

Driving Value in 3rd-Generation Outsourcing

High-Tech Manufacturer Rejuvenates Key Supplier Relationship through Collaboration on New Contract

CHALLENGE:

Building a Stronger Relationship

A global high-tech firm had a productive and solid relationship with its incumbent vendor for facilities management. However, as contract renewal loomed on the horizon, the company sensed it could generate more value and reduce costs through contract restructuring. The company was open to examine all facets of the relationship in pursuit of improved performance and optimal value from its facilities management investment.

To achieve its objectives, the company realized it needed objective benchmarking data and current market intelligence to identify cost and performance improvement opportunities. Specifically, it sought detailed information about current pricing levels for specific services, as well as the best practices being used by peer organizations. These insights would serve as the foundation for a new contract and to strengthen the relationship moving forward.

SOLUTION:

Objective Benchmarking, Comprehensive Assessment, Constructive Dialogue

The company retained Trascent to conduct a full assessment of the current supplier relationship and to complete a comprehensive cost benchmark study. Critically, this proactive step took place a full 18 months before the contract expiration date, providing ample time for a full review and to develop a strategy for engaging the vendor about a mutually beneficial contract restructuring.

Leveraging its extensive proprietary database of current market intelligence and FM cost data, Trascent experts uncovered immediate opportunities for significant savings in specific locations across the company's network of manufacturing and office facilities. The initial findings also identified areas where the incumbent could deliver improved services. This market intelligence established a stable foundation for restructuring the relationship around clear metrics and incentives.

Instead of entering into immediate negotiations with its supplier or demanding across-the-board cuts in the new contract, the company turned to Trascent to develop the right approach.

ENGAGEMENT AT A GLANCE

INDUSTRY:

High-Tech

SCALE:

Global

SCOPE:

Facilities Management &
Project Support

KEYS TO CLIENT SUCCESS:

- Advanced market intelligence
- Collaborative negotiation approach
- Long-term strategic focus

Through an interactive strategy session, Trascent and the company addressed the critical decision of whether or not to go to market. The Trascent team helped shape the strategy by which the company could leverage benchmark data to achieve market level savings through renegotiation without going to RFP.

Ultimately, the company engaged the incumbent supplier in a collaborative spirit, asking for help in identifying areas for savings and improvements. Thus, a potentially adversarial dialogue was highly constructive, starting with a “clean slate” exercise to craft new cost estimates.

Further, Trascent helped define and prioritize opportunities for the company to change its own internal processes, behaviors and structures to gain further cost savings. In the end, the incumbent contract was extended. The Trascent team worked closely with the company’s FM team throughout the negotiation process to finalize the contract and ensure a smooth, non-disruptive transition as the relationship moved into a new phase. To build momentum and drive change across the enterprise, the company and the supplier conducted a joint “roadshow,” visiting key sites to share information about the changes and enhancements.

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RESULTS:

Major Savings, Stronger Relationship, Long-Term Alignment

In renewing the incumbent relationship, the company generated direct cost savings of 15%, a substantial amount for a third-generation outsourcing relationship. Because those savings were achieved collaboratively, the supplier remains motivated and focused on delivering value. The overall relationship did not suffer due to renegotiations, which is a common potential issue in this type of situation.

The overall approach – including the supplier’s inputs – allowed the company to avoid the effort and expense of a full RFP, but still achieve market-competitive improvements. The incumbent supplier responded positively and provided the savings identified by benchmark data. Because the company now benchmarks all areas of its FM operation, it has better visibility into how its performance compares with the broader market.

This project has provided a template for other sourcing initiatives to follow, with an emphasis on benchmarking and engagement with incumbent suppliers (rather than going straight to market). Further, the project team has assumed greater responsibility and involvement across sourcing projects.

Trascent continues to work with the high-tech company and is now supporting broad-based benchmarking projects in other areas of the company beyond facilities management, including security and fleet management.

To learn more about Trascent and our
breakthrough performance solutions
in RE/FM, please contact:

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