
Welcome to the P-STRAT Simulation Experience!

Interactive, Real-Time Procurement Strategy Simulation

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Executive Summary

- Intense 2-day learning experience
 - Formulate and execute a supply strategy
 - Apply supply management tools
- Can be intertwined with lectures, group discussions and team presentations for optimized learning impact
- The simulation can sit alongside, or be woven into, a client's own learning material
- As a client said, "It raises people above the transaction mentality"
- Users of P-Strat include Alcoa Europe, British Telecom, Gillette International, GKN, Kraft International, InBev, Lloyds TSB, Phelps Dodge Mining, Unilever International

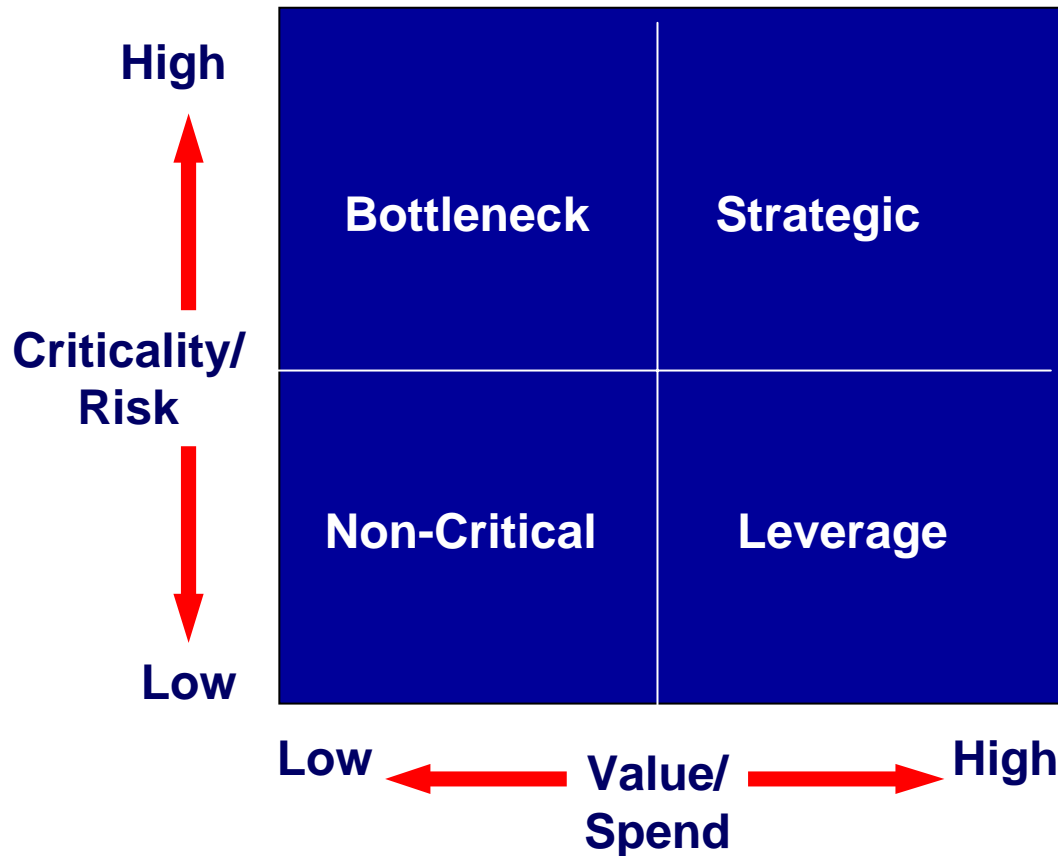
The Simulated Supply Environment

- Four teams, each representing one of four competing mobile phone companies
- Take over “steady state” sub-optimal sourcing situation
 - Different sourcing patterns
 - Incumbent suppliers
- Goals: *progress and improve*
 - *Price-quality-delivery mix based on strategic considerations*
- Success depends *totally* on quality of supply decisions
- No marketing/sales decisions

The Participants' Tasks

- Map spend and assess criticality of supply
- Gather supply market & supplier intelligence
- Formulate and execute strategies
- Execute supply management initiatives
- Apply strategically-appropriate tools & techniques (*right tool-right supplier-right sequence*)
- Assess and select suppliers (price-quality-service mix)
- Analyze results
- Manage components and finished goods inventory
- Present business plan to CEO (Instructor)

