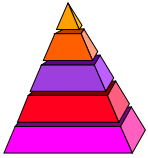




# Using Knowledge-Based Supply Chain Management to Rationalize Your Supply Base

“Putting your knowledge to work”

**Joyce H. Mayer, C.P.M.**  
**Bausch & Lomb**  
**November 28, 2001**



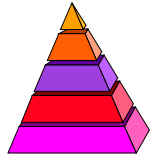
# ISM Conference

## November 28, 2001

### *AGENDA*

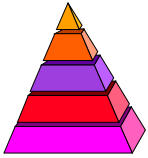
- Understand Spend
- Global Sourcing Strategy
- How to Get There
- Results and Conclusion
- Q and A

# Understand Your Spend!



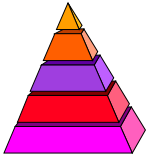
- **HOW MUCH** do you spend?
- **WHO** do you spend with?
- **WHAT** do you spend it on?
- **WHERE** are leveraging opportunities?

# Personal Checkbook Analogy



- When did **YOU** write your last personal check for \$5,000?
- To whom?
  - You need to know, in order to manage personal finances

# Personal Checkbook Analogy

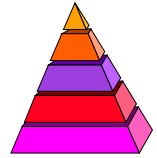


- When did **YOUR COMPANY** write its last check for \$500,000?
- To whom?
  - You need to know, in order to manage your company's profitability

SHOW ME THE  
MONEY!!!



# Results

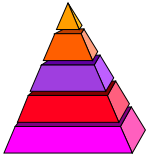


- 10% Annual Cost Savings with Spend Categories Engaged
- 19% Reduction in Suppliers
- 25% Engaged

**FUTURE OPPORTUNITIES!!!**

# ISM Conference

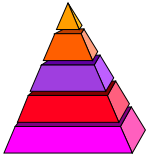
## November 28, 2001



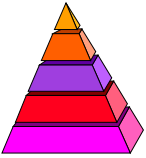
- ***Understand Spend***
- Global Sourcing Strategy
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- Q and A



# Understand Spend: ***Opportunity Assessment***



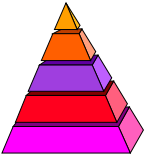
- How **MANY** Suppliers?
- What **CATEGORIES** of Spend?
- **WHO** are your Top Suppliers?
- Uncover your **OPPORTUNITIES** !



# Strategic Thinking

20,000 Suppliers  
Hierarchical Listing:

- Transactional
- Strategic
- Extended  
Enterprise

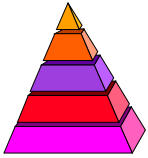


# Understand Spend: ***Spend-Risk Matrix***



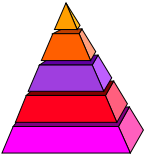
# Understand Spend:

## ***Transactional -- P-Card***



- Eliminated **10,000** Transactions a Month!
- **\$20** Million in Spend
- Electronic Funds Transfer (EFT)

# Understand Spend: ***Process Improvements***

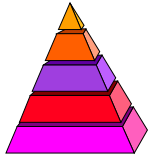


- **No** more Purchase Orders
- **No** more Receivers
- **No** more Invoices
- **No** more 3-way Matches
- **No** more Checks

**SAVINGS! SAVINGS! SAVINGS!**

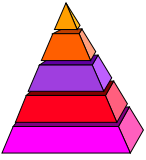
# ISM Conference

## November 28, 2001



- Understand Spend
- ***Global Sourcing Strategy***
- How to Get There
- Results
- Q and A

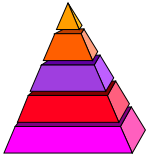
# Global Sourcing Strategy



- Understand Spend
- ***Global Sourcing Strategy***
  - ***Strategic Sourcing***
  - ***Extended Enterprise***
  - ***Risk Mitigation***
  - ***E-Commerce***

# Global Sourcing Strategy:

## ***Strategic Sourcing***

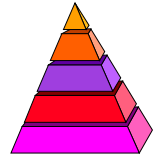


- Long Term Agreements
- Year over Year Improvements
- Future Business Stability
- Developing B2B Relationships
- Execute CPFR -- Collaborative  
Planning, Forecasting & Replenishment



# Global Sourcing Strategy:

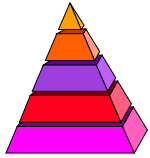
## ***Extended Enterprise***



- Partner with Strategically Important Suppliers
- Leverage Redundancies
  - Technical Know-How
  - Key Suppliers
  - Strength of Resources

