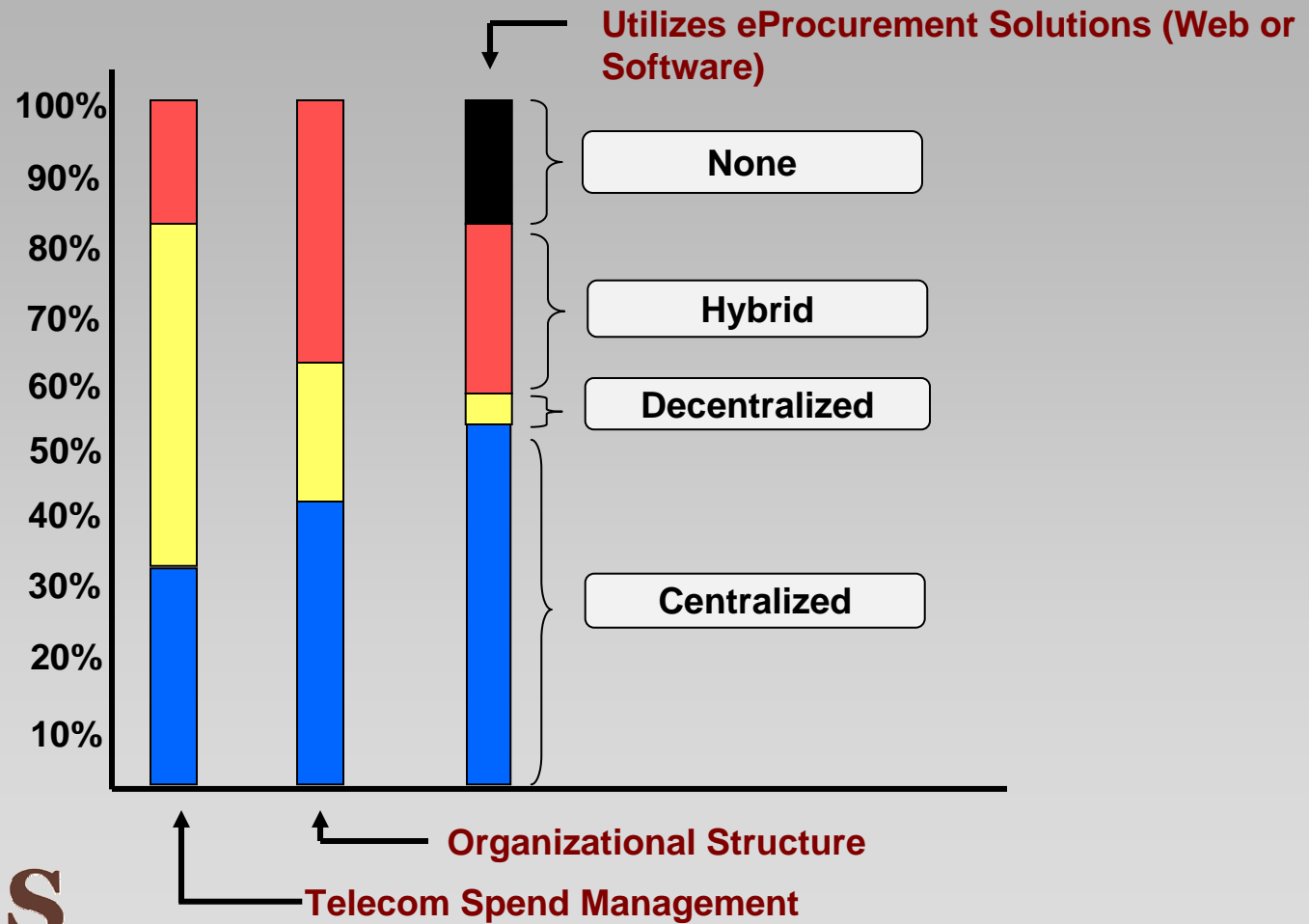
## Sourcing and Managing Your Services Spend



