

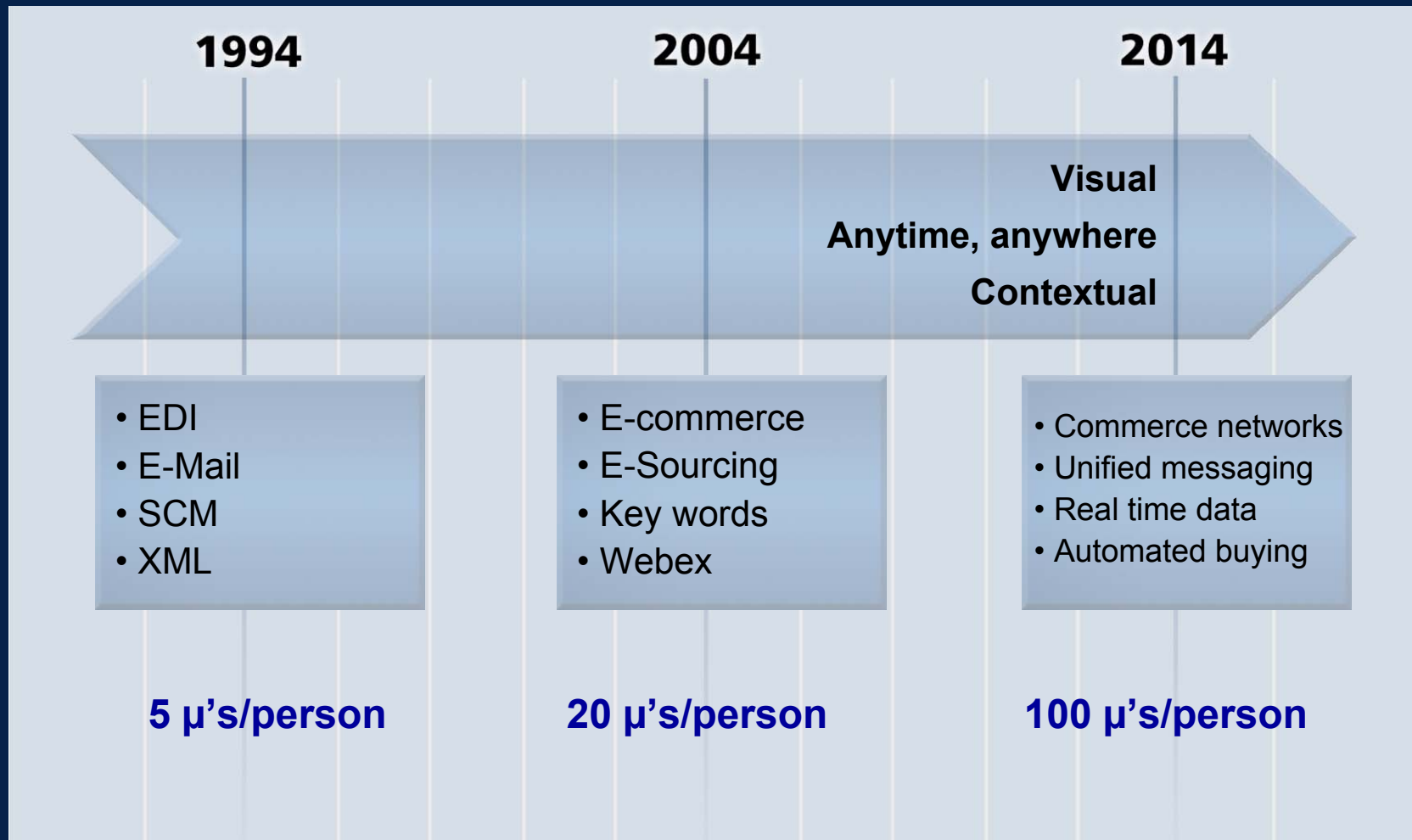


# The Future of eProcurement Services Supply Management

Fabio Rosati, Elance Inc.