# Global Sourcing Strategy:

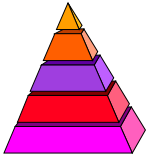
## ***Understand Your Risk***



- Risk Assessment of Components
- Financial State of Suppliers
- Supplier Dependency
- Mitigation Alternatives

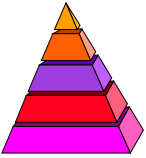
# Global Sourcing Strategy:

## ***Risk Mitigation***



- Key components identified
  - 30% of the total
  - 13 to 16 Months Revenue Loss
- Spend information allows you to get to this point

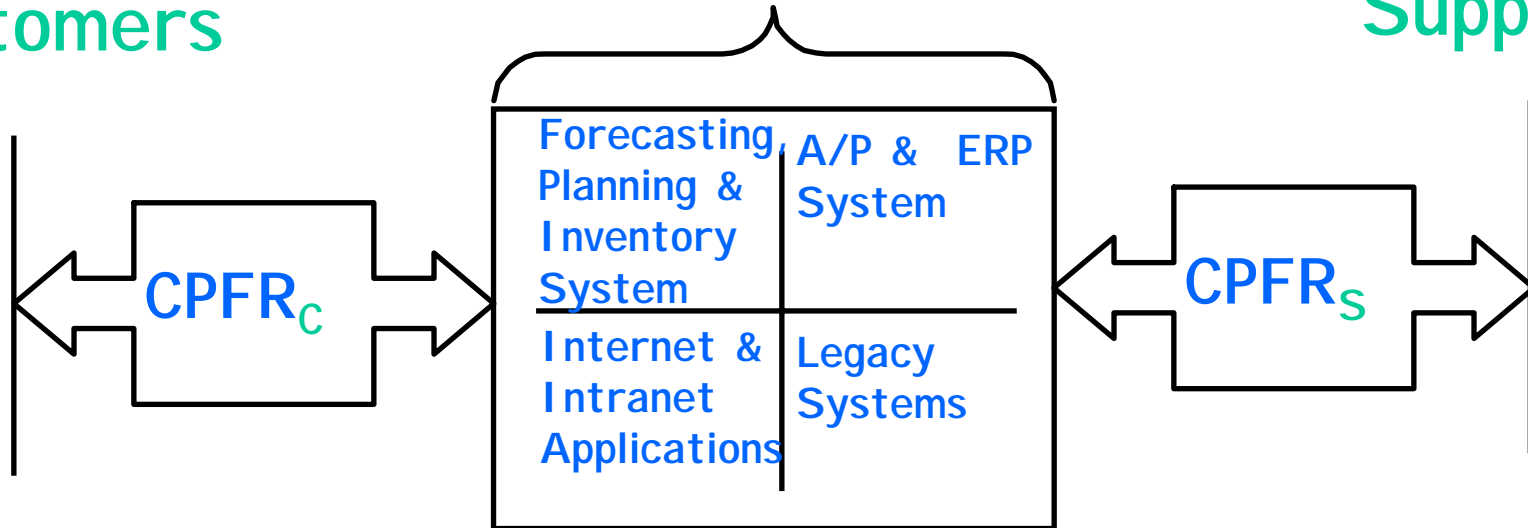
# Global Sourcing Strategy: *E-Commerce*



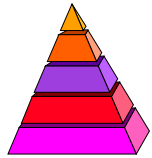
**Bausch & Lomb**

Customers

Suppliers



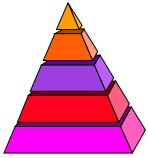
**Full-scale CPFR =  
Supply Chain Optimization**



# E-Commerce:

## ***Desk Top Procurement***

- Point-And-Click Purchasing
  - Office Supplies
  - Laboratory Supplies
  - Print
  - Travel
  - MRO
  - Books, Magazines

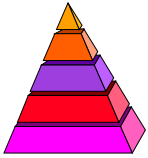


# E-Commerce: *Process Savings*

- Transaction Cost:
  - Old process: \$115
  - Desk-Top w/P-card: \$ 5
- **SAVINGS** in time and resources for both you and your suppliers

# Global Sourcing Strategy:

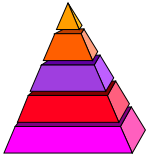
## *Summary*



- Reduce Cost
  - Transactions that are efficient and cost effective
- Focus on Core Competencies
  - Sourcing resources are strategic and maximize savings
- Improve Asset Utilization
  - Supplier relationships formed that result in long term financial return
- Manage the Total Supply Chain
  - Extended Enterprise relationships identify “non-core” benefits
- E-Commerce
  - Enables efficiencies and provides real-time information