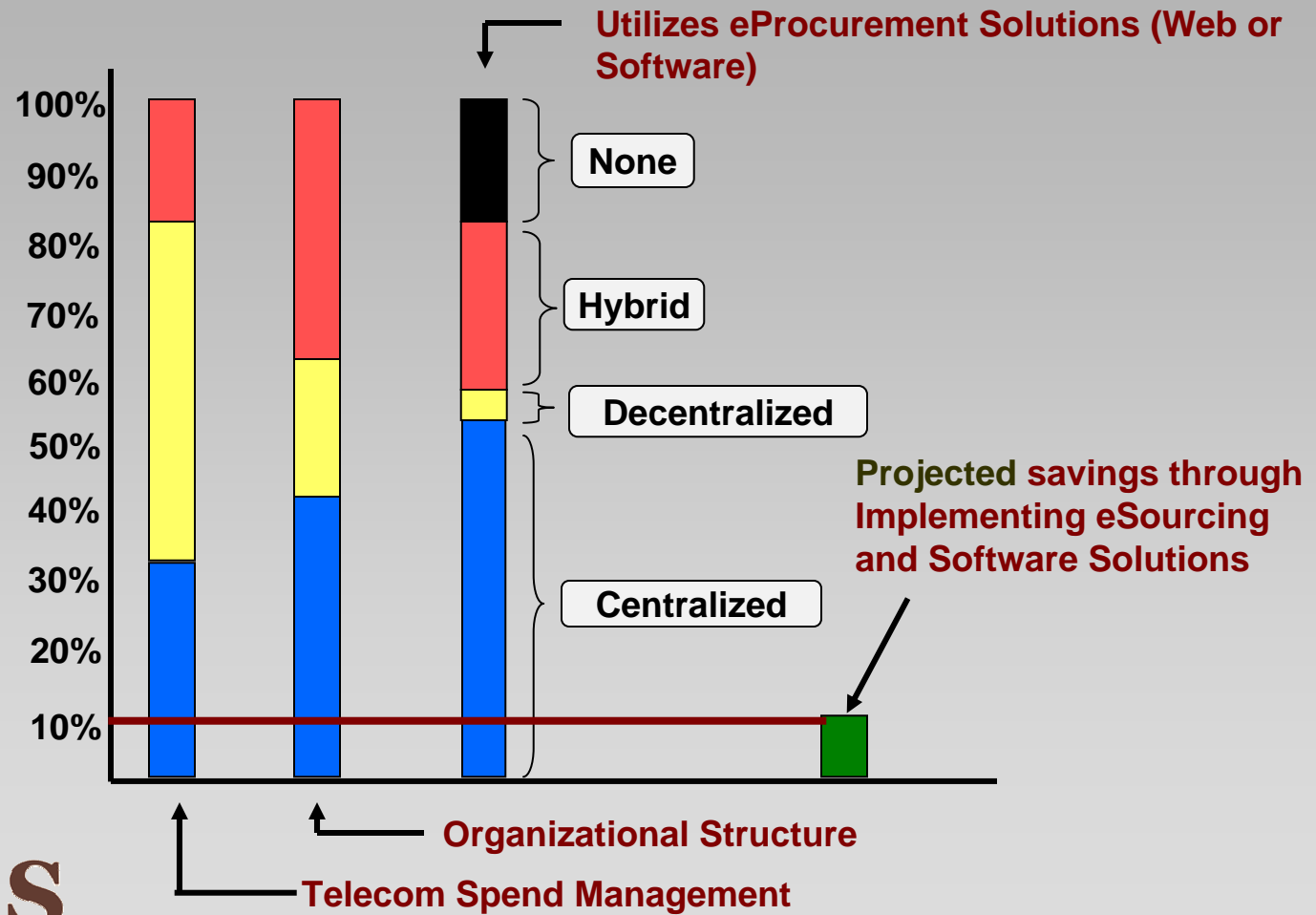
## Sourcing and Managing Your Services Spend



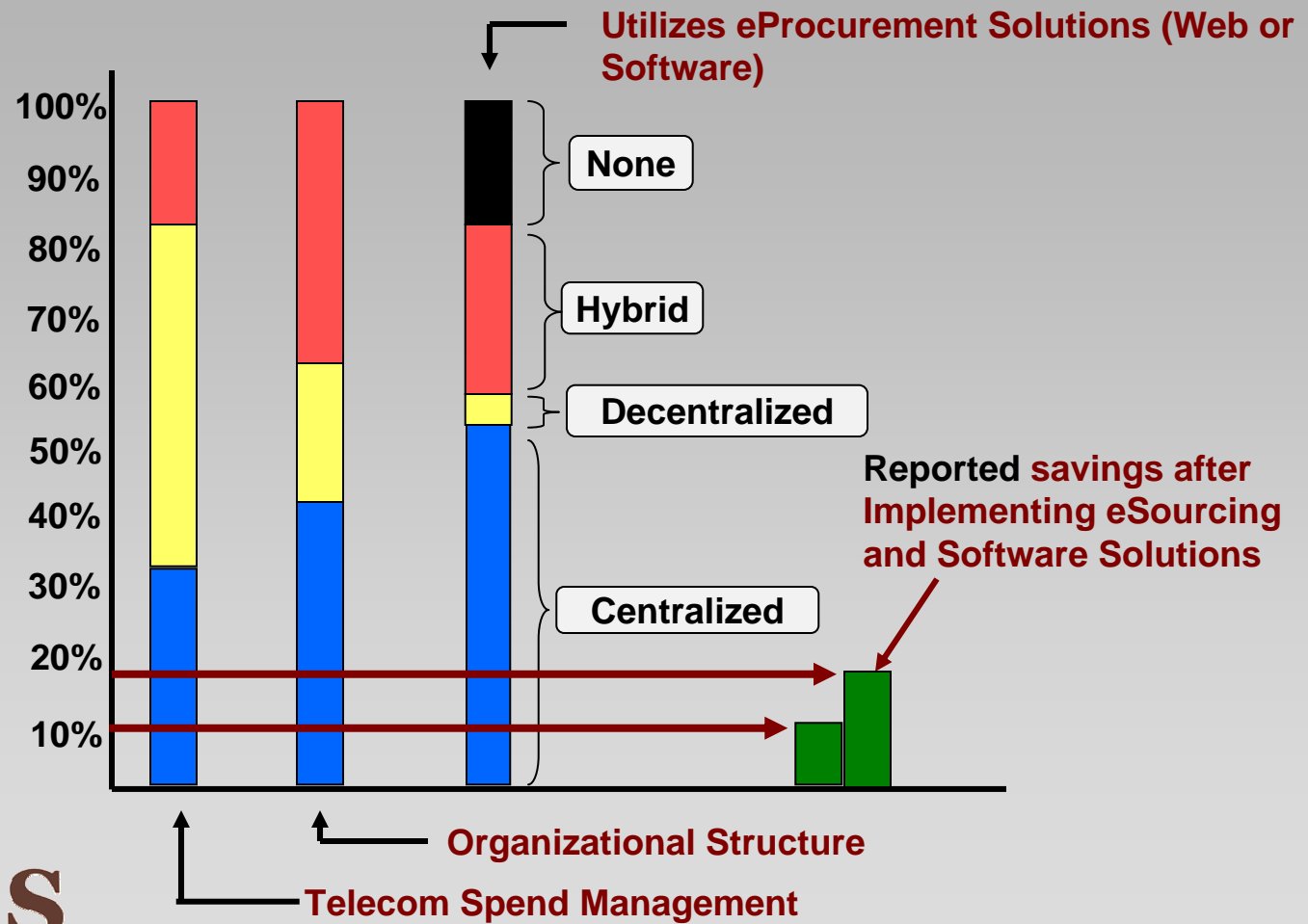
## Sourcing and Managing Your Services Spend



