

Strategic Sourcing Lessons Learned after 5 Years of Strategic Sourcing

Subtitled: Sourcing in a Down Economy

Joanna Martinez, Chief Procurement Officer



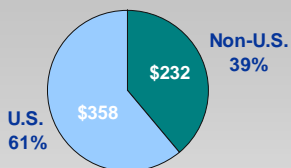
ISM Services Conference
December 4, 2008

AllianceBernstein is one of the largest publicly owned U.S. asset management firms

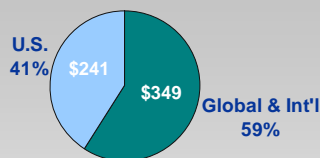
Assets Under Management ~\$590 billion (as of September 30, 2008)

Offices in 47 Cities in 24 Countries

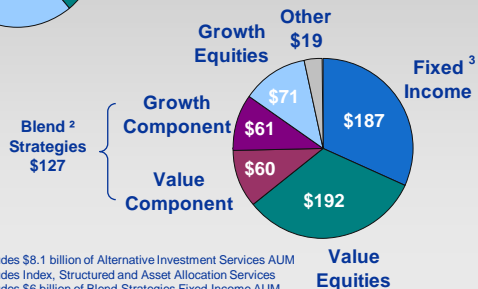
Client Location



By Geographic Investment Service

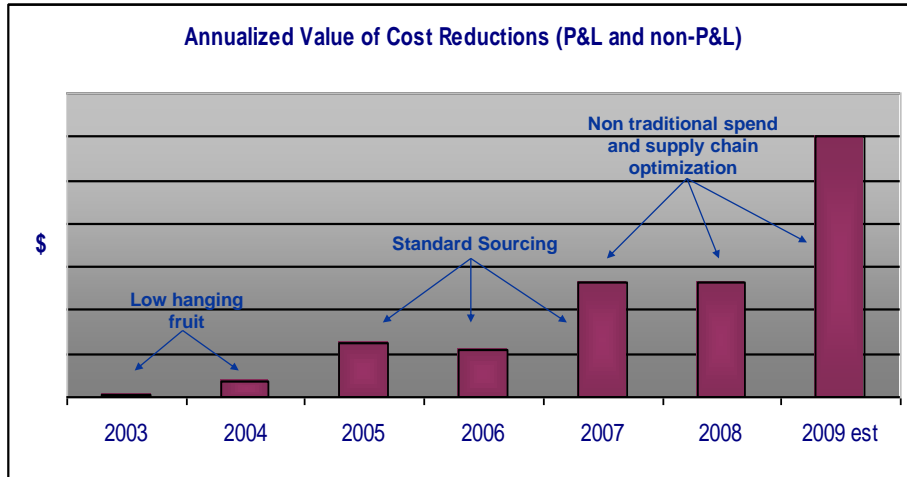


By Investment Service¹



¹ Includes \$8.1 billion of Alternative Investment Services AUM
² Includes Index, Structured and Asset Allocation Services
³ Includes \$6 billion of Blend Strategies Fixed Income AUM

Since 2003, the Strategic Sourcing Group has made steady progress in adding value



© Joanna Martinez, AllianceBernstein L.P. December 2008
All Rights Reserved

3

How have we jumped from “the easy stuff” to sourcing complex spends? Lessons Learned:

Lesson #1
Start with a policy

© Joanna Martinez, AllianceBernstein L.P. December 2008
All Rights Reserved

4

Key Policies

- **Procurement Policy (adapt limits based on local situation)**
 - When spend is <\$5000 Individuals may purchase w manager approval
 - When spend is <\$100,000 Three bids required; sourcing help available
 - When spend is >\$100,000 Formal Sourcing project required
- **Outsourcing Policy**
- **Travel Policy**
- **Preferred Supplier List**
- **Intranet Site**
- **Group Contracts**

