



A View From The Top: Making the most of your Services Spend

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How do you define Services Procurement?



Goods and or Services that are purchased to either be resold to the end customer or consumed, to then on-sell a solution and/or service to the end customer.

What are some Pre-requisites for success?



- Fundamental understanding of the business you support
- Tight linkages with the stakeholders
- Is Procurement a core competency in your company
- 3rd Party piece versus internal piece
- Data and information management
- Processes that enable success
- People are aligned for success

What is the best approach to attack the purchase spend?



Build a good foundation

- Data Management – what historical data is available to understand and attack the spend – how can it be organized
- Identify the absolute stake holders, gain their support to the ROI and jointly align with it
- Attack addressable purchase spending

The journey begins with a reactive approach built on historical trends

- Past purchases (analysis at the highest commodity level) ?
- ABC Analysis (80% \$ with 20% Supply base) ?
- What are the stakeholders hot supply issues ?
- Build to an ongoing proactive approach to:
 - Go to market strategies
 - Stakeholders/Customer forecasting
 - Balance of trade
 - eProcurement
 - Strategic Supplier Management

Why is Master Data so important?



Master Data in Services is different then in a manufacturing environment, e.g.

- No part numbers
- No customer standards
- No specifications

You need a consistent Master Data approach

- I suggest commodity purchase \$:
 - Hardware
 - Software
 - Spare parts
 - Labor
 - Telecom
 - 3-Party Logistics

Stakeholder Alignment is Critical

Once you agree with the stakeholders on the outcome(s) and align the people, the strategy and tactics come easy.

What is our approach to contracting?



“Not into Win/Win”

But a negotiation where everybody gains (not necessarily equal) but a quantifiable gain !

What is addressable spend?

Categorized spend that you can impact with your value added services. A percentage of the total purchase dollars.

Cost Contribution Definitions

Cost Savings – Dollars saved based on a past price where Procurement has made an impact.

Cost Avoidance – Dollars avoided on a new price where Procurement has made an impact.

Key attributes of organizational modeling of the future



- Fixed versus variable cost
- Contracting supplier versus customer
- Strategic supplier management
- Core versus Non-Core work
- Outsourcing
- Commercialization
- Strategic versus Tactical
- Client market offering alignment
- Key competency development in employees
- Technology investment strategy

Cost Contribution of Procurement



Current

Cost Savings
Cost Avoidance

Future

Cost Contribution
Net Cost Reduction
Net Cost Avoidance
X Consumption
Equals net impact to the
stakeholder
P & L

Customer Facing Activities

What are some unique competencies in Services Procurement to grow toward and align with Customer Facing Activities?

- Strategic Supplier Management
- Deal work
- Due Diligence
- Contracting
- Solution Development



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