

# Supply Management “Best Practices”

- Building Internal Customer Relationships -

December 5th, 2002



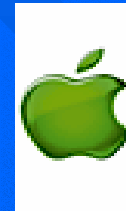
# Speaker Biographies



- **Robert Dunn, MBA, CPM – Partner.** Past Director of Corporate Procurement, Bank of America. Past Director of Materials, City of Santa Rosa. Past President of Two NAPM Chapters. Past Chairman of CAPS Banking Benchmark Committee.
- **Mark Trowbridge, CPM – Partner.** Past Director, Strategic Sourcing, Bank of America. Past Director of Contracting, Security Pacific Bank. Past Director of Procurement, Gibraltar Savings.
- **Strategic Procurement Solutions** – *A specialty firm providing advanced supply-management consulting & training to the financial, healthcare, technology & energy sectors.*
- **Clients include...** Apple, Entergy, MetLife, Nationwide Insurance, Allstate Insurance, Hoag Hospital, PacifiCare Health, Vision Service Plan, California Bank & Trust, Union Bank of California, Sprint-Canada, Synergy

# Speaker Biography

- **Tony Blevins.** Director of Corporate Procurement, Apple Computer.
- 12 Years with I.B.M.
- Masters Degree in International Business from M.I.T.  
Bachelor's in Engineering from North Carolina State University
- **Apple** – a leading technology hardware provider. ~ \$3 Billion spent annually through production procurement.
- ~ \$800 Million spent through non-production procurement.