Formulating Strategies (Kraljic Matrix)

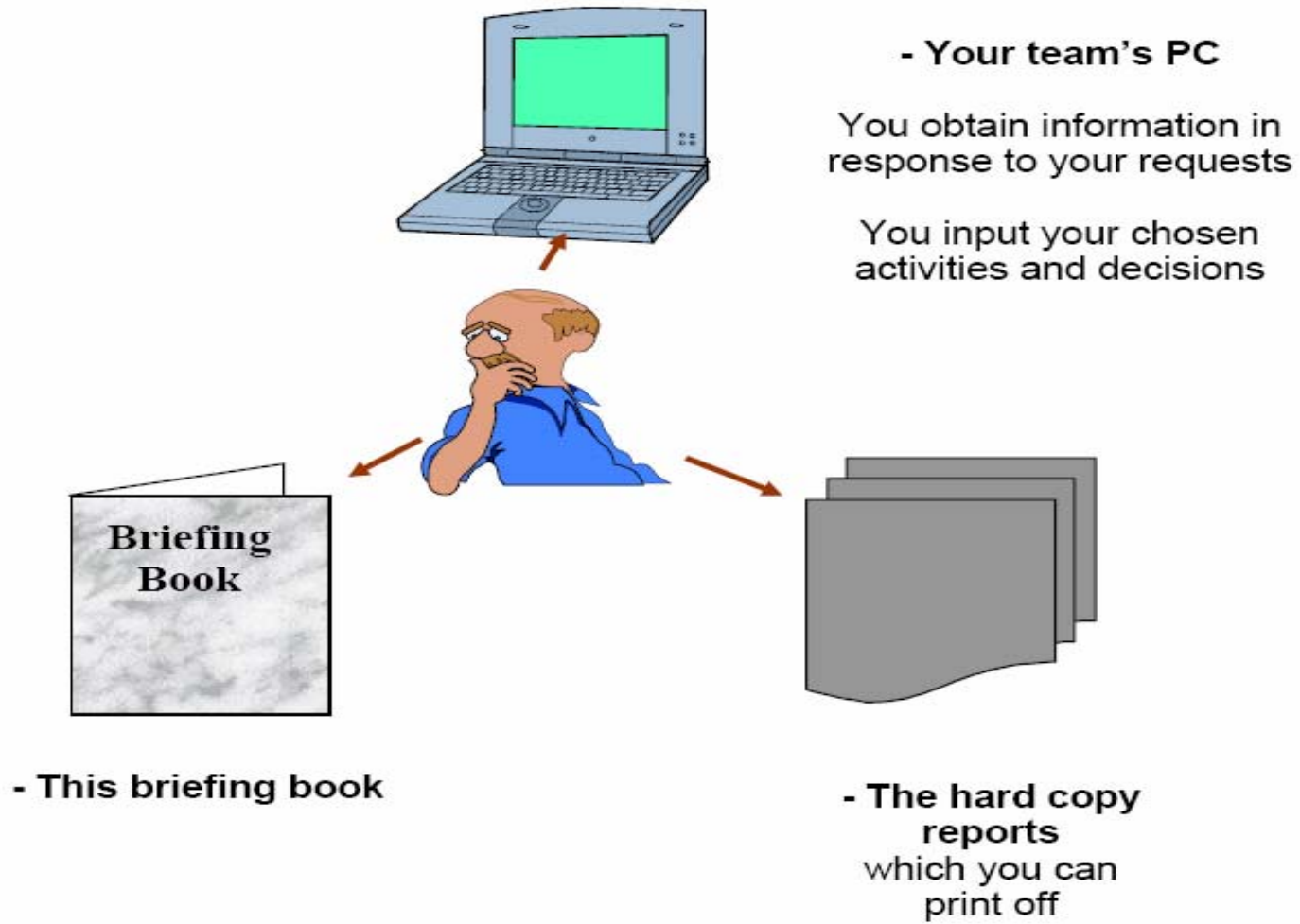


- Teams agree on quadrant
 - Assess Value
 - Assess Criticality
 - Assign to Quadrant
- Identify quadrant goals
- Develop strategies
- Present to CEO (facilitator)

The Setup ~ Learning Environment

- 5 rounds representing 5 trading periods
- Over 17 intelligence-gathering options available
 - Consumer satisfaction report
 - Investigate suppliers outsourcing practices
- Over 19 supply tools/initiatives available
 - Price benchmarking
 - Bundle deals