5

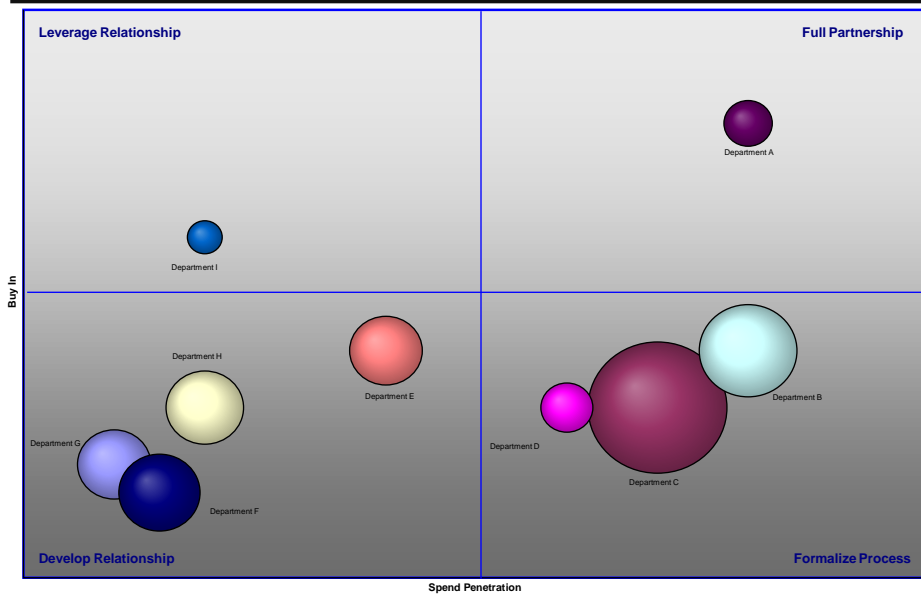
Lessons Learned

Lesson #1
Start with a policy

Lesson #2
To improve business engagement – target areas of the
company that have been “doing their own thing”
“Move the Bubble”

6

Engagement Strategy



© Joanna Martinez, AllianceBernstein L.P. December 2008
All Rights Reserved

7

Lessons Learned

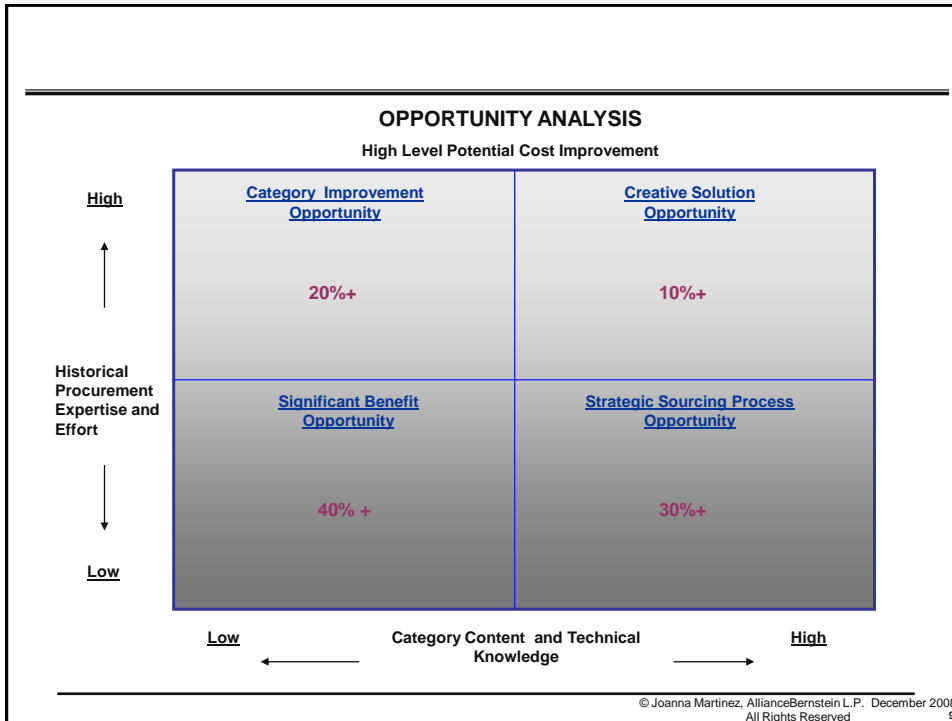
Lesson #1
Start with a policy

Lesson #2
To improve business engagement – target areas of the company that have been “doing their own thing”
“Move the Bubble”

Lesson #3
Obscure areas of spend yield the best results.
Many “nontraditional” categories respond to sourcing tools and techniques the way traditional categories do.