# ISM Conference

## November 28, 2001

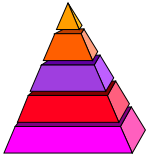


- Understand Spend
- Global Sourcing Strategy
- ***How to Get There***
- Results
- Q and A



# Understanding Spend

## *How to Get There:*



2000

- Define 50 spend categories for easier analysis
- Assign Category Champions
- Identify & leverage opportunities
- Intranet-enabled: both spend & business process

1999

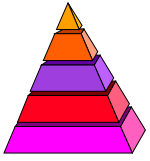
- Purchase Supplier Assessment Manager (SAM) software from Dun & Bradstreet
- Train in-house expert
- Independent analysis and take **ACTION!**

1998

- Contract with Dun & Bradstreet to standardize supply data and summarize U.S. spend
- Reliant on external expertise from D&B to identify opportunities

1997

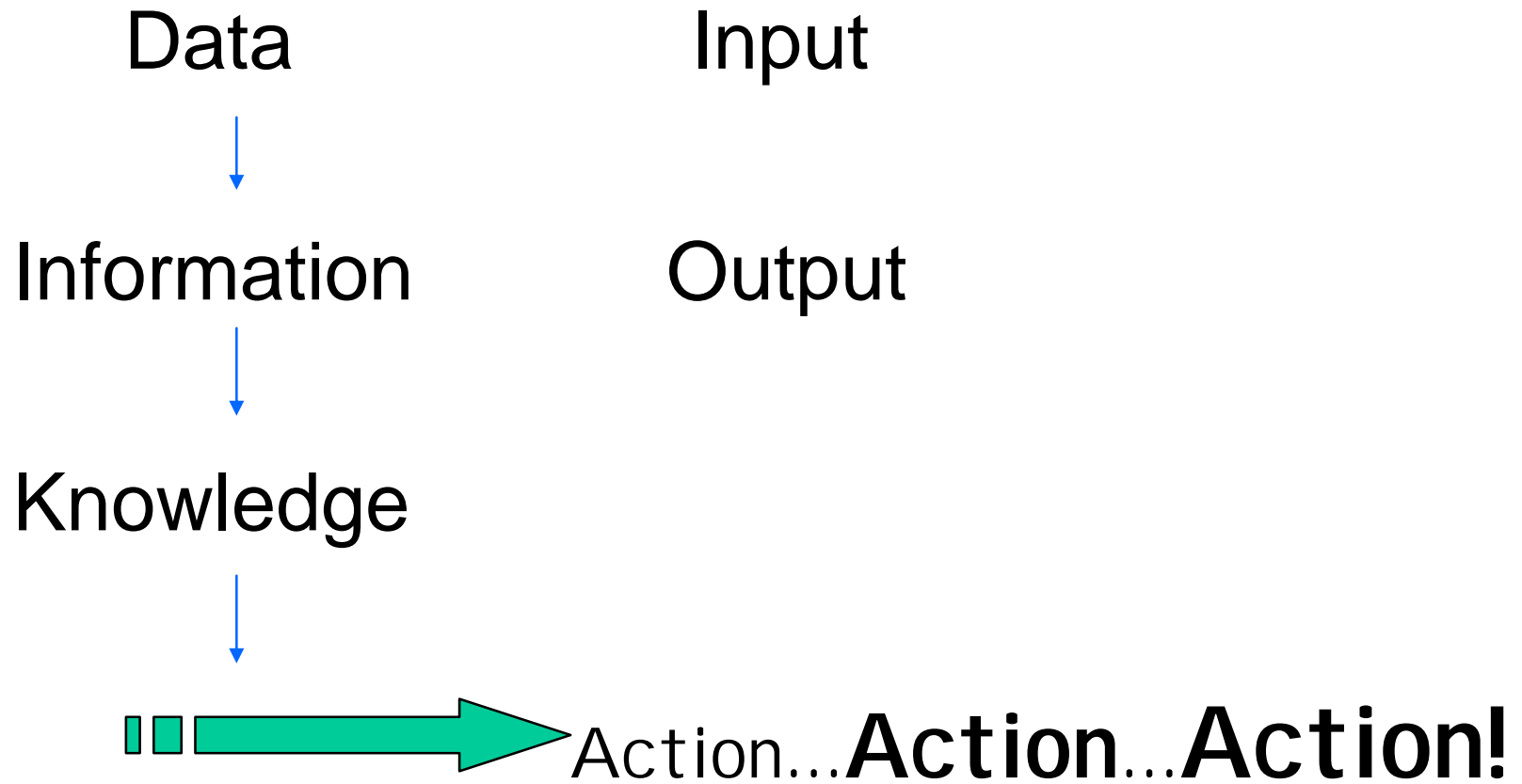
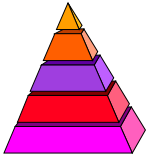
- Multiple legacy systems
- No company-wide view of spend
- Little flexibility in utilizing data
- Minimal capability for analysis and action