Sources of Intelligence



INTELLIGENCE-GATHERING OPTIONS

These are displayed in intelligence window on-screen

- 1 Request for information to an individual supplier**
- 2 Request for price quotations from suppliers**
- 3 Latest consumer satisfaction report**
- 4 Feasibility study - Use of price benchmarking**
- 5 Management investigation - Long-term contracts**
- 8 Management investigation - Bundle deals**
- 6 Management investigation - Financing deals**
- 7 Management investigation - Rationalization of suppliers**
- 9 Feasibility study - Supplier quality assessment (SQA)**
- 10 Investment bank report - Currency forecasts and hedging**
- 11 Investigation into suppliers' delivery contractors**
- 12 Management study of call centre contract**
- 13 Management study of distribution contract**
- 14 Management study of facilities contract**
- 15 Feasibility study - Use of online auctions**
- 16 Feasibility study - Use of benchmarking of suppliers' costs**
- 17 Investigation into suppliers' outsourcing practices**

SUPPLY INITIATIVES LIST ('LEVERAGE TOOLS')

These not on-screen - require release of secret code number

- 1 Execute supplier price benchmarking
- 2 Execute long-term contracts with supplier
- 3 Execute bundle deal with supplier
- 4 Execute Supplier Quality Assessment confidential study
- 5 Execute Supplier Quality Assessment collaborative activity
- 6 Execute supplier rationalisation
- 7 Execute financing deal (vendor financed inventory)
- 8 Execute currency hedging for euro currency
- 9 Execute switch of supplier delivery subcontractor
- 10 Execute call centre benchmarking project
- 11 Execute distributor benchmarking project
- 12 Execute facilities benchmarking project
- 13 Request tenders for call centre contract
- 14 Request tenders for distribution contract
- 15 Request tenders for facilities contract
- 16 Set up E-tender/reverse auction event
- 17 Run E-tender/reverse auction event
- 18 Execute supplier cost benchmarking
- 19 Execute switch to direct sourcing from tier 2 supplier

P-STRAT Local Area Network updates every 30 seconds!

Team computers are connected to the tutor's PC

Activities consume company management time and budget; these are limited
- must prioritise

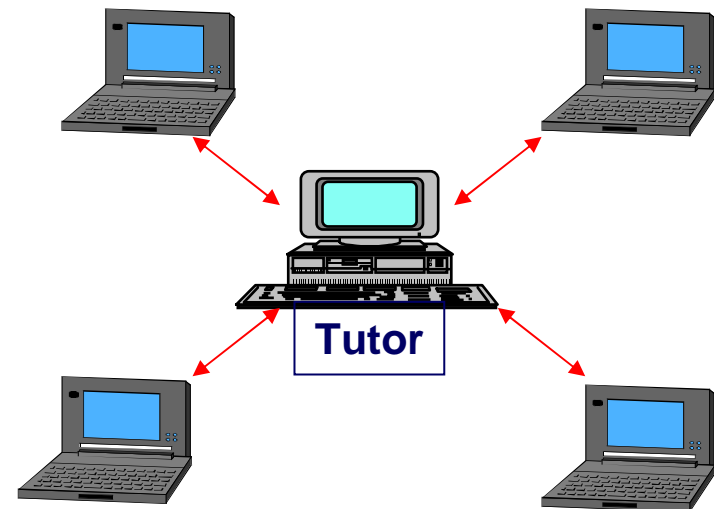
Link with supply markets and end-customer marketplace

Intelligence-gathering, procurement initiatives, purchasing decisions in real-time

What teams do affects situation and affects the other teams
– it's interactive!

Deadlines by which all decisions must be executed

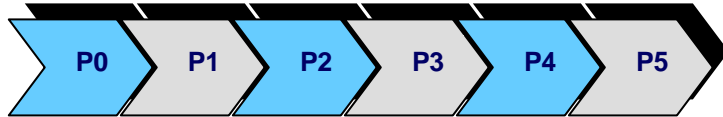
Chip spot prices, messages displayed on screen, vary in real time



Documents, not just statistics, flow across the network

Typical Simulation Progression

A series of trading periods each with a deadline . . .

