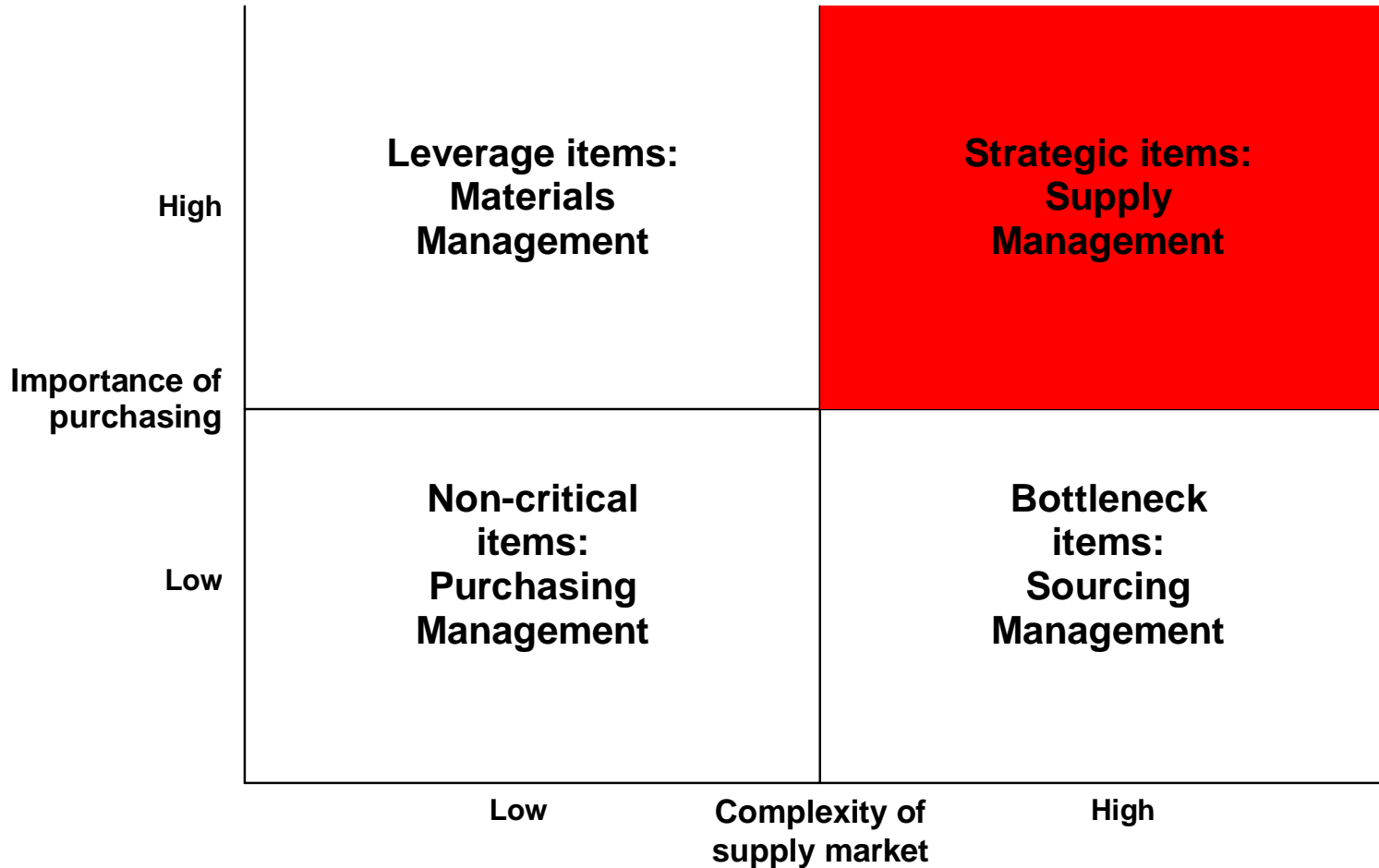


London Centre of Excellence

Strategic Supplier Intelligence (SSI) Project



Supplier Categorisation



Objectives of the Project

- Support the achievement of efficiency gains beyond tactical commodity and service areas;
- Focus resources on areas of greatest longer term potential
- Encourage the management of supplier relationships at the appropriate level (Borough, regionally or sub-regionally);
- Understand optimum trading mechanisms and collaboration formats;
- Embed a more commercial approach to supplier intelligence gathering and relationship management.