# Business Imperative

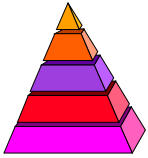
To **Strategically** utilize business intelligence to **Manage** the Supply Chain, resulting in improved **Profitability**.

# Evolution of Knowledge



# How to Get There:

## *Evolution of Sourcing*



### Past State

- ***Tactical***
- Local Buying
- ***Price***
- Transactional
- Reactive Supplier Management
- Non Standard Methods
- ***Paper driven Generalists***
- Senior management

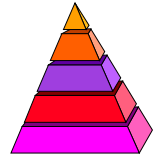
### Future State

- ***Strategic*** & Contractual
- Regional and Local Buying
- Value and ***Total Cost of Acquisition***
- Risk Mitigation
- Proactive ***Supplier Development***
- Consistent, Best Practice
- Latest Electronic Systems
- ***Specialists/Category Champions***

# How to Get There:

## ***DATA = KNOWLEDGE***

### ***Opportunity Assessment***

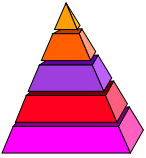


- **What** do you Spend?
  - How much?
  - What location(s)?
- **Who** do you Spend it with?
  - How many suppliers do you have?
  - Who are your top suppliers?
  - How are your suppliers related?
  - Are you at risk?

# How to Get There:

## ***DATA = KNOWLEDGE***

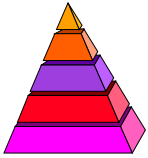
### ***Opportunity Assessment***



- **What** do you Buy?
  - Define spend by categories
  - Assign category champions
    - “bite-sized” pieces
- **Where** are Leverage Opportunities?
  - Leverage spend with fewer suppliers
    - Rationalize your supply base
    - Develop national and global agreements
    - Enable compliance

# ISM Conference

## November 28, 2001

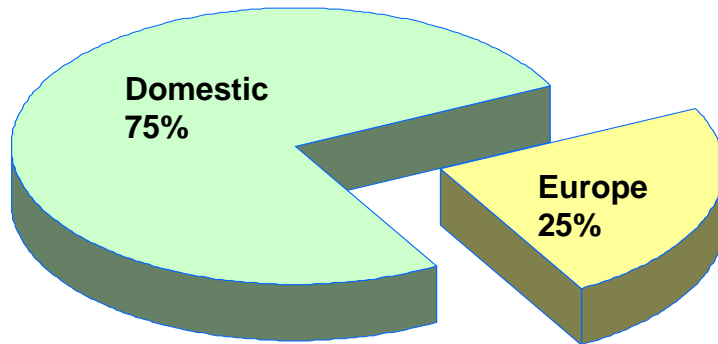


- Understand Spend
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# 2000 Global Spend

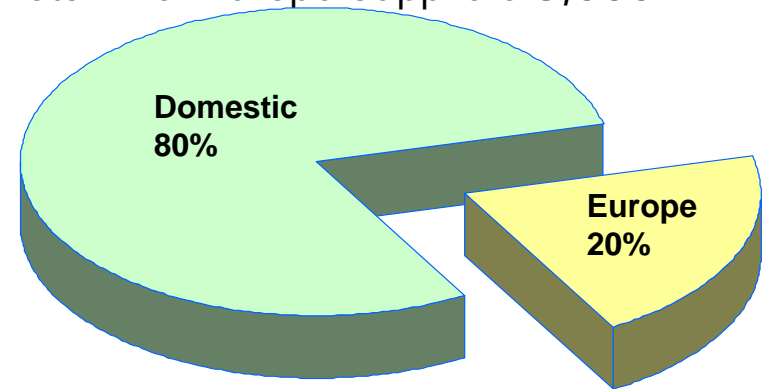
## Global Spend Information

- Total Global Spend **\$1,000,000,000**
- Total Domestic Spend **\$750,000,000**
- Total Europe Spend **\$250,000,000**