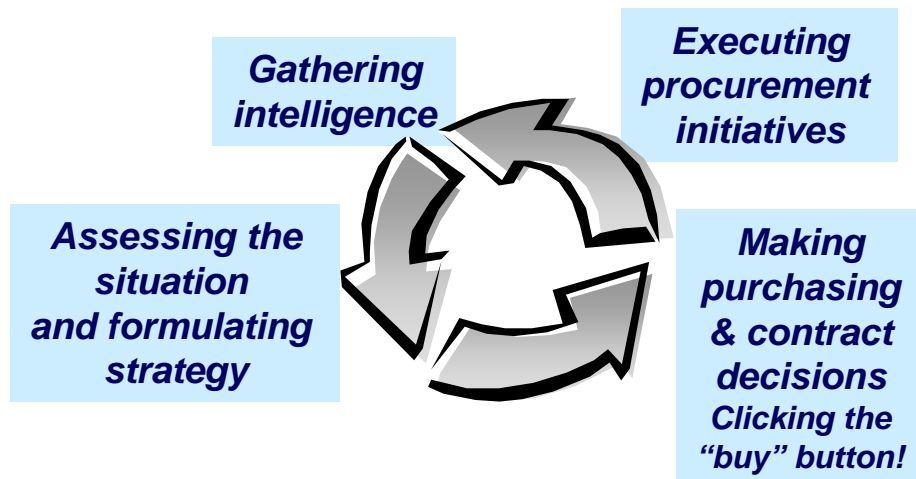


Periods will speed up

With breaks for discussions
on participants' thinking

Plus team's present strategies
to facilitator (acting CEO)

Within each activity period teams will be . . .



Brainpower and teamwork is more important than the computer...



... the computer is a means of executing activities!

. . . after deadline results & reports will be fed back for that period

Metrics for Improvement

- Sales Revenue
- Component Costs
- Production Efficiency
- Operating profit
- Impact of Poor Quality
- Customer Satisfaction Levels
- Call Center and Distribution Costs

Simulation Benefits

- Identify, gather, and analyze intelligence for procurement decisions
- Practice developing and executing a supply/procurement strategy
- Assess and select suppliers consistent with the adopted strategy
- Explore how supply management tools can be used to lower cost, improve supplier performance and leverage supplier innovation
- Build teamwork
- Learn *how to* generate commercial benefits and long-term value
- **Leading-edge!**

I hear, I forget

I see, I remember

I do, I understand

Skills Development in Simulation

- People are forced by the momentum of the game to think, act and participate
- Many facets of decision making may be practiced in a simulated environment – and mistakes made are safe !
- Learning is retained due to the intense, competitive, and interactive nature of the event
- Staff from the same or different areas get benefits from working together ~ it is excellent for team-building and the adoption of a common approach
- It is fun!
- **It is globally unique ~ the only simulation 100% supply management**

***Action
Passion
Teamwork
Challenge***

Additional Skill-Development Benefits

- Team Building and Team Dynamics
- Strategy Development and Execution
- Financial Analysis
- Market Intelligence
- Impact of Supplier Quality and Performance
- Risk and Decision Making
- Business Case Presentation

SAMPLE SCREEN SHOTS

Cost of Quality Considerations

| | Cost of returning a defective component \$ | Cost of rework per unit \$ | Cost of handling warranty returns per unit \$ |
|------------------------|---|---|--|
| Low price model | 1.03 | 2.70 | 5.00 |
| Lower-mid model | 1.03 | 3.00 | 5.00 |
| Upper-mid model | 1.03 | 3.90 | 5.00 |
| Premium model | 1.03 | 4.80 | 5.00 |

Indirect Purchase Suppliers

| | Distributors of finished goods |
|----------|---------------------------------------|
| 1 | <i>Drivewell Distribution</i> |
| 2 | <i>Danson Logistics</i> |
| 3 | <i>Dovetail Deliveries</i> |
| 4 | <i>Dobbart Distribution</i> |

| | Facilities Providers |
|----------|----------------------------------|
| 1 | <i>Fab Services</i> |
| 2 | <i>Fairway Services</i> |
| 3 | <i>Faithfull Services</i> |
| 4 | <i>Famous Services</i> |

| | Call Centre Providers |
|----------|------------------------------|
| 1 | <i>Callfine</i> |
| 2 | <i>Callex</i> |
| 3 | <i>Callco</i> |
| 4 | <i>Callcorp</i> |

Microsoft Access - [P-Strat]