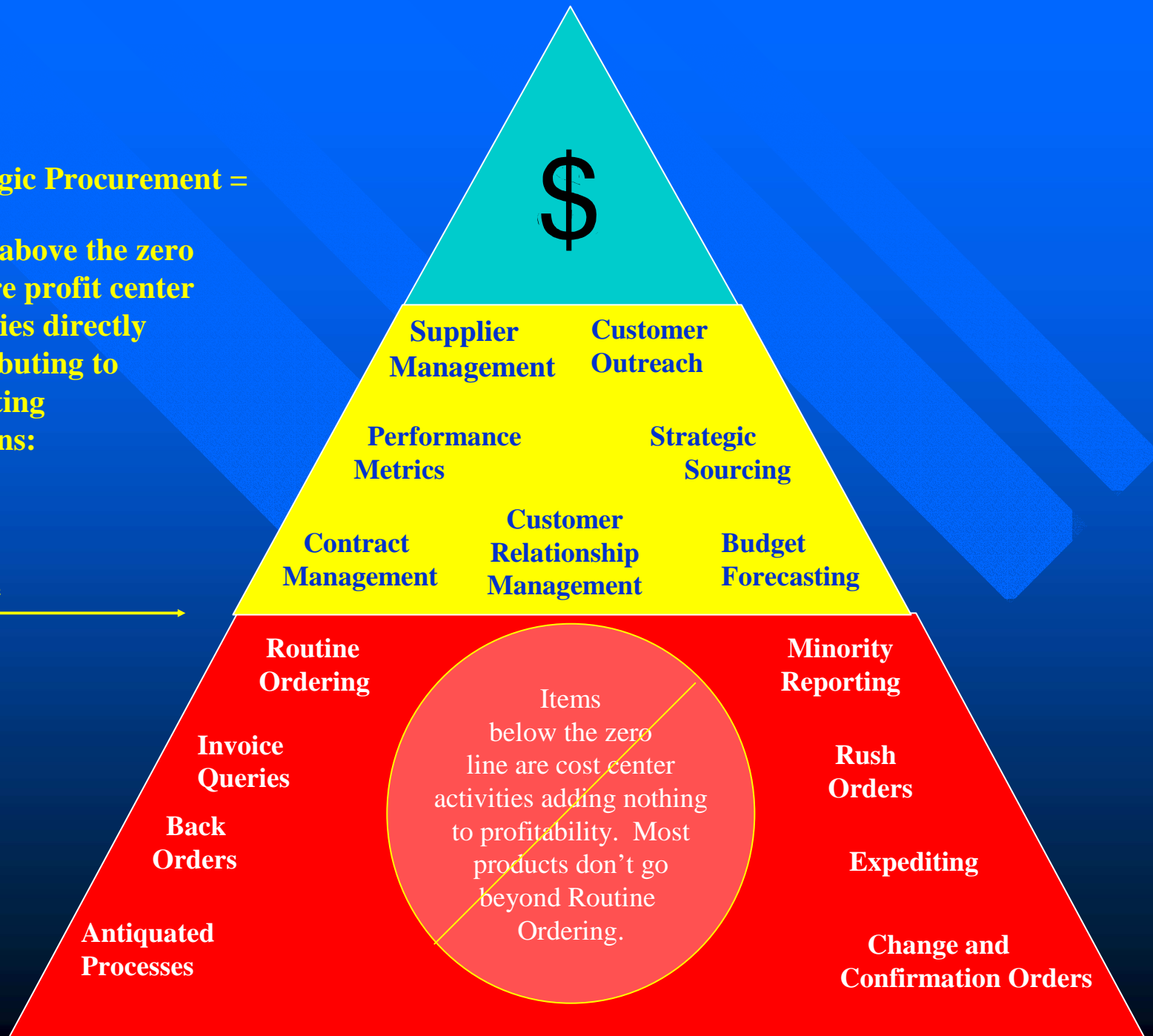


- **Apple and Strategic Procurement Solutions** have worked together to train supply management professionals in customer outreach, strategic sourcing, and advanced supplier management.