LONDON FIRE & EMERGENCY PLANNING AUTHORITY



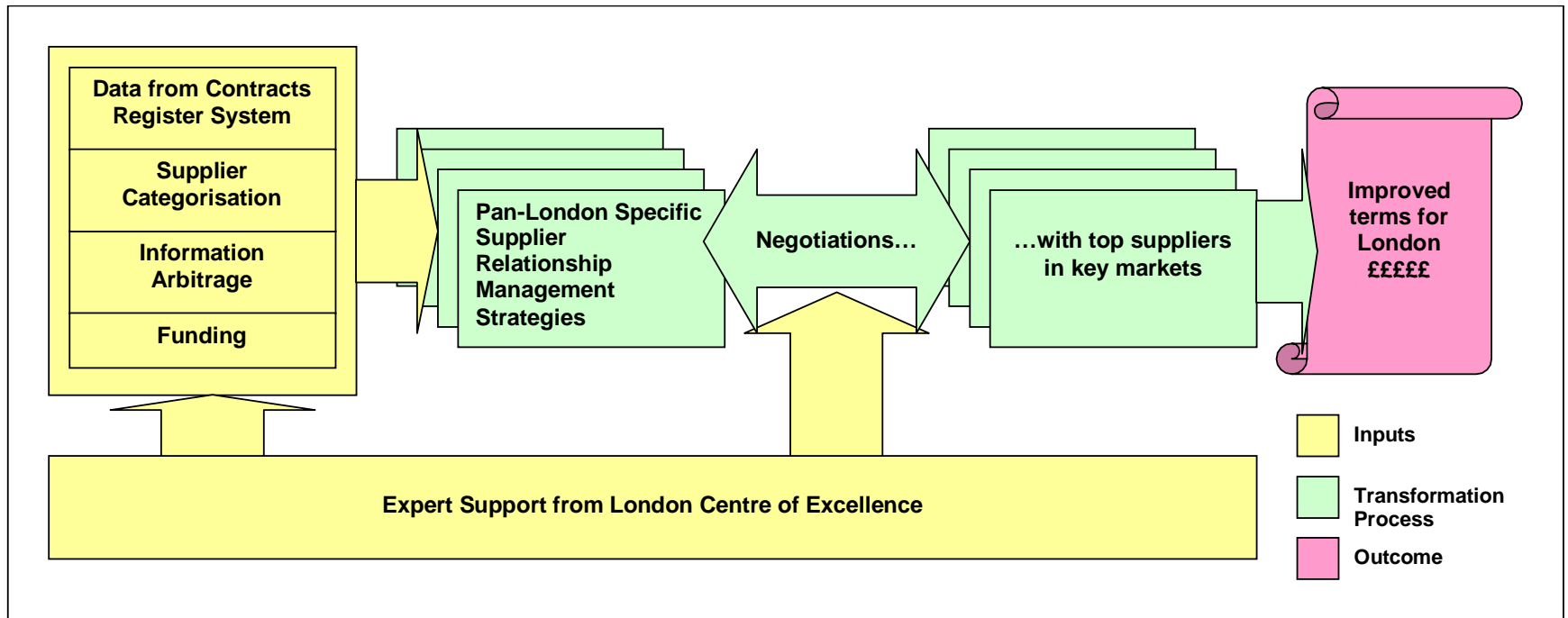
What do we need to do? (1)

- Generate awareness by creating a commercial environment for SSI through top-level management sponsorship;
- Obtain vital management information from the Contracts Register System across all London Boroughs;
- Categorise suppliers and contractors according to levels of expenditure, risk and criticality to determine those types of contract, supplier or market that need proactive management and can prove the concept;
- Gain the collaborative mandate from London Boroughs using established officer interest groups and consortia in key service sectors;

What do we need to do? (2)

- Determine risks in key supply markets such as market conditions, financial failure, political, logistical, contingency planning, etc;
- Compile separate SRM strategies for up to 10 principal suppliers to prove the concept;
- Recommend where these strategies are best owned and implemented (Borough, regionally or sub-regionally);
- Integrate this work with other LCE projects to attain the best results, and
- Demonstrate the opportunities for significant improvements in quality and value that can be gained if authorities collaborate and secure the mandate.

The SSI Transformation Process



SSI Project Components



Benefit from Strategic Supplier Intelligence will arise from:

- Providing leadership to the Project and awareness of its objectives
- Management of key operational and commercial risk for London Boroughs
- Management information provided by the CRS
- Categorisation of suppliers by spend and risk/criticality
- Development of specific SRM strategies for key suppliers
- Collaboration and a move toward shared services

Supplier Relationship Management

- Interpret data from CRS and identify the top 10 target suppliers using the Kraljic four-box model
- Develop market and supplier-related risk registers in collaboration with Boroughs
- Plan concerted relationship management strategy for each of the very top suppliers
- Use 'Information Arbitrage' to gather intelligence on companies prepared for different audiences to use in negotiations e.g. on market share and margins
- Link with other LCE Projects and with Supplier Relations Division of OGC



LONDON FIRE & EMERGENCY PLANNING AUTHORITY



Supplier Relationship Management: An example

- Ten London Boroughs have separate contracts with the same waste contractor, mostly in refuse collection
- Total estimated annual value is £125m, representing 13% of the contractor's UK turnover
- By acting in concert, these become a powerful negotiating partner
- Just 1% improvement in value for money would bring benefit of £1.25m per annum to those authorities and a 1-month payback period for the whole project.