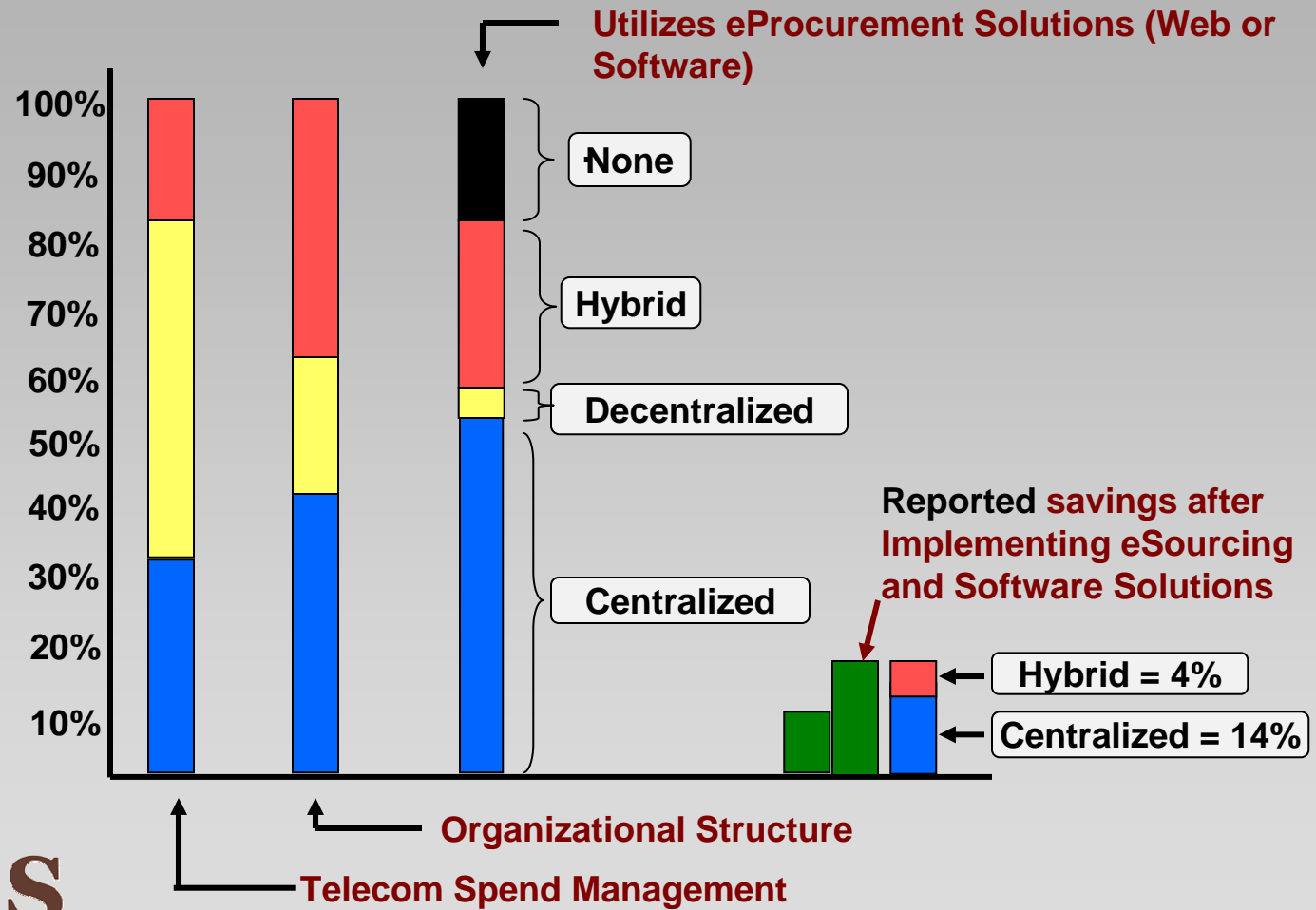
## Sourcing and Managing Your Services Spend