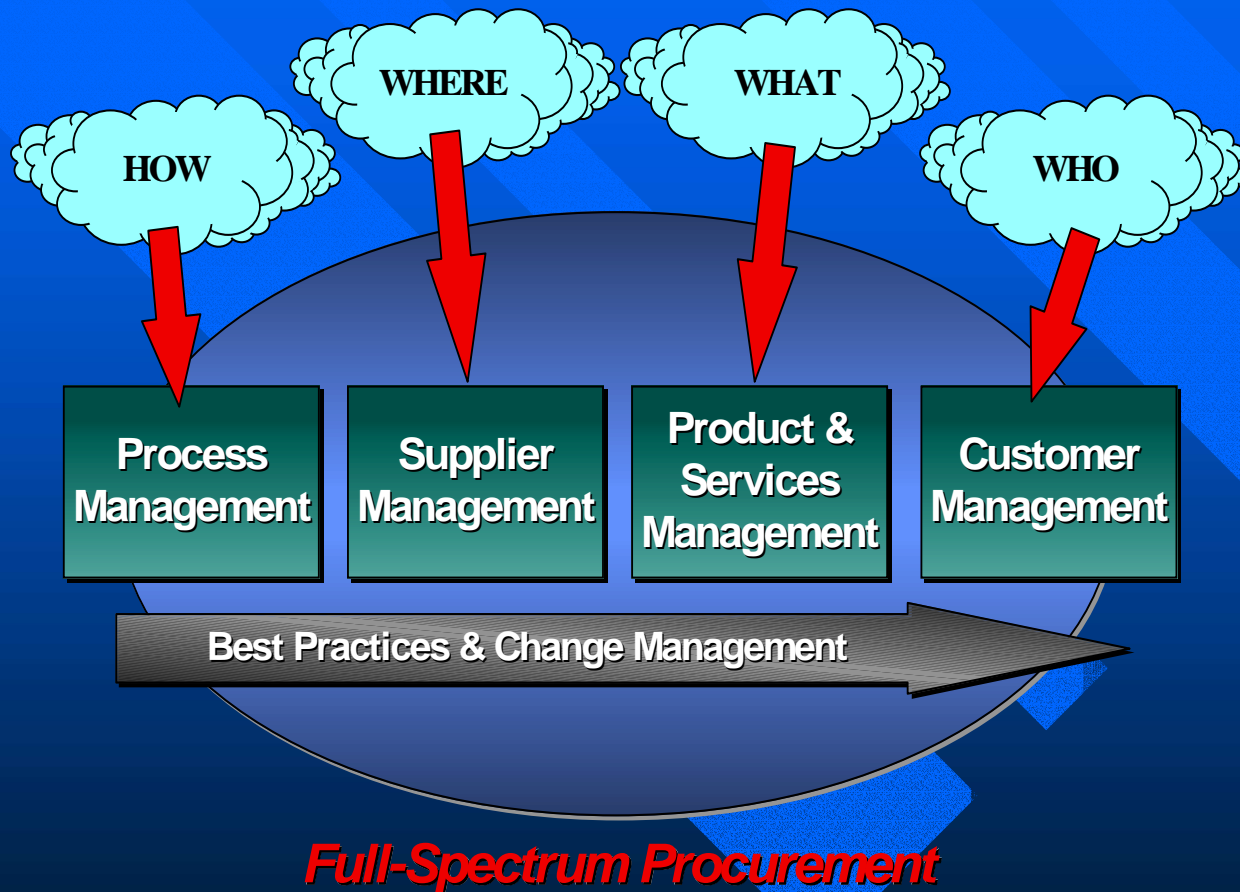
**Strategic Procurement =**

**Items above the zero line are profit center activities directly contributing to operating margins:**

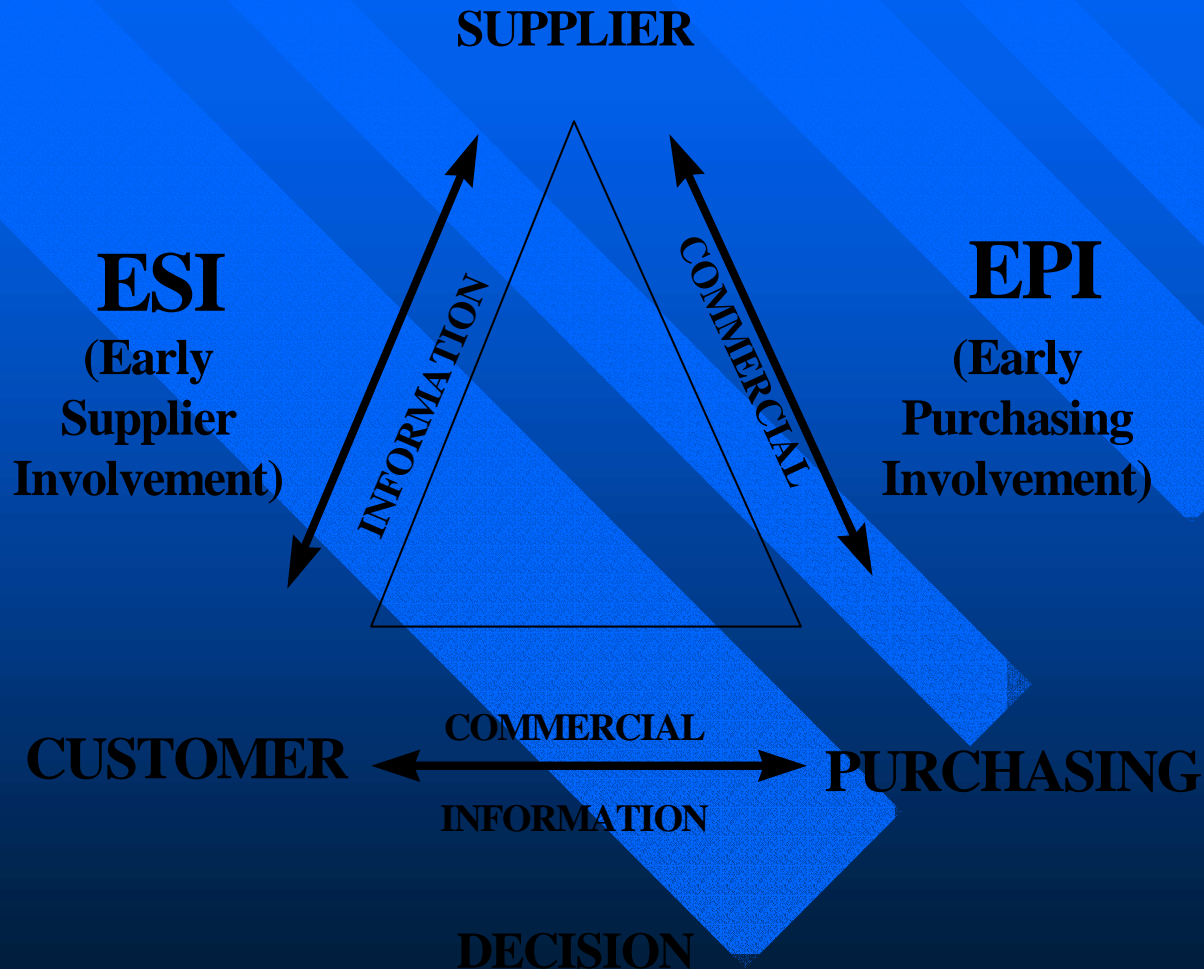
Zero Line  
→



# Elements of a Successful Supply Chain Management Process



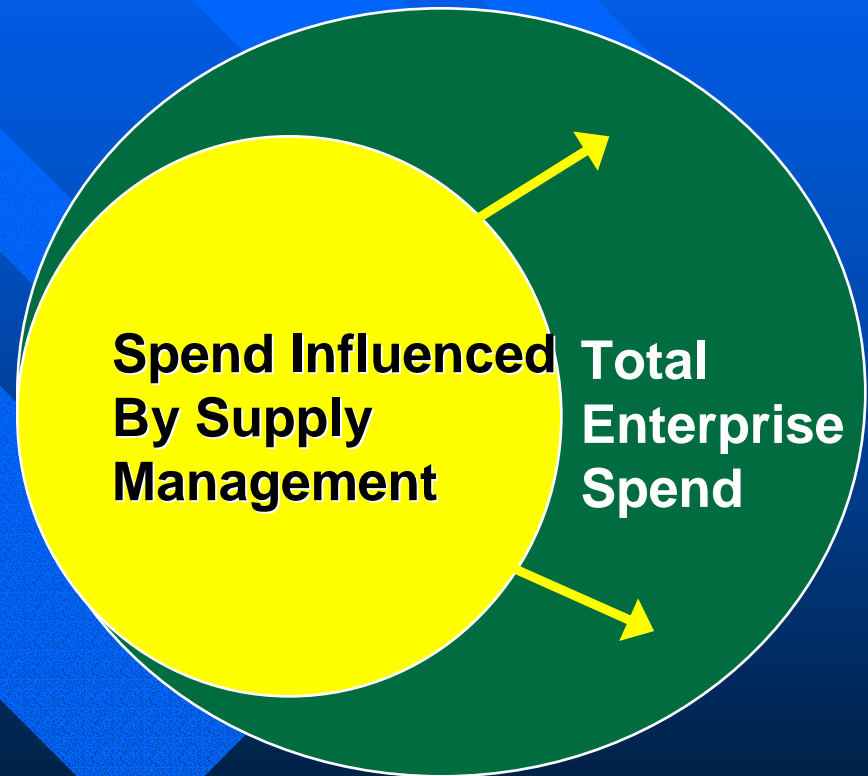
# Essential Relationships





# Customer Relationships Are Critical to Impacting Entire Expense Base

- Non-Traditional Spend Categories Are “Earned” Not “Mandated”
- “You can build the best \_\_\_\_\_ in the world, but it won’t do any good unless someone \_\_\_\_\_ on \_\_\_\_\_.”
- *Maverick* Spending Fragments Supplier Leveraging



Past



Future

Order Placers	Commodity Managers
Users	Customers/Clients
Paper Managers	Information Managers
Price Point Negotiations	TCO Negotiations
Adversarial Vendor Relationships: Fragmented Buying, Lead Time Concerns, Order Entry Failures, Multiple Sourcing	Alliance Supplier Relationships: eProcurement, Total Quality Management, User Empowerment, Consolidated Supply Base
<b>Reactive</b>	<b>Proactive</b>



# Customer Relationships

Strong Customer Relationships...