ISM Conference, Dec. 2, 2004

# From 5 to 20 to 100 Microprocessors/Person



# From In-house to External

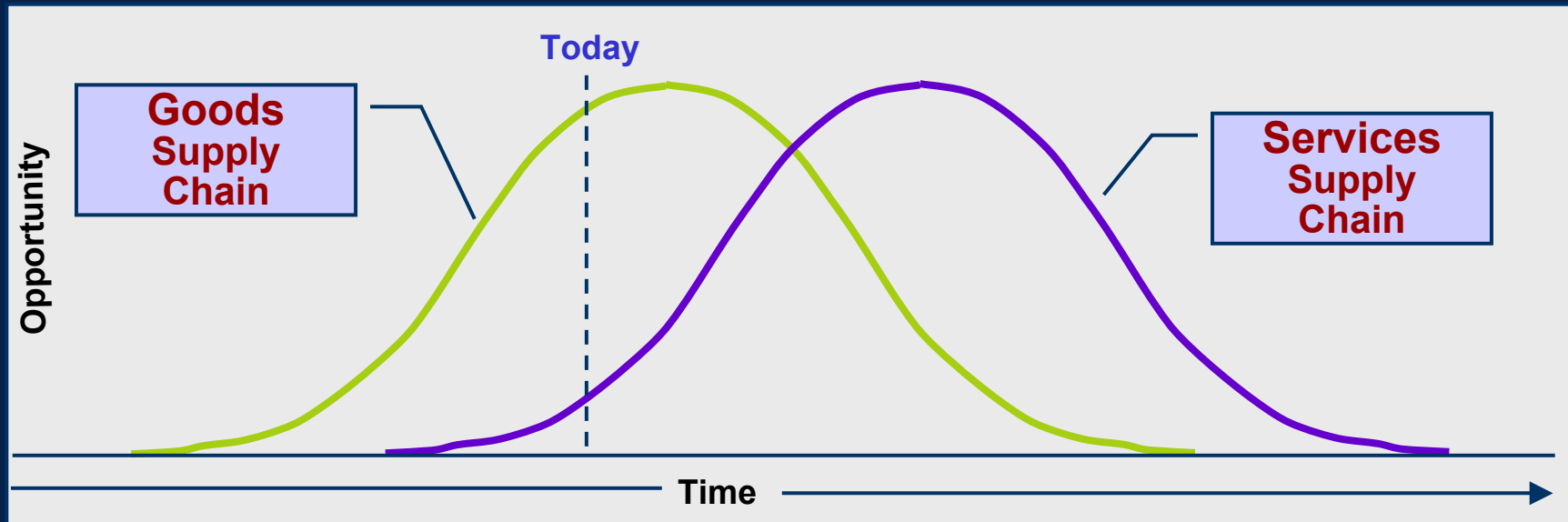
Enterprise  
Cockpit



## External services:

- 30% to 80% of spend
- 24% CAGR
- 100s of interactions/day
- 1000s of contractual expectations

# From Goods to Services Supply Management



- More products sold as a service
- More complex external services
- More value realized, or lost, during delivery

# **Fortune 100 Six-Sigma “As-Is” Summary: Management of External Resources and Services**

- **Not channeling spend to right categories**
- **Not enough competitive bidding on each engagement**
- **Not able to generate order trail for many engagements**
- **Insufficient compliance with policies and contract terms**
- **Difficulty in capturing negotiated discounts, penalties**
- **Too many defects on invoices**
- **Difficulty in managing change orders**
- **Inadequate data on spend and supplier performance**
- **Misclassification risks, security risks, SOX exposure**



# The case for addressing Services Supply Management is increasingly compelling

<b>Elace Case Study</b>	<b>Initial Spend Target</b>	<b>Categories to Date</b>	<b>Impact</b>
<b>Financial Services F100</b>	<b>\$1B+</b>	<b>Print, Consulting, Marketing, Contingent Labor, Advertising</b>	<b>&gt;10% Savings Compliance</b>
<b>Energy F10</b>	<b>\$600m</b>	<b>IT, Consulting, Offshore Outsourcing</b>	<b>&gt;5% Savings Compliance</b>
<b>Diversified F10</b>	<b>\$2B+</b>	<b>IT, Consulting, Software, Industrial, Contingent Labor, Off-shore</b>	<b>&gt;10% Savings Compliance</b>
<b>Consumer F100</b>	<b>\$500m</b>	<b>IT, Software, Facilities, Consulting, HR</b>	<b>&gt;10% Savings</b>
<b>Utility F200</b>	<b>\$1B+</b>	<b>Engineering, Asset Maintenance, Construction</b>	<b>Compliance Savings (&gt;300% ROI Y1)</b>
<b>High Tech F200</b>	<b>\$400M</b>	<b>Design, Light Industrial, Marketing, Consulting</b>	<b>Compliance Savings (&gt;270% ROI Y1)</b>