## Sourcing and Managing Your Services Spend



## Sourcing and Managing Your Services Spend



### Summary:

**Best Practice Observation - eProcurement & eSourcing technologies can be more cost efficient in organizational structures that provide more centralized control of the spend activities.**

**CAPS Research will continue to benchmark services spend and will report the cost impact of utilizing new tools and technologies.**

# Reduce Costs by Optimizing Complex Services Spend

Expertise Strategy | Best-of-Market Data | Industry Intelligence

Presented by  
John Garvin, Principal  
John Stapleton, Principal

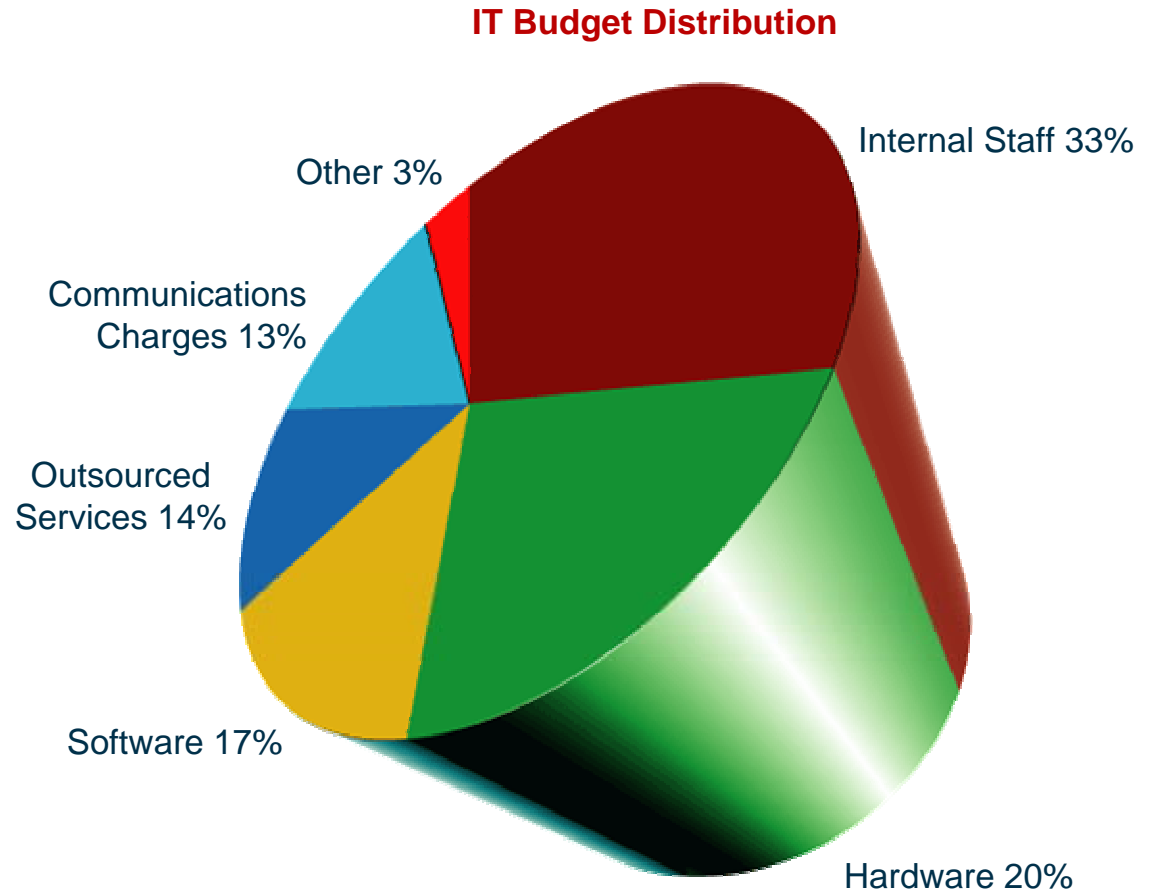
<http://www.teladvisorgroup.com>

**TelAdvisor**Group

PeopleSoft®

## Carrier Charges a Significant Percentage of IT Budget

- IT spend is a significant business cost, varying from 1 to 9% of total company revenue
- Carrier charges typically represent 13% of that IT budget
- Charges can go as high as 35% of IT spend depending on business sector