## Global Supplier Information

- Total # of Suppliers **15,000**
- Total # of Domestic Suppliers **12,000**
- Total # of Europe Suppliers **3,000**



### 12 Locations Domestic

Claremont	St. Louis
Clearwater	Salt Lake City
Greenville	Sarasota
Irvine	Tampa
Lynchburg	Wilmington
Miami	
Rochester	

### 10 Locations Europe

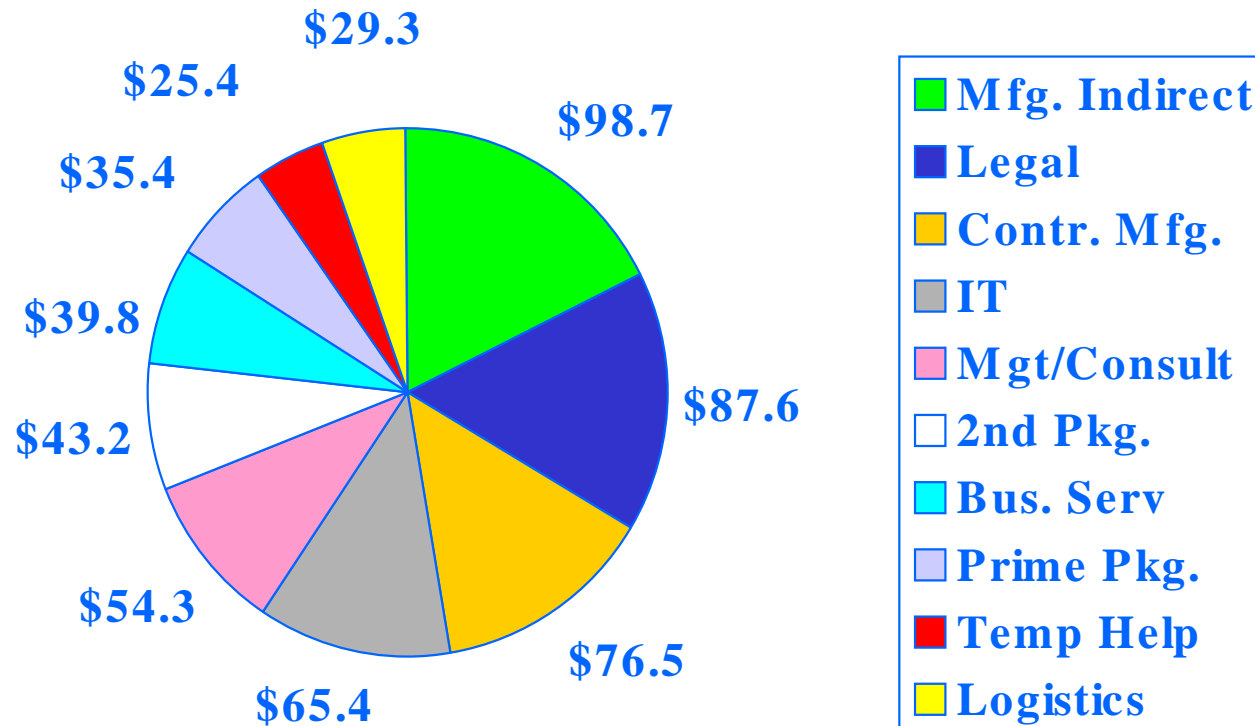
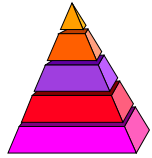
Belgium	Scotland
France	Spain
Germany	U.K.
Ireland	
Italy	
Netherlands	
Portugal	

**Information is for presentation only,  
and does not represent actual case.**



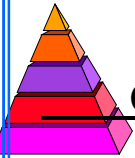
# Results:

## *Spend Categories*



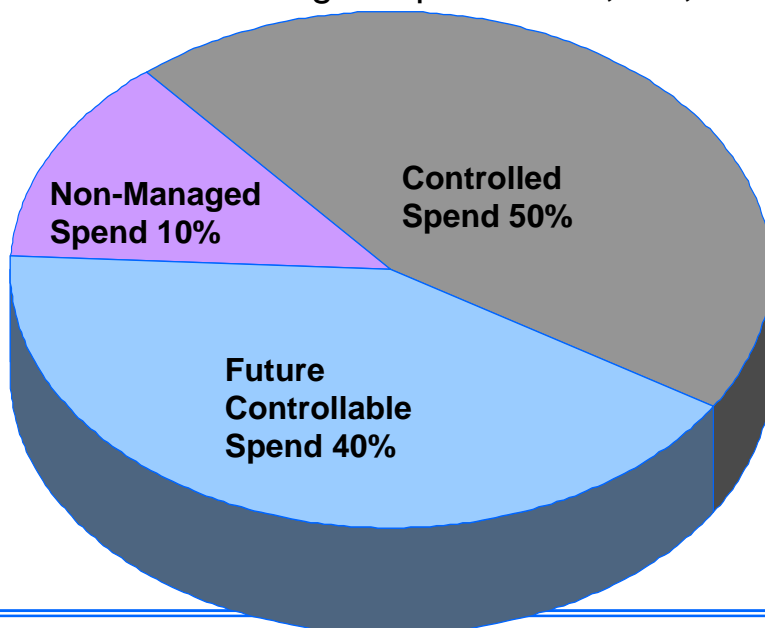
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# Category Champions

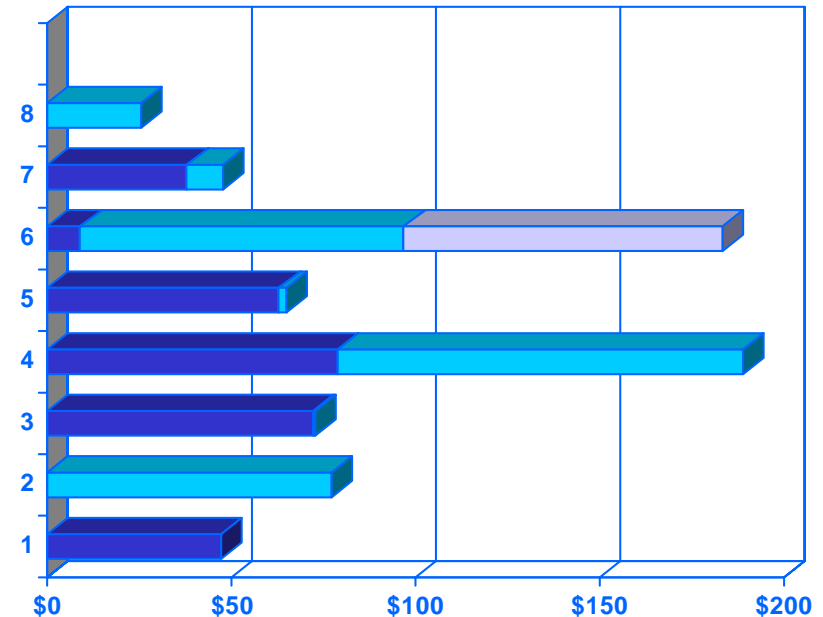


## General Information

- Total # of Suppliers **15,000**
- Total Global Spend **\$1,000,000,000**
- Total Controlled Spend **\$500,000,000**
- Total Future Controllable Spend **\$400,000,000**
- Total Non-Managed Spend **\$100,000,000**



## Category Champion Information (\$mm)

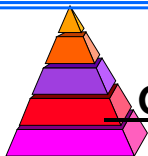


## Other Information

- # of Suppliers Controlled Spend 7,500  
50% of Spend with 50% of Suppliers.
- # of Suppliers Future Controllable Spend 6,000  
40% of Spend with 40% of Suppliers.
- # of Suppliers Non-Managed Spend 1,500  
10% of Spend with 10% of Suppliers.

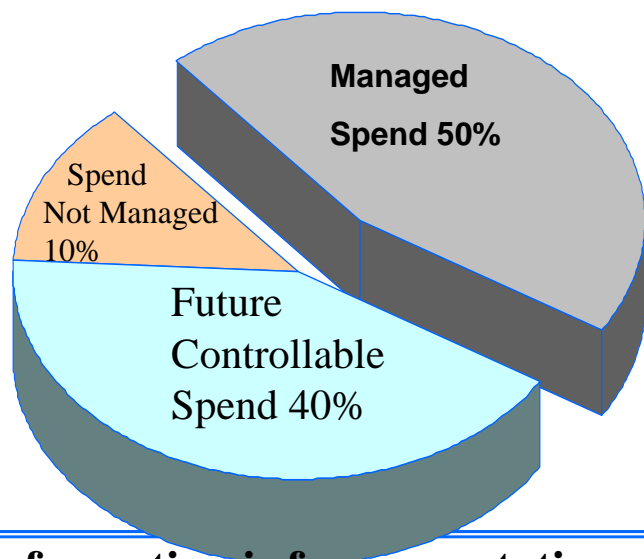
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# Controlled Spend