FileEditViewInsertFormatRecordsToolsWindowHelp

Type a question for help

Company: BigTel CorpPeriod: Period 1Remaining Budget: 225,000Days: 123.0

Spot Prices for processors (chips):

Low price model:\$3.5245

Lowermid price model:\$4.2797

Uppermid price model:\$5.1746

Premium price model:\$6.5455

Course Leader

IntelligenceCompany ReportsSupply InitiativesPurchasing DecisionsContract Decisions

Available:

Request for information to an individual supplierRequest for a price quotationLatest consumer satisfaction reportFeasibility study - Use of eBids / on-line auctionsFeasibility study - Use of price benchmarkingManagement investigation - Long-term contractsManagement investigation - Financing deals

<>

Selected:

Report Parameters

Days:Cost:

CommitHelpReprint SelectedPrint to screen

Already purchased

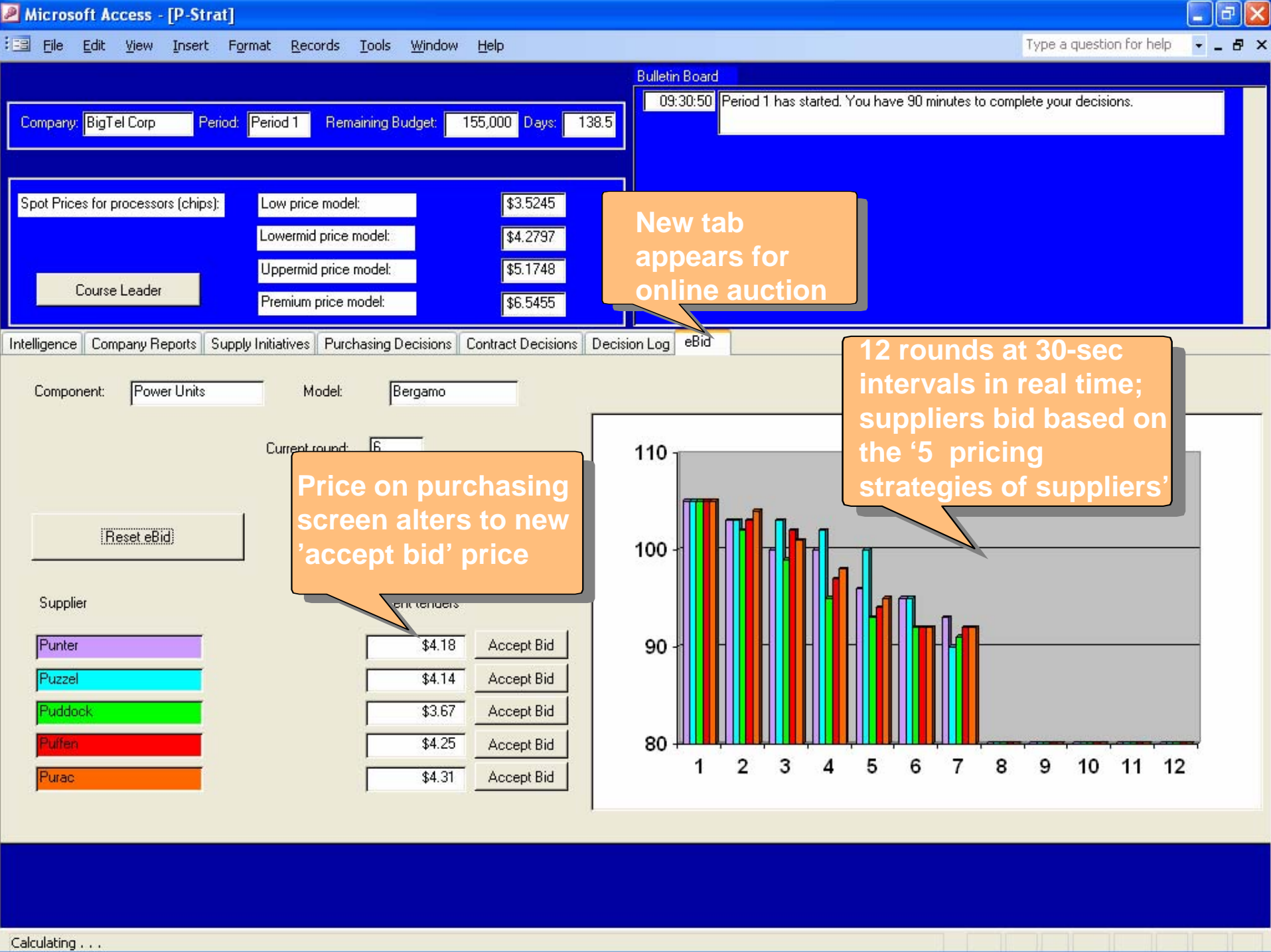
| Period | InfoName | Parameter |
|--------|---|--------------------|
| 1 | Feasibility study - Use of eBids / on-line auctions | |
| 1 | Request for a price quotation | Power Units |
| 1 | Management study of facilities contract | |
| 1 | Request for a price quotation | Handsets |
| 1 | Management investigation - Long-term contracts | |
| 1 | Feasibility study - Use of price benchmarking | |
| 1 | Request for information to an individual supplier | Puffen |
| 1 | Request for a price quotation | Power Units |
| 1 | Request for information to an individual supplier | Dodger |
| 1 | Request for a price quotation | Handsets |
| 1 | Request for a price quotation | Packaging and doc. |
| 1 | Feasibility study - Supplier quality assessment (SQA) | |
| 1 | Management investigation - Bundle deals | |
| 1 | Feasibility study - Use of cost benchmarking | |
| 1 | Request for a price quotation | Power Units |