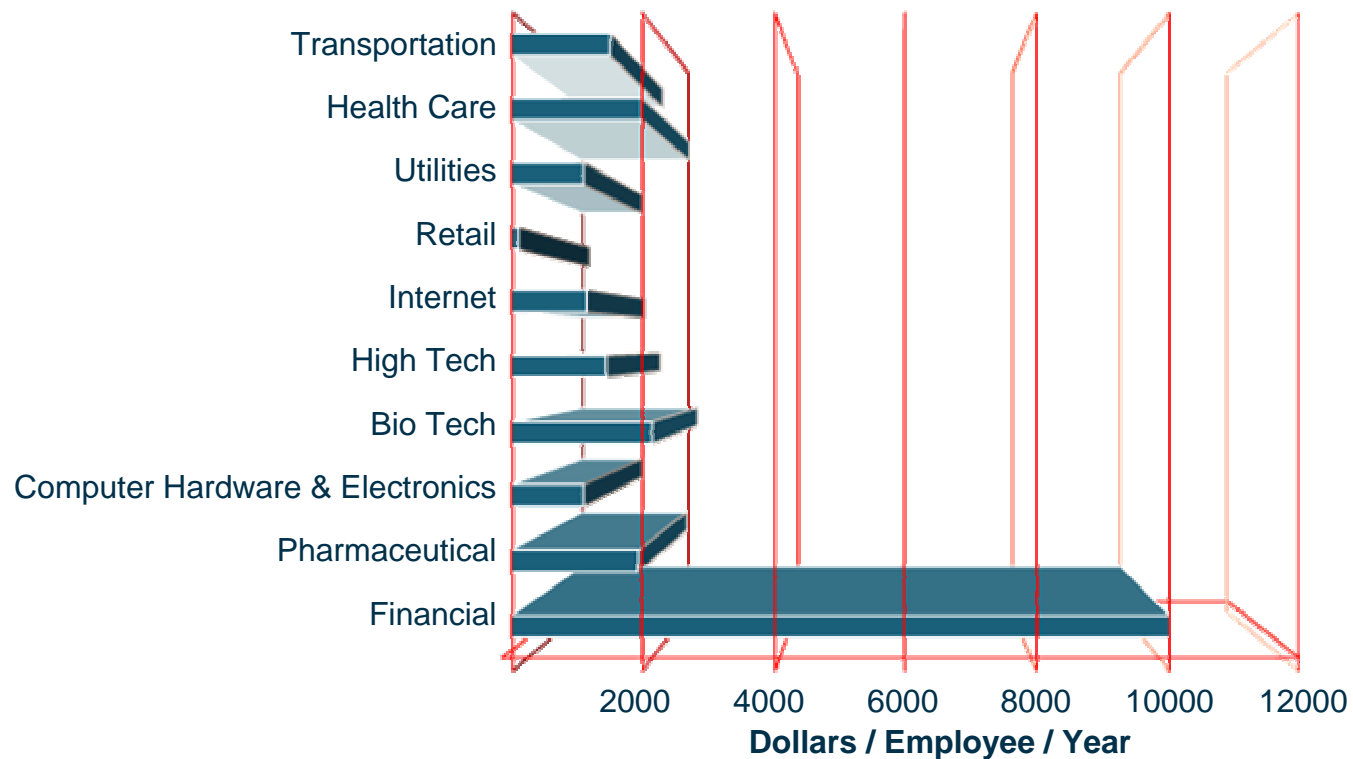


Source: Gartner Group

# Controlling Voice and Data Communications Expenses

- In dollar terms, communications charges range from \$100 to \$10,000 per employee per year, depending on business sector.
- Expenses include monthly recurring data, local & long distance voice, & mobile costs.

**Communications Carrier Charges per Employee by Industry**



# The Problem

Complexity

Inaccuracy

Quality Assurance Issues

Market Concerns



# Complexity of Major IT Costs

Significant IT Cost by Category

	Voice and Data Services	Facilities (rent)	Outsourcing	Software	Hardware	Staffing
Recurring variable service	■		■			■
Multiple bills	■					
Extremely detailed bills	■					
Costs initiated with min. control (calls)	■					
Long term complex legal contracts	■	■		■	■	■
Perceived high costs to change vendors	■	■		■		
Difficulty in influencing vendors	■			■	■	

## Opportunity for the Supply Executive

- If competitively bid, significant cost savings are available
- If well negotiated, Terms, Conditions and Remedies are available
- If not, the organization is unknowingly above market and at risk,

**The most successful experiences  
have been achieved by use of  
software tools and expert advice that:**

- Establish market pricing and Terms & Conditions via a cross-industry database tool in accordance with the client profile
- Rapidly deploy a comprehensive and competitive Online-RFP
- Expedite summary rankings and electronic responses to deliver results within weeks instead of months