# Over 1,500 Suppliers Enabled by SSM

Offshore Outsourcing	 Consider IT Done®	 World Wide Technology. World Class Solutions.	 What Business Demands	 A GE Equity Strategic Investment	 POWERED BY INTELLIGENCE DRIVEN BY VALUES		 Applying Thought
Temporary Labor	 PROFESSIONAL STAFFING					 we get IT done.	
IT Consulting		 EXPERIENCE. RESULTS.	 a division of NCR	 microsystems	 Imagine it. Done.		
Facilities				 The Office Environment Resource			
Management Consulting							
Print & Direct Marketing			 SINGLE SOURCE. MULTIPLE SOLUTIONS.		 NORTH AMERICAN COMMUNICATIONS		
Software							

# **Top Trends in Services Supply Management**

- 1. Process Mapping**
- 2. Control of the Services Contract**
- 3. Standardization**
- 4. SSM Technology**
- 5. Transactional Sourcing**
- 6. Real-time Performance Tracking**
- 7. Digital “reputation”**
- 8. Real-time 4-way match, invoice elimination**
- 9. Security Systems Integration**



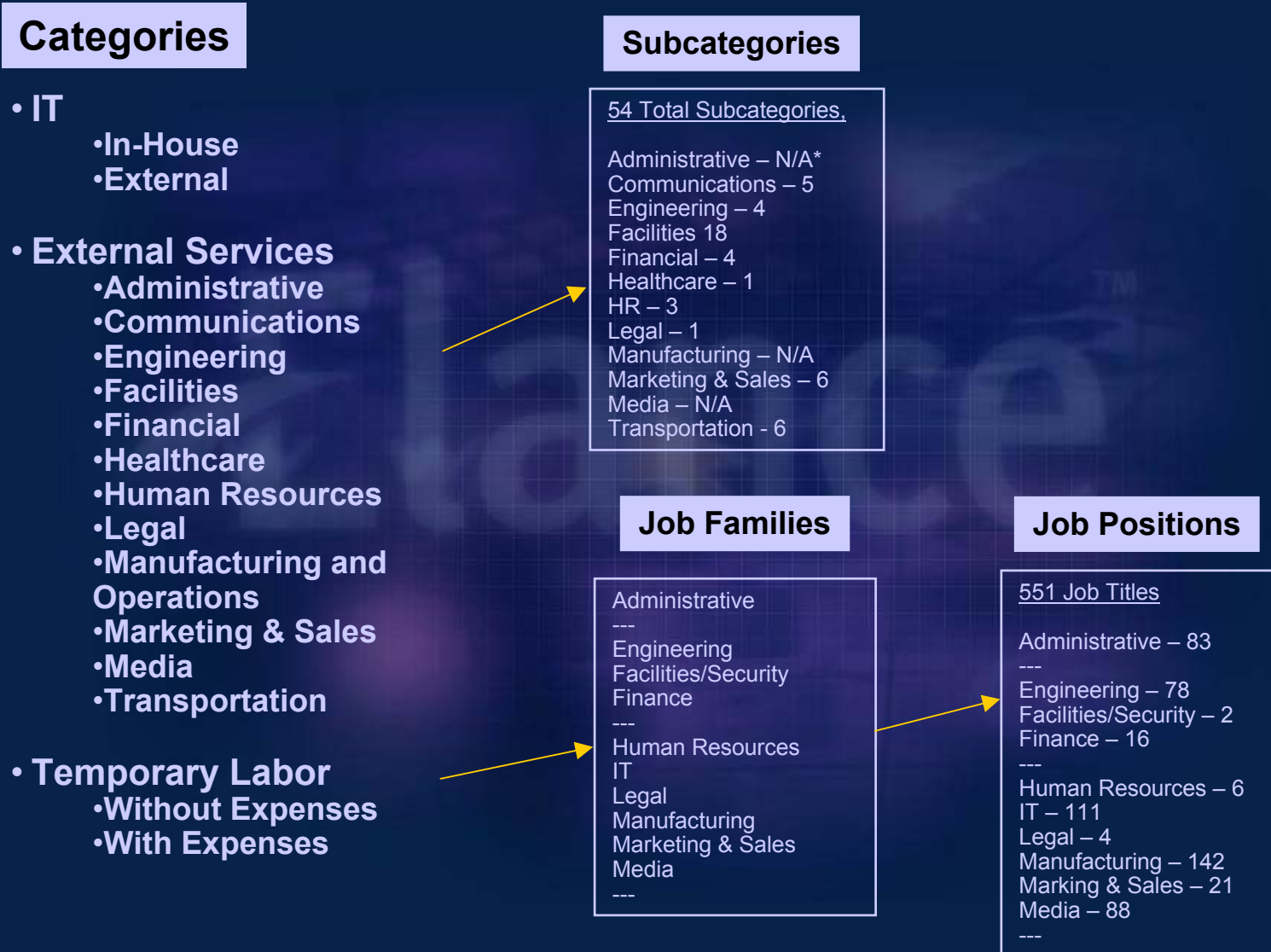