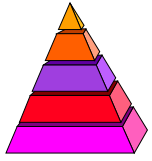
## General Information

- # of Suppliers **15,000**
- Global Spend **\$1,000,000,000**
- Managed Spend **\$500,000,000**
- Future Controllable Spend **\$400,000,000**
- Non-Managed Spend **\$100,000,000**



1	Mfg. Chemical	\$50,000,000
2	Ofc. Supplies, Equipment & Furn	\$37,800,000
3	Mfg. 2nd Pkg	\$35,500,000
4	Logistics	\$32,500,000
5	Fleet	\$31,500,000
6	Temp Help	\$26,900,000
7	T&E Air	\$20,039,000
8	T&E Hotel	\$14,600,000
9	Print-Commercial	\$12,300,000
10	Utilities	\$12,000,000
11	Mfg. Resin	\$9,800,000
12	T&E Other	\$8,980,000
13	Premiums	\$8,640,000
14	IT	\$6,660,000
15	Print-Production	\$4,560,000
16	Mfg. Prime Pkg	\$3,830,000
17	Capital	\$3,500,000
18	T&E Car	\$2,600,000
19	Mfg. Other	\$1,850,000
20	Periodicals, Training	\$980,000

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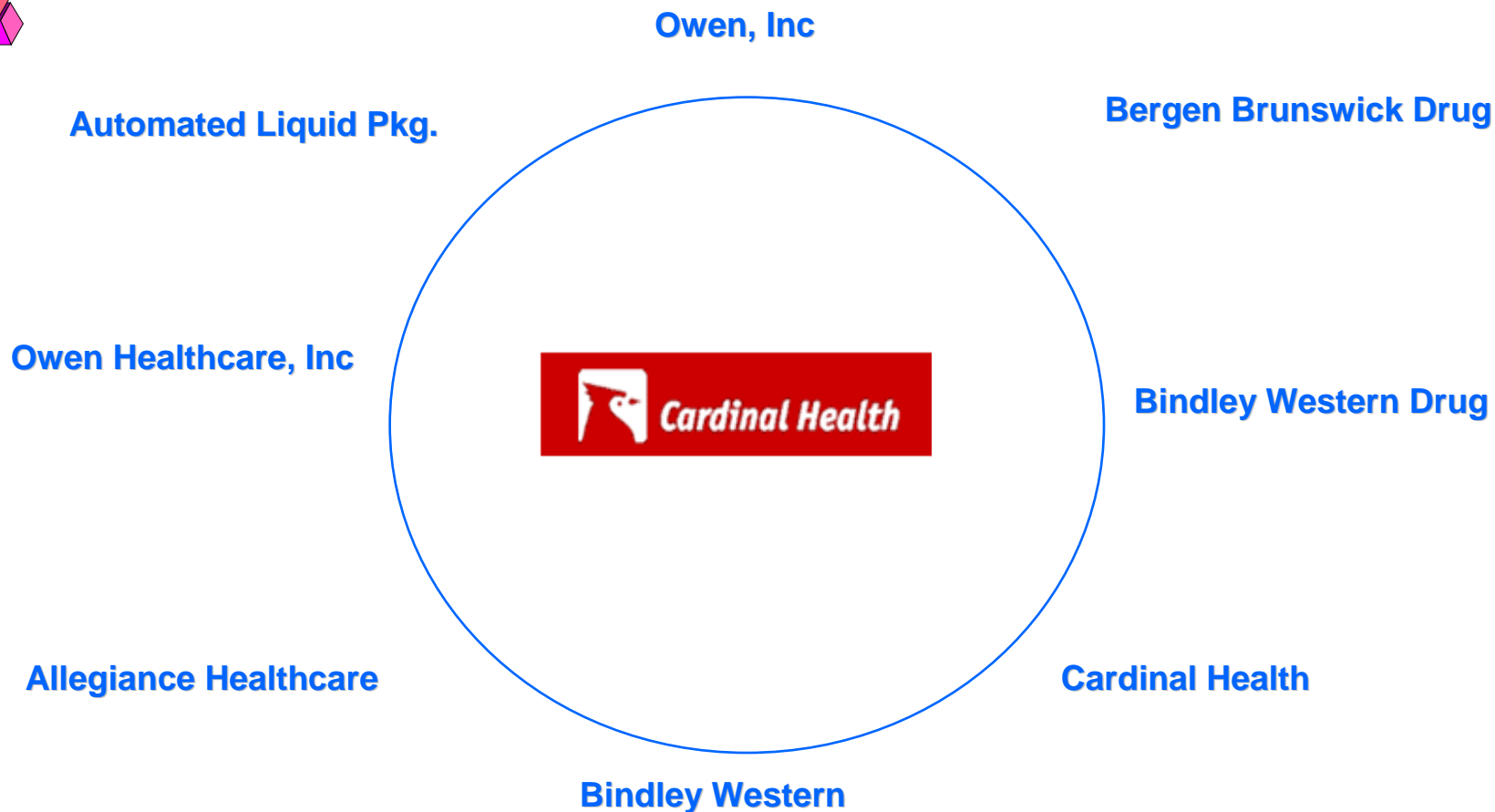
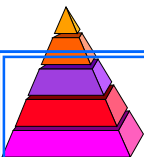