# Case Study I – Leading Software Developer

## Offices in 34 countries covering:

- Americas
- Europe
- Asia
- Pac Rim
- Middle East

## Services included:

- Voice
- Data (ATM, MPLS, VPN)

## Three incumbent providers

- One primary
- Two secondary

**RFP started 6 months before contractual obligations would be satisfied**

## Case Study I – Using PeopleSoft’s Strategic Sourcing Tool

- Six carriers invited to participate
- Over 220 pricing items and approximately 300 unique questions
- Online RFP open for 14 days
- Five carriers submitted completed bids
- Financial and RFP question analysis completed in 1 day
- Vendor selection for negotiations completed in 2 days
- Final negotiations completed within 4 weeks
- Start to finish, including negotiations, 9 weeks

## Case Study I – Dramatic Results

### Financial Impact

- 34% reduction in current telecom spend
- Reduced overall revenue commitment
- Incumbent carrier prevailed, reduction in price immediate
- re-gained 4 months of lost savings through no conversion

### New Technology

- Client can obtain new technology and can re-adjust contractual commitments appropriately

### Quality of Service

- Client received Best-of-Market contractual terms and conditions
- Contracts provide scalability and flexibility allowing Client's business drivers to control the contract and consumption of services

## Case Study II: PeopleSoft

Presented by Trae Chancellor, SVP IT Engineering, PeopleSoft

## Case Study II - PeopleSoft

- Global Voice, Data, Audio Conferencing, RAS and Internet Services of the combined PeopleSoft/JDE services taken out to bid
- Online-RFP contained over 1700 pricing items and 450 terms and conditions, technical and service level agreement questions
- 36 Carriers participated
- Online-RFP open for 2 weeks
- At RFP close, immediate analysis revealed a \$9.6MM savings (pre-negotiations) over the term of the contract
- Additional \$5MM in savings obtained in negotiations

## Case Study II - PeopleSoft Results

### Financial Impact

- PeopleSoft expects to capture cost savings of \$14+ million over the next 3 years

### Billing

- Consolidated billing, with detailed supporting reports enabling PeopleSoft to audit
- PeopleSoft does not have to pay for untimely billing
- Billing SLAs enable PeopleSoft to recoup a portion of its costs in auditing carrier bills

### Carrier Financial Viability

- PeopleSoft can terminate contract or write-down revenue commitment if there is a material adverse change in a carrier's financials
- PeopleSoft can effectively exercise remedies well in advance of carrier bankruptcy

## Case Study II - Results Cont'd

### Quality of Service

- PeopleSoft's SLAs are now best-of-market and are greatly improved over PeopleSoft and JD Edwards' previous contracts

### Flexibility

- PeopleSoft can reduce minimum commitment in changed business circumstances
- PeopleSoft can terminate for convenience upon payment of reasonable percentage of minimum commitment

### New Technology

- PeopleSoft can obtain new technology and can re-adjust both pricing and minimum commitments appropriately

# PeopleSoft®

## Sourcing

# Business Benefits of Strategic Sourcing

Ability to Reduce Total Purchase Cost as Much as 30%

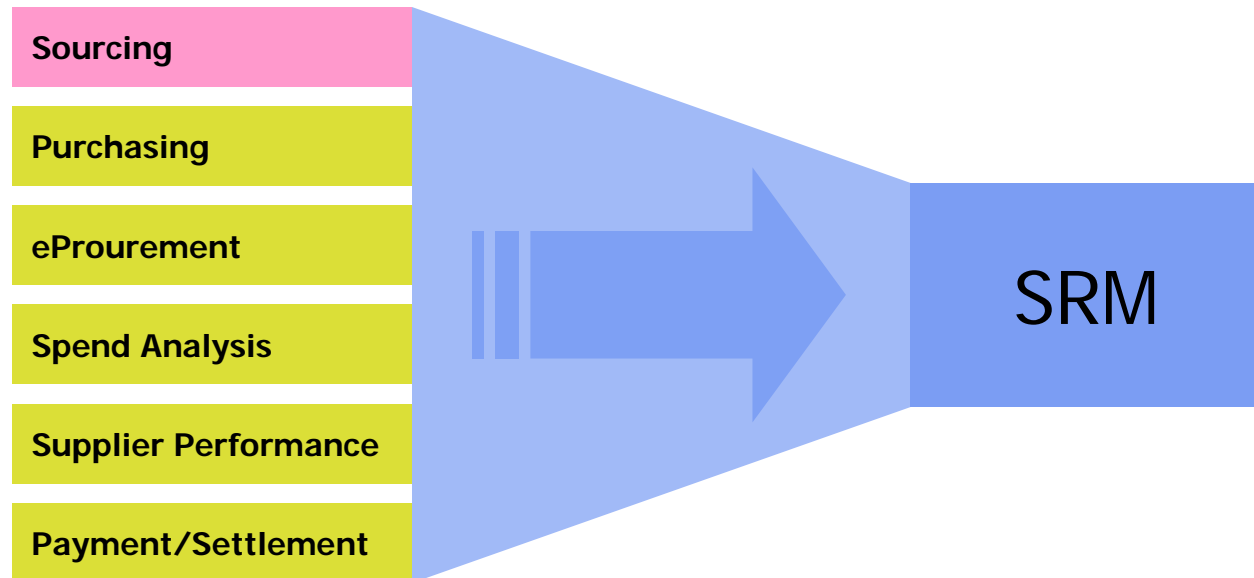
Reduction in Sourcing Cycle Time of 45% - 65%