© Joanna Martinez, AllianceBernstein L.P. December 2008
All Rights Reserved

8



Beyond the General Ledger:

There is opportunity in unexpected places

- Fund fees: *Fund performance goes up when fund expenses go down*
- Bank fees
- Interest rates
- Postage
- Supply chain: *Look for where there is no gatekeeper*

© Joanna Martinez, AllianceBernstein L.P. December 2008
All Rights Reserved 10

Lessons Learned

Lesson #4

Modulate your style to fit the space

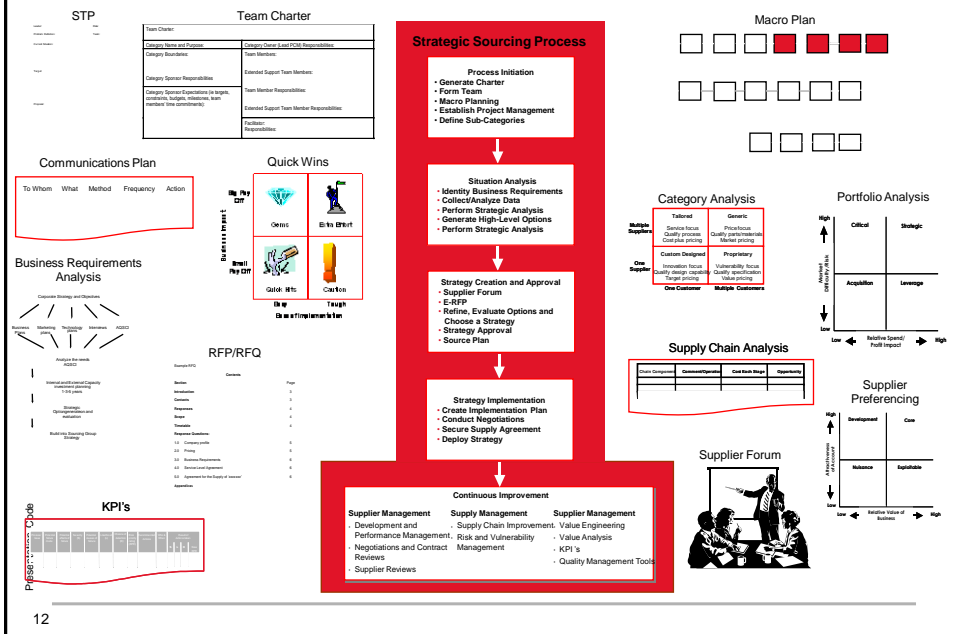
Take a Lesson from Learnings on Negotiation