# Gaining Control of the Service Contract

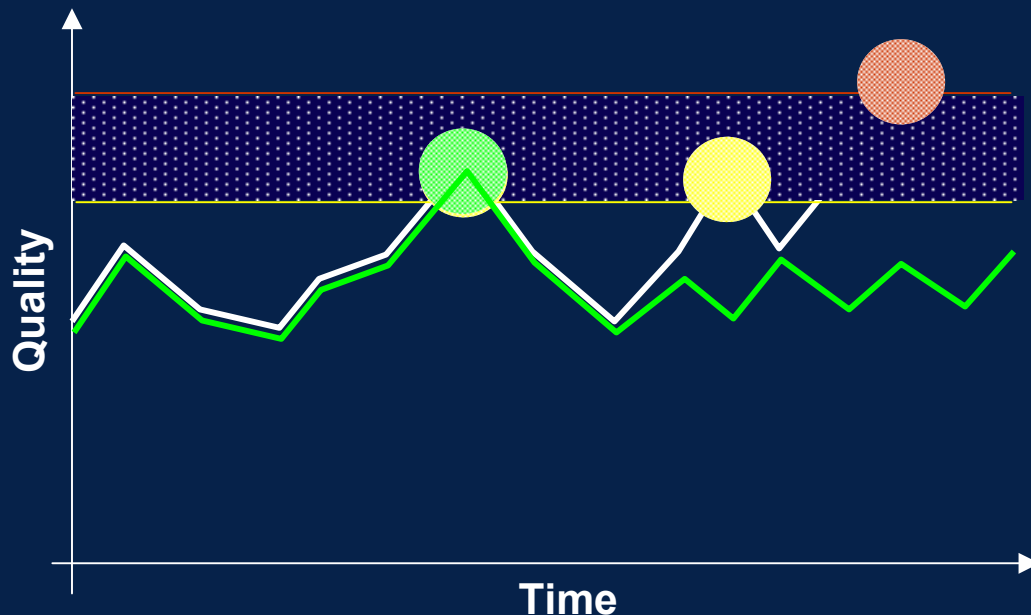
The Elance Services Matrix™

SERVICES CONTRACTS			
	Complex		
	<b>Retained Relationships</b> <ul style="list-style-type: none"> <li>• Ad Agency</li> <li>• PR</li> <li>• Legal</li> </ul>	<b>Service Level Agreements</b> <ul style="list-style-type: none"> <li>• Data Centers</li> <li>• Network Ops</li> <li>• Call Centers</li> </ul>	<b>Custom Specifications</b> <ul style="list-style-type: none"> <li>• Facilities</li> <li>• Print</li> <li>• Clinical Trials</li> </ul>
	Simple		
	<b>Contingent Staffing</b> <ul style="list-style-type: none"> <li>• IT</li> <li>• Administrative</li> <li>• Light Industrial</li> </ul>	<b>Milestones</b> <ul style="list-style-type: none"> <li>• Mgmt Consulting</li> <li>• IT Projects</li> <li>• Market research</li> </ul>	<b>Volume based</b> <ul style="list-style-type: none"> <li>• Telemarketing</li> <li>• Vegetation Mgmt</li> <li>• Lab Services</li> </ul>
		Time-Based	Deliverables-Based
			Units (UOM)-Based
		SERVICE TYPE DEFINITION	