Avoid re-use of problem suppliers across the organization



# Evolution of Supplier Interactions

## Source to Settle

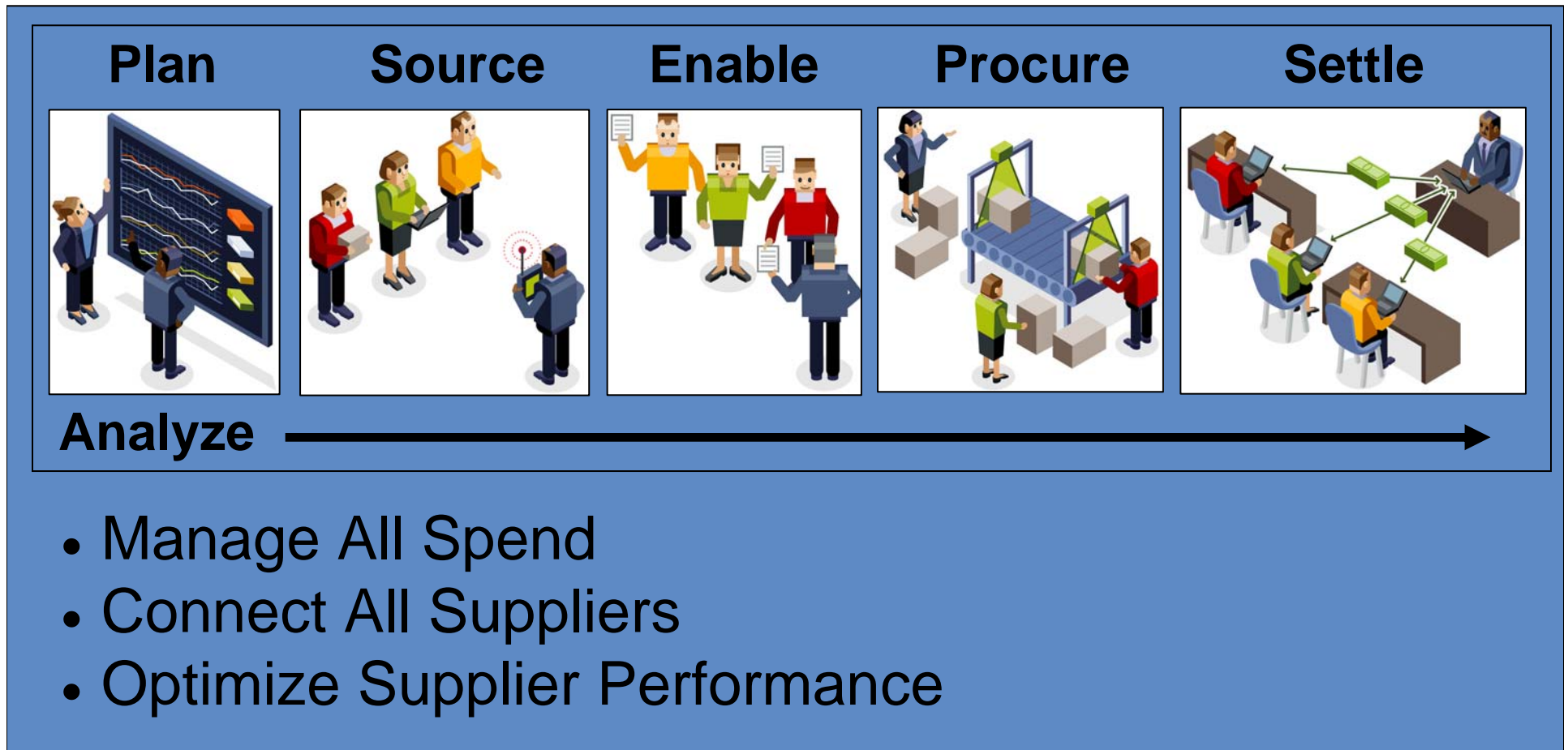


Silo'd  
Point Solutions

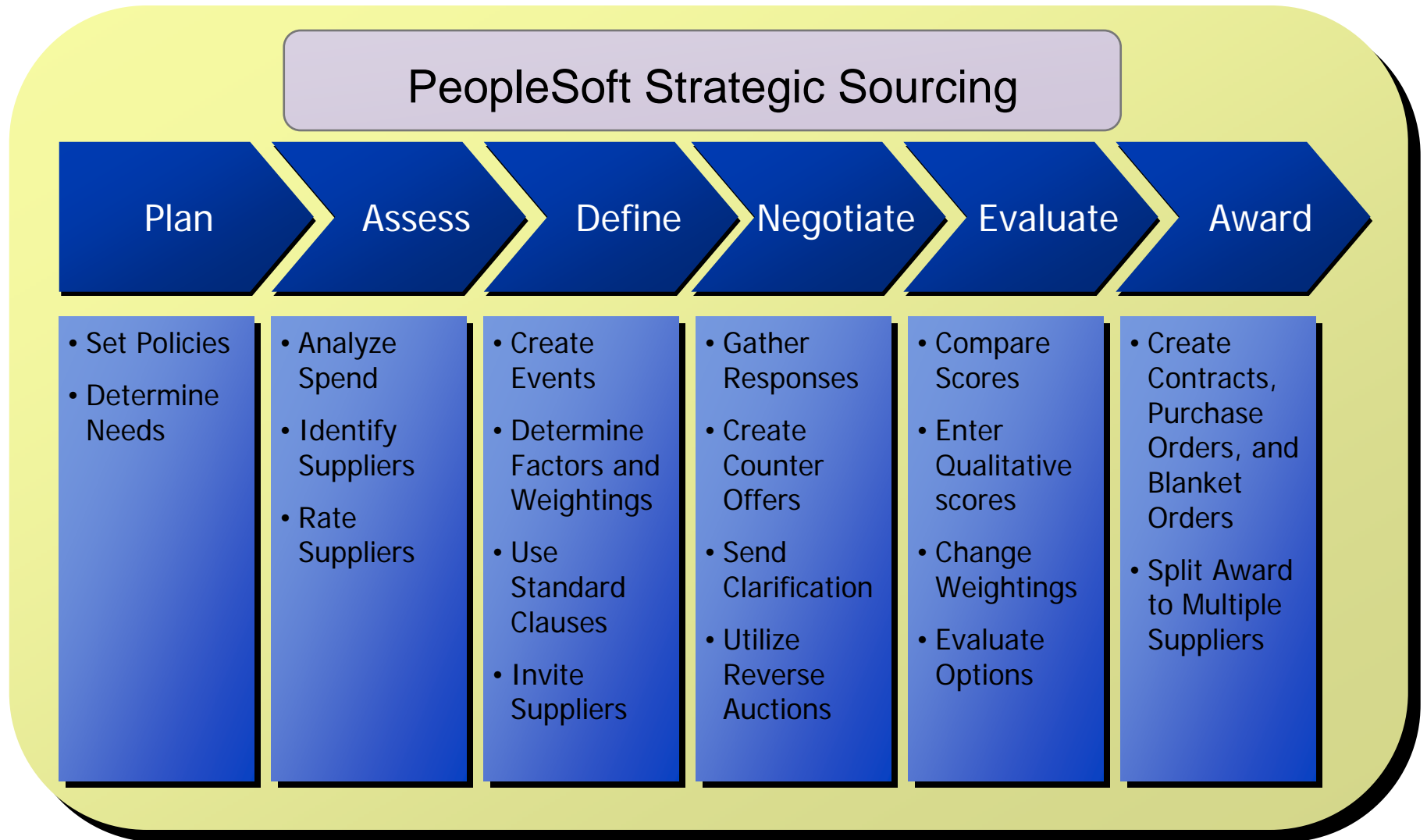
Integrated,  
Cross-Enterprise  
Processes

# SRM Solution Vision

Optimize supplier relationships to gain competitive advantage



# Automate the Entire Sourcing Process



# Why PeopleSoft Strategic Sourcing?


**Fully Integrated Solution**

**Robust Functionality**

**No Subscription, Transaction, or  
Supplier Fees**

**Stand-alone Capabilities**

- Spend Analysis
- Goods and Services Sourcing
- Private and Public Events
- Competitive, Blind, and Sealed Bids
- Bidder Self Service Registration
- Sourcing Templates



# Questions & Answers

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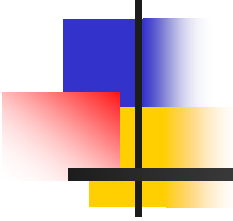




# Wrap Up

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Poll: How would you rate the content of the Webcast?

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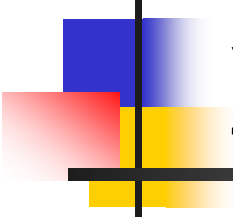
**Poor**

**Fair**

**Good**

**Very Good**

**Excellent**



Poll: Did the program meet  
your learning objectives?

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Yes

No

Somewhat

Poll: How would you rate the ease of participating on the Webcast?

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Poor

Fair

Good

Very Good

Excellent



**institute for  
supply management**



# Poll: Would you participate in another Webcast?

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Yes

No

Maybe



# Contact Information

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**Thank You for attending this Webcast!**