Internal clients

Suppliers

Competitors

Strategic Sourcing Process



Lessons Learned

Lesson #4

Modulate your style to fit the space

Take a Lesson from Learnings on Negotiation

Internal clients

Suppliers

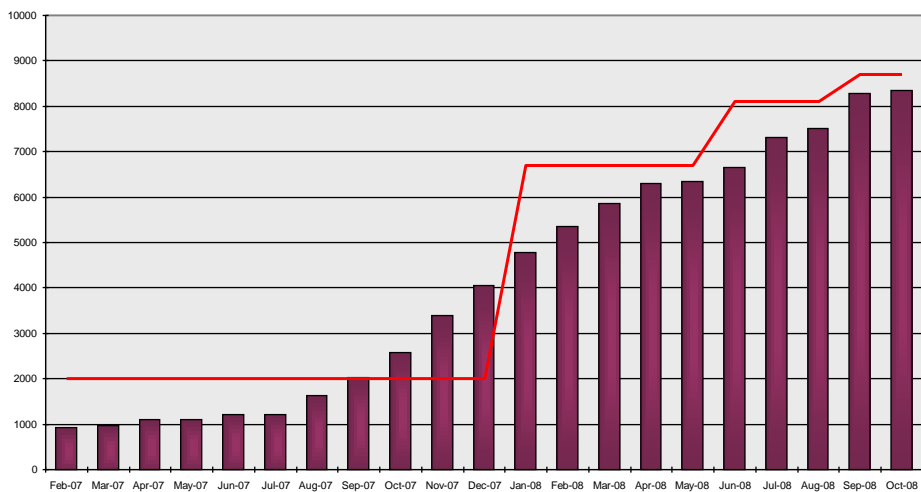
Competitors

Lesson #5

A Contract Management tool can be a powerful asset

and a "To-Do" list for years to come

Contracts Archived on the Total Contracts system



- Note: The trend line indicates the number of contracts identified, including contracts in queue.
- Data YTD as of 10/16/08.

Contracts Management Benefits

How a Contract Management System helps the Strategic Sourcing process:

1. Automated alerts and reports on contract expiration.
2. Captures payment terms to support early payment discounts
3. Provides visibility to supplier rationalization options
4. Helps the accrual process by providing visibility to contractual commitments
5. Assists in assessing compliance to signatory policy
6. System features help employees know where to go for purchases

Contract Management Lessons

Some Specific learnings we've obtained from contract analysis:

Tiered pricing can work against you in a down economy – it can translate to a price increase for the supplier.

Pricing transparency can be a great enabler to reduce the number and severity of price increases.

Lessons Learned

Lesson #6
Leverage Supplier Innovation
and size and competencies

Lesson #7
Be willing to give up control



Lessons Learned

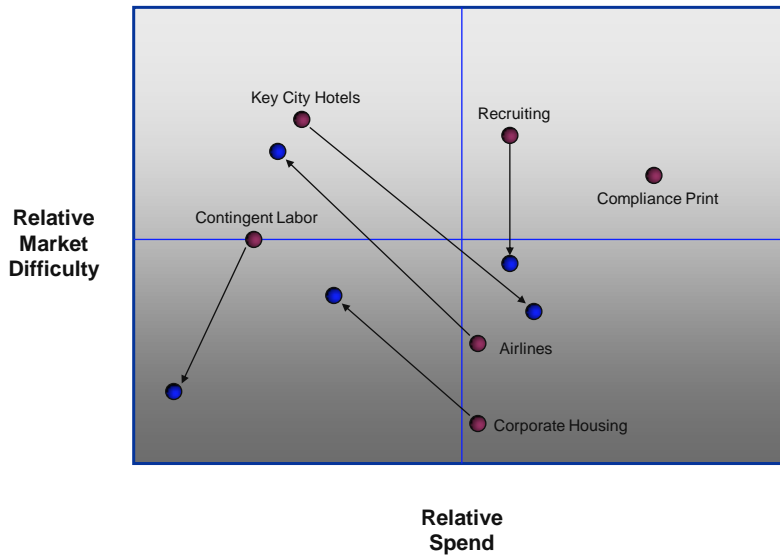
Lesson #6
Leverage Supplier Innovation
and size and competencies

Lesson #7
Be willing to give up control



Lesson #8
Things Change
But "a good idea is a good idea forever"

Portfolio Analysis Changes with the Economy



© Joanna Martinez, AllianceBernstein L.P. December 2008
All Rights Reserved 19

Summary

- In the Services Sector, a down economy can be “good” for the Sourcing Business...if you’re willing to take the lead.
- The right engagement is a blend of thinking about the commodities and the characters – and developing a plan of engagement for each.

© Joanna Martinez, AllianceBernstein L.P. December 2008
All Rights Reserved 20