

TOPS

Thomson Optimized Purchasing Services



Managing Customer and Supplier Relationships Through Technology

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AGENDA

- The Thomson Corporation Overview
- The TOPS Program
- Internal and External Challenges
- A Technology Solution
- Benefits
- Case Study: Microsoft Select Licensing Agreement
- TOPSinfo.com Demo
- Results
- Questions and Discussion



CORPORATE OVERVIEW

- 1997 annual sales of \$6 billion USD
- Publicly held corporation with headquarters in Toronto, Canada
- United States operations headquartered in Stamford, Connecticut
- Approximately 400 locations worldwide
- 35,000 employees



CORPORATE OVERVIEW

- Core Market Sectors
 - Legal and Regulatory
 - Information and software-based solution to law, tax, accounting, corporate finance and human resource professionals
 - Financial Services
 - Proprietary information services and work solution for the global financial community



CORPORATE OVERVIEW

- Core Market Sectors (cont'd)
 - Educational Publishing
 - Textbooks and related multimedia products designed to provide total teaching and learning solutions to the higher education (college through graduate level), US school (grades 9 to 12) and US career publishing markets
 - Healthcare Information
 - Clinical and economic healthcare information to industry purchasers, providers, payers, pharmaceutical companies and government organizations as well as individual practitioners



CORPORATE OVERVIEW

- Core Market Sectors (cont'd)
 - Reference, Scientific and Business
 - High value information and services to researchers in specific segments of the academic, business, scientific and government marketplaces
 - North American Newspapers
 - Marketing and communications company that provides information-based products and services in 37 regional marketplaces in the US and Canada



CORPORATE OVERVIEW

- Corporate Vision
 - To become the world's foremost information and information publishing business.
 - To increase shareholder value substantially on a continuing basis by achieving superior growth and leadership positions in our targeted markets.



CORPORATE OVERVIEW

- Corporation Characteristics
 - Decentralized
 - Distributed financial accountability
 - Focus on quarterly/annual results
 - Growth by acquisition
 - Companies range from small start-ups (10 employees) to large, established businesses (1000+ employees)



CORPORATE OVERVIEW

- Corporation Characteristics (cont'd)
 - Minimal communication among businesses, both within and outside of divisions
 - Local and regional supplier relationships compete with nationally-based suppliers or contracts
 - Multiple contracts with same supplier
 - Lack of purchasing leverage



TOPS PROGRAM

- Profile
 - Resources: Team of 8 people working with Thomson businesses to select suppliers to maximize quality and service levels while minimizing cost
 - Approach: To team with business units within Thomson that have knowledge or experience in specific areas in order to identify leveraging opportunities
 - 1996: First full year of operation.



TOPS PROGRAM

- Mission

To leverage Thomson's aggregated purchasing volume by securing agreements with world-class suppliers who provide the maximum value with respect to cost, customer service and quality and to assist Thomson companies in effectively utilizing these agreements.



TOPS PROGRAM

- Operating Principles
 - Strategic, not operational
 - Direction comes from internal customers
 - Avoid volume commitments, prepaid agreements and rebates
 - Discourage supplier “cold calls” to Thomson-owned companies



CHALLENGES

- Internal Customer: Thomson-Owned Entities
 - Decentralized culture and diverse business requirements
 - Decisions made at the market group level
 - “Not invented here” syndrome
 - Difficult to identify “who’s doing what to whom”
 - No common communication or financial systems platform
 - Dynamic pattern of acquisitions and divestitures



CHALLENGES

- External Customers: Suppliers
 - Difficult to determine what companies are owned by Thomson and what their expenditures are
 - Multiple points of contact for a single supplier
 - Multiple suppliers in each commodity area
 - Scope of contract coverage is dependent on supplier's service area as appropriate
 - Competitors co-exist within Thomson
 - Suppliers may be customers



TOPS EXTRANET



TECHNOLOGY

“For some of you, the only thing scarier than the Internet is an intranet . . . At HP we’ve discovered that an intranet is more than a bunch of technologies. It’s about integrating new technologies into your corporate infrastructure.”

Lew Platt, CEO

Hewlett-Packard Company

BusinessWeek Futures Executive Conference

December 5, 1996



TECHNOLOGY

- Selection Criteria
 - Thomson environment
 - Corporate culture
 - Security requirements
 - TOPS' goals and objectives
 - Cost
 - Development cycle



TECHNOLOGY

- Options
 - Access databases
 - Lotus Notes
 - Internet
 - Intranet
 - Extranet



TECHNOLOGY

- Selected Technology: Extranet
 - Web site accessible by Netscape Navigator or Microsoft Internet Explorer
 - Password protected - two levels of security for company confidential information
 - Delivers real-time information globally on a 7x24 basis
 - Lotus Notes databases and Lotus Domino server software



TECHNOLOGY

- Content
 - Contract summary information
 - Contract abstracts
 - Pricing
 - Contract bulletins
 - Publications
 - Discussion forum
 - Purchasing contacts directory



BENEFITS

- Benefits
 - Provide consistent information
 - Manage supplier/customer information
 - Enhance customer service
 - Deliver quick reference information
 - Develop a purchasing community
 - Utilize common communication platform



CASE STUDY

- Microsoft Select Licensing Agreement
 - Utilizing technology to:
 - negotiate the agreement
 - market the agreement
 - manage the agreement



CASE STUDY

- Negotiating the Agreement
 - Developing requirements
 - Identifying sources
 - Selecting a source(s)
 - Finalizing the agreement



CASE STUDY

- Marketing the Agreement
 - Announcing the agreement
 - Publishing contract summary information and supporting documentation



CASE STUDY

- Managing the Agreement
 - Collecting feedback
 - Communicating modifications and updates
 - Monitoring usage
 - Reengineering



RESULTS

- Communication
 - Ease of use
 - Efficient
 - Cost effective
 - “One stop shopping” for all published information
 - Over 1,000 registered users



RESULTS

- Supplier/Customer Management
 - Establish and maintain strong relationships with suppliers and customers
 - Conduct periodic contract reviews
 - Create Thomson Purchasing Summit
 - Provide purchasing education through Thomson University
 - Promote best practices



RESULTS

- Consistency
 - Documents are created with suppliers
 - Documents are shared with suppliers and internal customers
 - Documents share common “look and feel”



RESULTS

- Leverage
 - Better data capture
 - More internal communication with and among customers
 - Stronger lines of communication with supplier and customers
 - Identify new opportunities



TOPS PROGRAM RESULTS

- 96% participation in Travel Services program
- Over 100 agreements negotiated to date
- Approximately \$200 - \$300 million in expenditures captured under Thomson-wide agreements
- \$60 million in incremental savings realized since program's inception
- Program delivers 35 times its cost in savings