LONDON FIRE & EMERGENCY PLANNING AUTHORITY



What could we achieve in Phase 1?

- Categorise top suppliers by value and risk/criticality
- Focus initially on up to 10 top suppliers drawn from waste, leisure, IT and social care markets
- Use CRMGT contacts and existing officer interest groups to prepare collaborative SRM strategies for each of these key suppliers
- Use 'Information Arbitration' to inform these strategies
- Gain authority to negotiate benefits and develop detailed plans to execute.



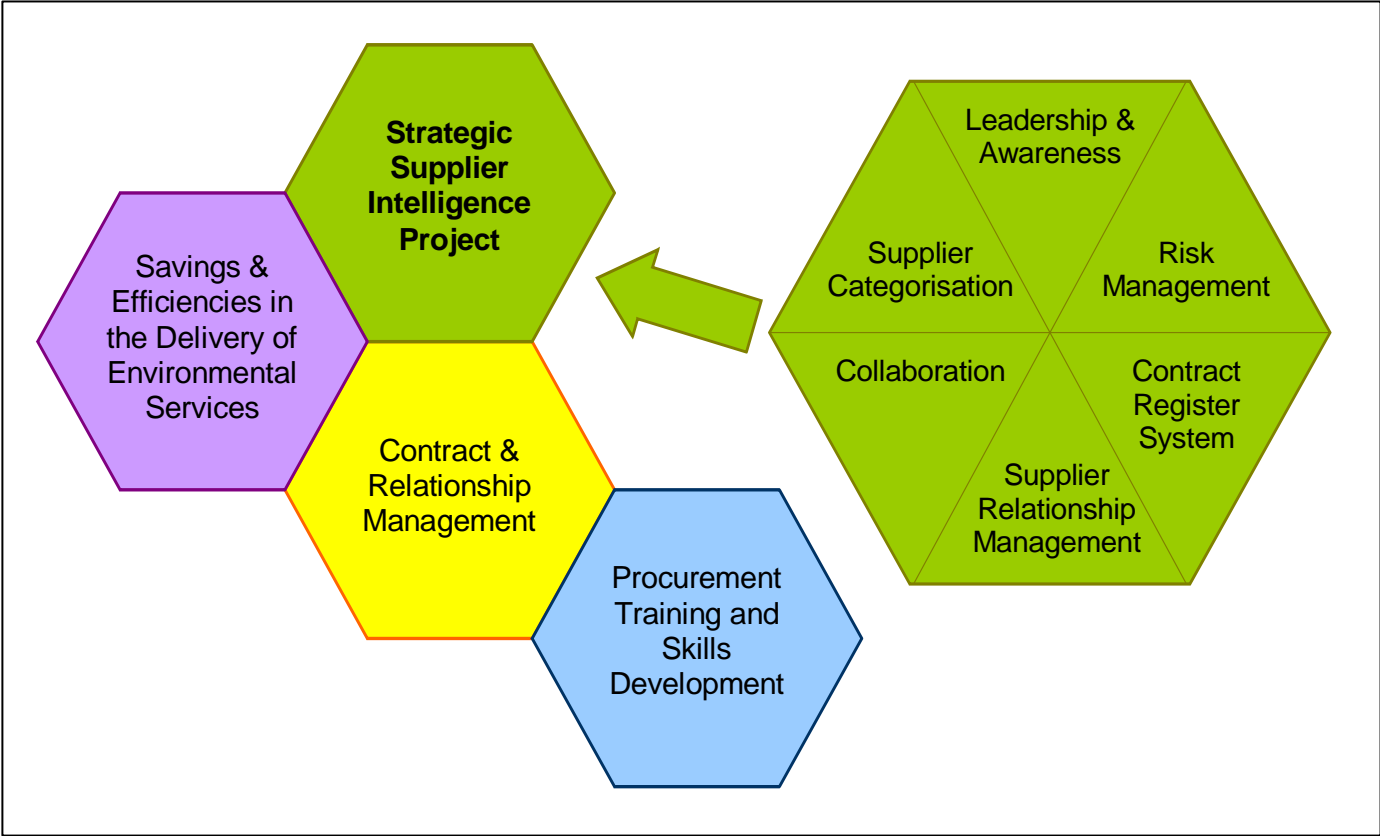
LONDON FIRE & EMERGENCY PLANNING AUTHORITY



Risks

- Lack of ownership (as with all collaborative projects);
- Insufficient momentum/resources in the Boroughs to make the implementation happen; and
- Over-ambition and/or excessively high stakeholder expectations.

For best results, work going forward should be integrated with other LCE Projects



Outline Delivery Timeline