Remaining resources of budget & department man-days

Current spot prices for chips for the 4 models of phone

Message zone e.g. info about supply disruptions

Form View



Financial Report

Company: BigTel Corp

Period: Period 0

"P-Strat!"

| Product name | Berne | Biarritz | Bergamo | Barcelona | Total |
|-------------------------|---------------------|---------------------|---------------------|---------------------|----------------------|
| Unit Sales | 1,263,182 | 499,665 | 361,722 | 195,305 | 2,319,874 |
| Sales Revenue | \$56,438,974 100.0% | \$25,512,895 100.0% | \$23,085,102 100.0% | \$16,204,444 100.0% | \$121,241,414 100.0% |
| Sales Credits | \$761,926 1.4% | \$191,347 0.8% | \$607,138 2.6% | \$294,921 1.8% | \$1,855,332 1.5% |
| Labour | \$10,716,285 19.0% | \$4,229,968 16.6% | \$3,114,937 13.5% | \$1,653,374 10.2% | \$19,714,564 16.3% |
| Component Costs | \$31,862,761 56.5% | \$15,144,168 59.4% | \$13,219,561 57.3% | \$8,990,065 55.5% | \$69,216,555 57.1% |
| Gross Margin | \$13,098,002 23.2% | \$5,947,412 23.3% | \$6,143,465 26.6% | \$5,266,084 32.3% | \$30,454,963 25.1% |
| Returned component cost | \$241,484 0.4% | \$116,431 0.5% | \$119,694 0.5% | \$39,824 0.2% | \$517,433 0.4% |
| Warranty handling | \$85,265 0.2% | \$18,737 0.1% | \$7,596 0.2% | \$17,773 0.1% | \$169,341 0.1% |
| Re-work cost | \$53,755 0.1% | \$37,875 0.1% | \$5,169 0.2% | \$14,594 0.1% | \$161,693 0.1% |
| Distribution costs | \$1,894,773 3.4% | \$749,468 2.9% | \$542,583 2.4% | \$292,957 1.8% | \$3,479,811 2.9% |
| Hedging costs | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% |
| Operational interest | \$105,485 0.2% | \$89,117 0.2% | \$89,857 0.3% | \$29,816 0.2% | \$254,275 0.2% |
| Warehousing cost | \$64,524 0.2% | \$25,084 0.2% | \$38,057 0.3% | \$14,054 0.2% | \$141,719 0.2% |
| Total Additional costs | \$2,445,285 4.3% | \$1,006,042 3.9% | \$863,927 3.7% | \$409,018 2.5% | \$4,724,272 3.9% |
| SCI and Consulting | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% | \$0 0.0% |
| Facilities cost | \$512,060 0.9% | \$231,474 0.9% | \$209,447 0.9% | \$147,020 0.9% | \$1,100,000 0.9% |
| Call Centre cost | \$605,162 1.1% | \$273,550 1.1% | \$247,528 1.1% | \$173,751 1.1% | \$1,300,000 1.1% |
| G and A overheads | \$6,982,636 12.4% | \$3,195,468 12.4% | \$2,835,091 12.4% | \$2,004,815 12.4% | \$15,000,000 12.4% |
| Total Overheads | \$8,099,857 14.4% | \$3,661,491 14.4% | \$3,313,066 14.4% | \$2,325,586 14.4% | \$17,400,000 14.4% |
| Operating profit | \$2,552,859 4.5% | \$1,279,879 5.0% | \$1,935,473 8.5% | \$2,531,480 15.6% | \$8,330,691 6.9% |

Every line affected by supply management decisions; no marketing or sales decisions; GOAL: OPTIMIZE THE SUPPLY SITUATION BY FINAL PERIOD!