- Create “demand” for procurement services;
- Are pre-requisite to impacting enterprise expenditures;
- Take time to nurture (as do personal relationships); and
- Require the right personalities to form.





# Internal Customers - An Approach

Topic	Strategy
Value Proposition	Emphasize importance of Procurement as a “discipline.”
Responsibility	Establish functional sovereignty..ALL supplier interactions handled by Proc.
Accountability	Proc role should be purposefully vague - things change over time.
Metrics	Must demonstrate Procurement Industry excellence (external benchmarks etc)

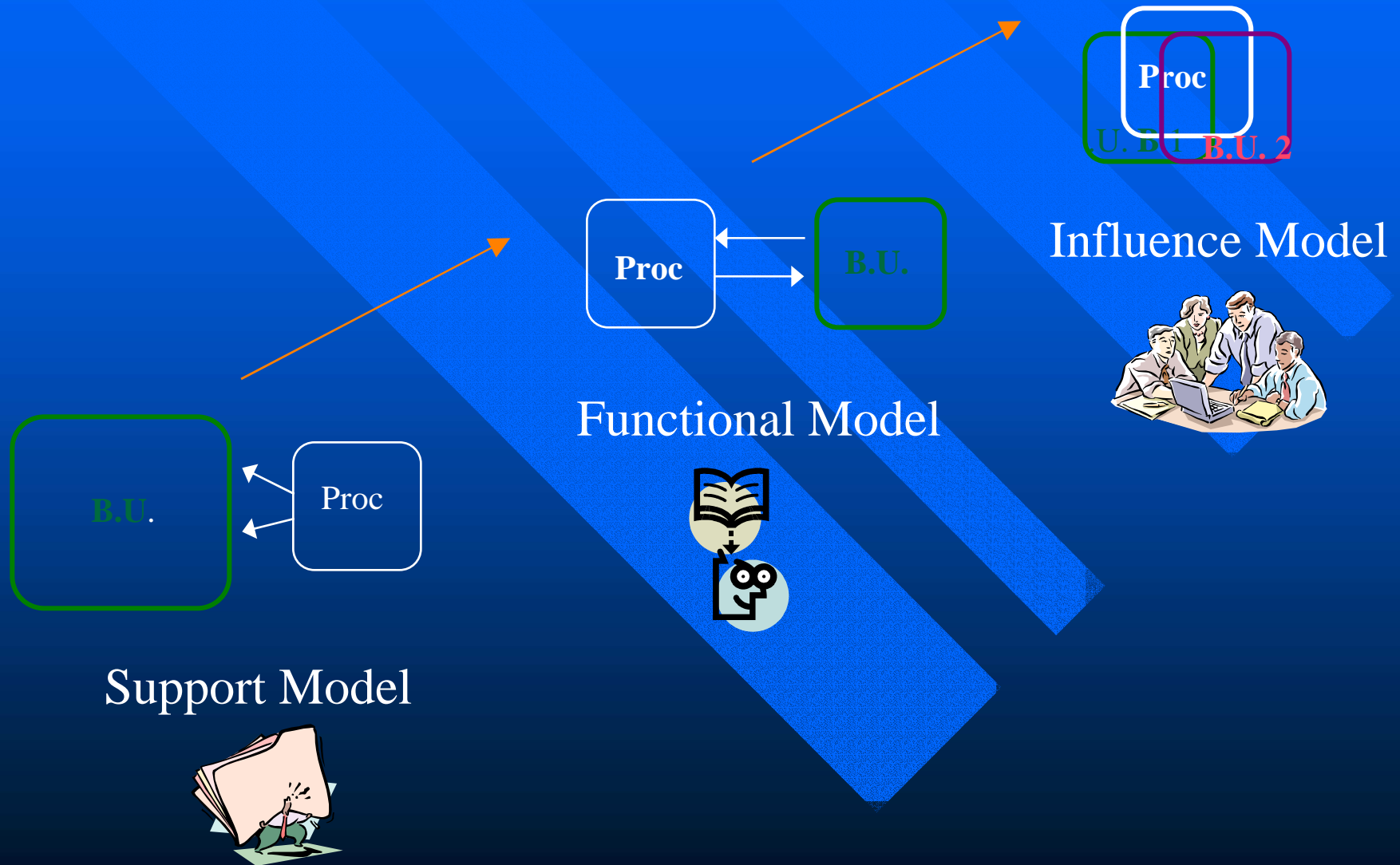


# Internal Customers - Apple Approach

Topic	Strategy - Traditional	Strategy - Recommended
Value Proposition	Emphasize importance of Procurement as a “discipline”.	Deliver Fact/Sit.-based Value-Add. <u>Must</u> develop organizational skills base.
Responsibility	Establish functional sovereignty. ALL supplier interactions handled by Proc.	Understand Client’s Business - Adopt P/L contribution perspective.
Accountability	Procurement role should be purposefully vague - things change over time.	Develop/Agree nominal Roles/responsibilities and revisit on appropriate frequency.
Metrics	<u>Must</u> demonstrate Procurement industry excellence (benchmarks etc).	<u>Must</u> demonstrate internal value. <u>May</u> demonstrate industry excellence.