# Supplier Profile

## Supplier Profiles:

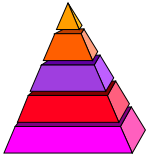
- Top Individual Suppliers
- Top Interrelated Firms
- Socio-Economic Suppliers

# Top Interrelated Firms



# Results:

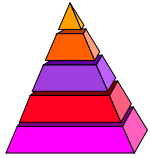
## ***Cost of Non-Compliance***



- Spend with *selected* suppliers: \$4,000,000
- Spend with *other* suppliers: \$ 600,000
  
- Savings Lost:
  - Cost Savings \$ 102,000
  - Rebate \$ 18,000
  - **Total Cost of Non-Compliance** **\$ 120,000**

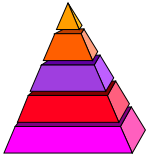
# Results:

## ***Leverage & Rationalize***



- Leverage Spend
  - Over \$10 million savings in indirect materials and services
  - Over \$45 million in total cost savings
  - 25% spend penetration -- future \$\$\$'s
- Rationalize Supply Base
  - 19% reduction in total suppliers
  - 40% reduction in some categories

# Key Findings



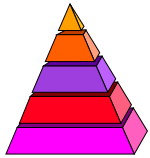
- **19% reduction in supply base over 1998**
  - **30% reduction in categories penetrated**
- **37% of all records are P-Card purchases**
  - **35% reduction in Accounts Payable records**
- **79% of all suppliers = L/T \$10,000/year spend**
- **48% of all suppliers = L/T \$1,000/year spend**
- **Top 10 Categories = 54% of Total Spend**
  - **30% of Total Suppliers**
- **Top 24 Categories = 87% of Total Spend**
  - **64% of Total Suppliers**
- **Three years of +\$15 million annualized savings**

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# Results:

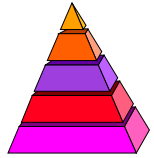
## ***Conclusion***



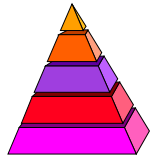
### Understanding Spend:

- is the Baseline from which your Sourcing Strategy can be developed
- is the Enabler to identify leverage opportunities and maximize cost savings
- propels your Sourcing organization from Tactical to Strategic
- has Proven Positive Impact on a company's profitability

# THANK YOU!!!



## Questions and Answers!



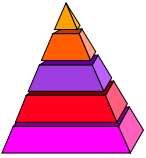
# How to Get There:

## ***Identify Opportunities***

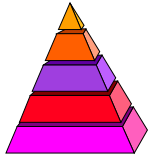
- Rationalize your supplier base
  - Centralize and make transactions efficient
  - Focus on the Strategy
  - Optimize your resources
- Leverage your spend with fewer suppliers
  - Save \$\$\$'s by leveraging supplier volumes
  - Un-clog your systems
  - Have a supply base you know and can manage
- Develop Strategic Partners
  - Form Enterprise Management Teams
  - Develop a focus on Extended relationships

# How to Get There:

## ***Make the Data Work for You***



- Ask your strategic partners for assistance
  - they know the market, the competition, and where to capitalize on the opportunities
- Establish contractual agreements that leverage national/global volumes
  - IT, temporary help, office supplies, MRO, print, travel, books and periodicals, direct materials
- Implement an e-commerce solution
- Leverage...Leverage...Leverage!



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November 28,2001