Manufacturing Report

"P-Strat!"

Company: BigTel Corp

Period: Period 0

| Product name | Production | Production efficiency | Defect rate | Rework rate | Warranty rate |
|---------------|------------|-----------------------|-------------|-------------|---------------|
| Berne | 1,284,460 | 94.3% | 3.0% | 1.6% | 1.4% |
| Biarritz | 499,665 | 94.5% | 2.8% | 2.5% | 0.8% |
| Bergamo | 395,671 | 92.9% | 2.9% | 3.6% | 2.6% |
| Barcelona | 206,827 | 94.5% | 2.4% | 1.5% | 1.8% |
| Company Total | 2,386,623 | | | | |

Component Performance Report

Company: BigTel Corp

Period: Period 0

"p-Strat!"

Yields info
on total
cost of
ownership
behind
supply price

| Product name | Supplier | No. ordered | Delivery service | Rejected on inspection | Defect rate | Production efficiency | Total closing stock |
|--------------------|----------|-------------|------------------|------------------------|-------------|-----------------------|---------------------|
| Power Units | | | | | | | |
| Berne | Pizzel | 1,500,000 | 94.00% | 2.97% | 0.14% | 95.00% | 215,540 |
| Barnitz | Pirac | 600,000 | 91.00% | 5.85% | 0.17% | 96.00% | 100,335 |
| Bergamo | Paddock | 480,000 | 94.00% | 8.25% | 0.25% | 92.00% | 84,329 |
| Bardelona | Pizzel | 240,000 | 94.00% | 2.97% | 0.14% | 95.00% | 33,173 |
| Handsets | | | | | | | |
| Berne | Harco | 1,500,000 | 91.00% | 2.97% | 0.66% | 99.00% | 215,540 |
| Barnitz | Harcom | 600,000 | 93.00% | 4.68% | 0.45% | 98.00% | 100,335 |
| Bergamo | Hararo | 480,000 | 94.00% | 3.15% | 0.85% | 95.00% | 84,329 |
| Bardelona | Harcom | 240,000 | 93.00% | 4.68% | 0.45% | 98.00% | 33,173 |
| Transceivers | | | | | | | |
| Berne | Trinco | 1,500,000 | 94.00% | 2.94% | 1.60% | 96.00% | 215,540 |
| Barnitz | Trinco | 600,000 | 94.00% | 2.94% | 1.60% | 96.00% | 100,335 |
| Bergamo | Trex | 480,000 | 93.00% | 3.09% | 1.20% | 97.00% | 84,329 |
| Bardelona | Trex | 240,000 | 93.00% | 3.09% | 1.20% | 97.00% | 33,173 |
| Packaging and doc. | | | | | | | |
| Berne | Dobson | 1,500,000 | 93.00% | 3.75% | 0.09% | 96.00% | 215,540 |
| Barnitz | Dodel | 600,000 | 94.00% | 2.37% | 0.08% | 97.00% | 100,335 |
| Bergamo | Dodger | 480,000 | 91.00% | 6.72% | 0.09% | 95.00% | 84,329 |
| Bardelona | Dodel | 240,000 | 94.00% | 2.37% | 0.08% | 97.00% | 33,173 |
| Processors (chips) | | | | | | | |
| Berne | Clamp | 1,500,000 | 91.00% | 3.00% | 0.50% | 98.00% | 215,540 |
| Barnitz | Clie | 600,000 | 94.00% | 3.00% | 0.50% | 98.00% | 100,335 |
| Bergamo | Clamp | 480,000 | 91.00% | 3.00% | 0.50% | 98.00% | 84,329 |
| Bardelona | Clamp | 240,000 | 91.00% | 3.00% | 0.50% | 98.00% | 33,173 |