# Standardization...Categories, Processes, Metrics



# Real-Time Performance Tracking



## 1. Supplier quality metrics

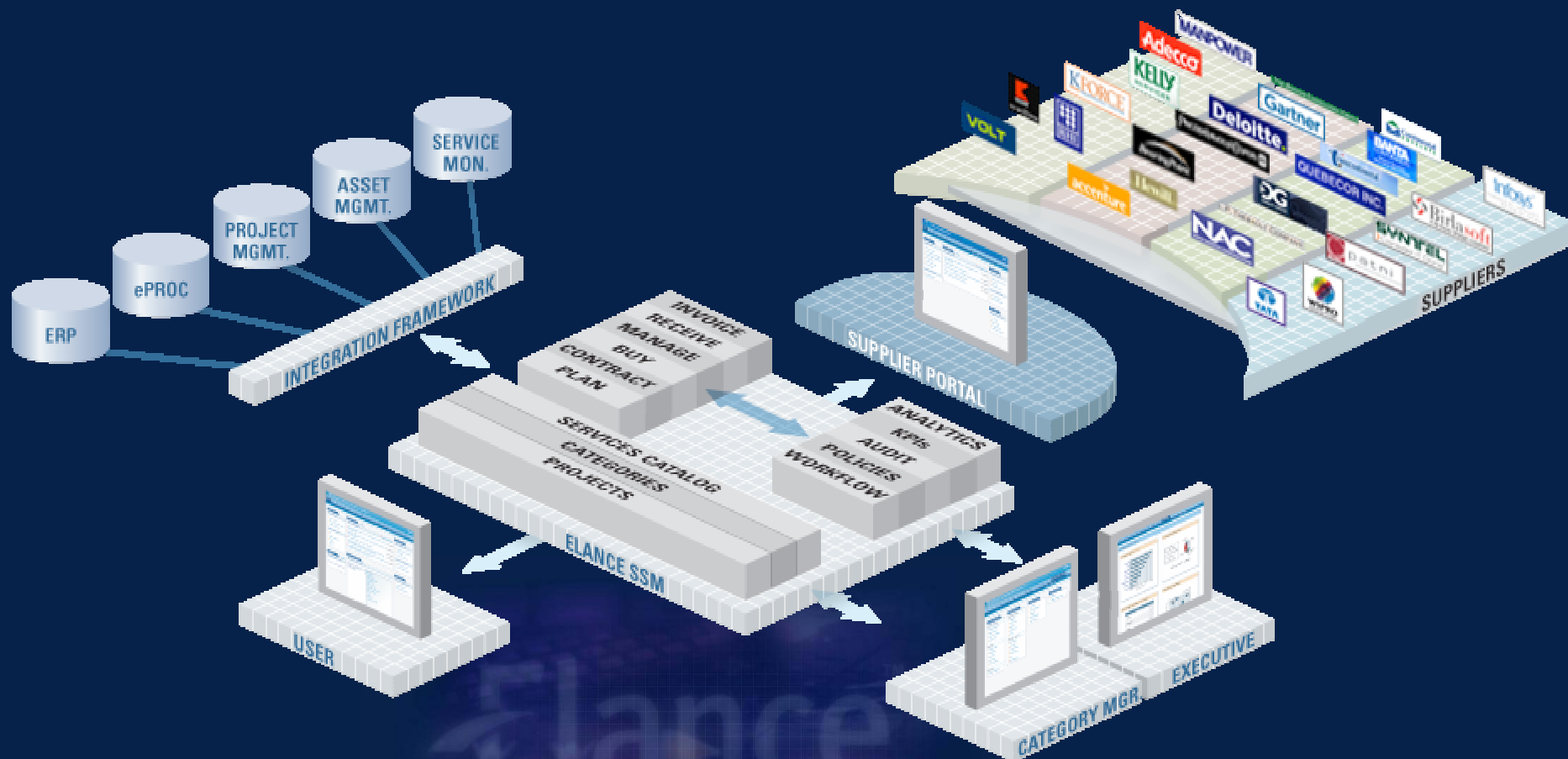
E.g.:

- *Lead time*
- *Fill Rate*
- *Change Orders*
- *Cost vs. Estimate*
- *Delivery Performance*

## 2. Thresholds for notifications on supplier performance

## 3. Actions to improve supplier performance and minimize risk

# Services Supply Management Technology



# Services Supply Management: Recap

## Reduce Cost (8% to 17% of Spend)

- Manage spend
- Buy the right service at the best terms
- Capture discounts
- Enforce penalties
- Eliminate billing errors

## Improve Performance

- Standardize
- Track Performance
- Capture Feedback
- Act

## Ensure Compliance

- Follow policy, process
- Use approved suppliers
- Enforce contract terms
- Match contracts to invoices
- Maintain records and audit trails

Enterprise  
Cockpit

IT

Consulting

Marketing

Facilities

Contingent Staffing

Offshore

Engineering

Operations

Process Outsourcing

INTERNAL  
RESOURCES

PREFERRED  
VENDORS

SPOT  
VENDORS