# Interaction Evolution



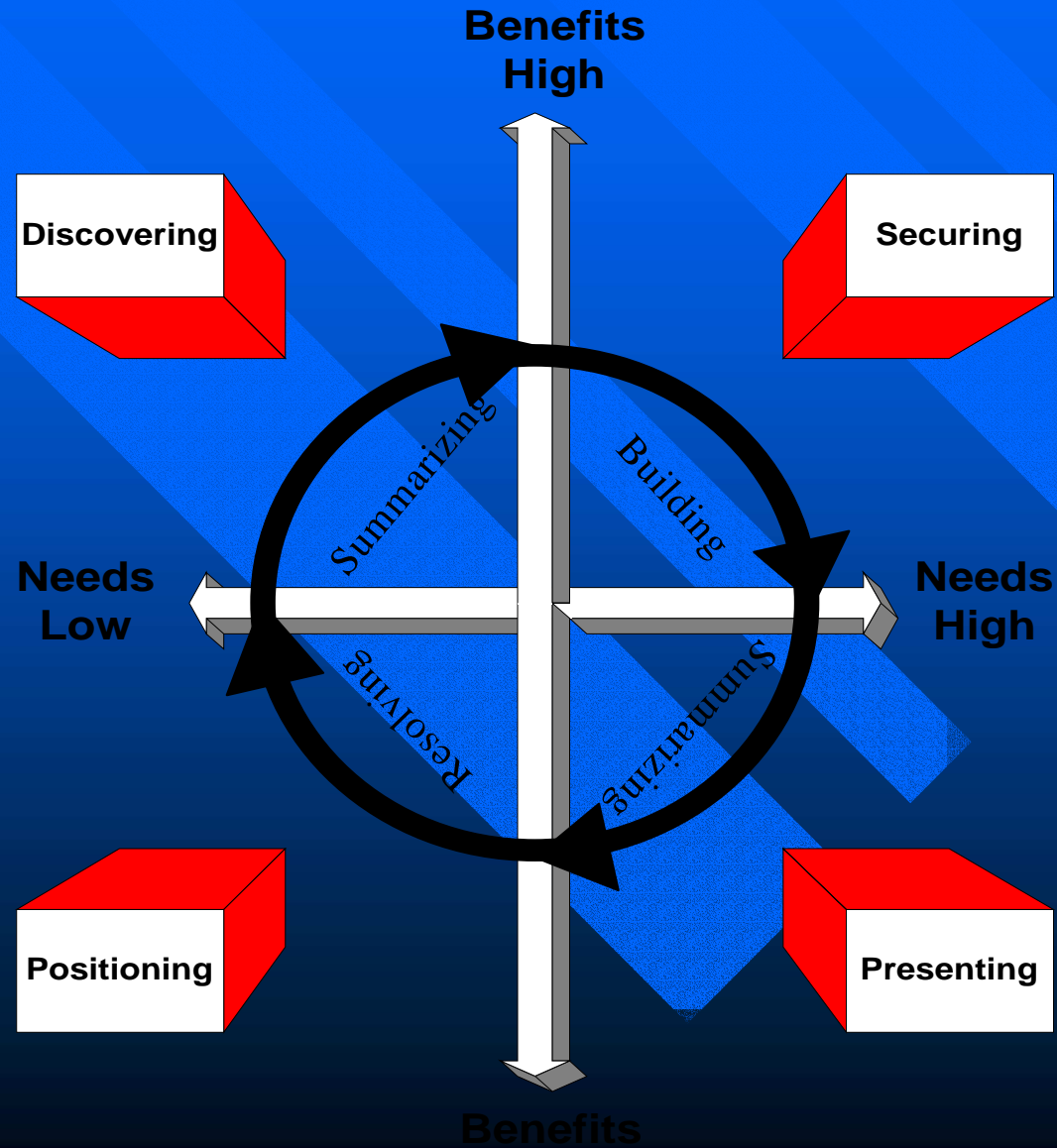
# Principle of Marketing to Customers

Need + Solution = Benefit

- Potential Customers will not “buy” without realizing their “Need”.
- Customers do not buy “Solutions” in isolation from awareness of “Need”.
- Only when Customers realize a “Need” and understand “Solutions” offered, will they comprehend a “Benefit”.



# Situational Matrix





# Six Keys to Building Internal Customer Relationships



1. Determine Major Customers (Existing & Potential)
2. Develop Customer Relationship “Tools”
3. Assign the Right People for Customer Interaction
4. Make It Easy to Order Products/Services
5. Meet Regularly with Key Customer Groups
6. Advertise the “Value Add” of Procurement Programs

# Key #1 - Determine Major Customers (Existing & Potential)



- Perform an Enterprise Expenditure Analysis
- Transaction Volume Monitoring
- Capital Budget Review
- Senior Stakeholder Interviews (Executive Management, Legal, Accounting)
- Drill-Down Interviews
- Build a Marketing Plan

## Key #2 - Develop Client Relationship “Tools”

- Brochure
- Roles & Responsibility Matrix  
(*Handout*)
- Customer Profile Tool
- Requirements Definition  
Checklist (SOW)
- Project Worksheet
- Project & Contract Portfolio  
Reporting Tools
- Satisfaction Survey (*Handout*)



# Key #3 - Assign the Right People for Customer Interaction



- Match Personalities
- Get “Hired Guns”
- Manage Relationships at Multiple Levels of Interaction
- Make Relationship Management Part of Incentive System
- Job Rotations
- Foster Personal Relationships
- Build a Customer Outreach Program



## Key #4 - Make It Easy to Order Products/Services

- “Empower” Users
- Simplify Requisition Processing & Approval Routing
- Utilize eProcurement, pCard, and other Automation Tools
- Shorten Cycle Times
- Give Users Visibility to Status of Orders, Sourcing Projects, and Contract Inventories



# Key #5 - Meet Regularly with Key Customer Groups



- Understand “Prior” Experience With Procurement
- Seek to Understand Their Upcoming Needs
- Meet Their Key Directors & Project Managers
- Debrief Following Strategic Sourcing
- Train In Supplier Management
- Buy Lunch



# Key #6 - Advertise the “Value Add” of Procurement Programs

- Build an Intranet Page
- Put “Did You Know” Articles in Company Newsletter
- Place Inserts Into Supplier Deliveries
- Expand Key Programs to Employees
- Make Procurement Into a “Profit Center”



# Discussion...



For more information about supply management “best practices”,  
please visit [www.StrategicProcurementSolutions.com](http://www.StrategicProcurementSolutions.com)