



Vendor Management

The **Key** to reducing OTM Implementation Costs

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Agenda



Introduction

The Need for Vendor Management

3rd Party Implementation Vendor Selection

Scoping & Prioritisation of Deliverables

Vendor Engagement & Contractual Models

Pre Implementation Preparations

Programme Management & Controls

Conclusions

Q&A

Introduction



What qualifies me to speak on this subject ?

Logistics IT Specialist

- Worked for Tibbett & Britten, APL Logistics, Exel Logistics & DHL
- 30 Years Commercial IT Experience
- 25 Years working in Logistics industry
- 10+ Years experience working with Oracle OTM
- Formerly head of SCI Product Delivery at DHL
- Formerly Technical Director at MavenWire Europe

Majority of experience with OTM in a complex, international, multi-vendor, environment

Overseen many successful implementations of OTM from the demand / business IT perspective

Done a stint on the Vendor / Supply side

Focus of this presentation is Implementation Considerations from the BUSINESS perspective - specifically prevention of cost escalations by effective vendor management

Introduction



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What is Vendor Management ?

Vendor management is a discipline that enables organizations to control costs, drive service excellence and mitigate risks to gain increased value from their **vendors** throughout the deal life cycle. **Gartner**

The vendor manager PROACTIVELY manages the relationship with the vendor for you. Key focus areas are :

- Ensuring Transparency
- Monitoring Costs
- Tracking Progress
- Validation and Quality Assurance

You CAN'T get this service from your Vendors

DON'T confuse this with "Account Management" services offered by Vendors

"As a general rule the most successful people in life are the people who have the best information."

Benjamin Disraeli

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The Need for Vendor Management



Starting point for any software implementation is

THE BUSINESS CASE

Which is going to Provide the Programme BUDGET €/\$/£

- One off and On-Going Costs
- Individual Project / Work stream Budgets
- It's the Implementation Work stream budget we are focusing on in this presentation

AND Business Benefits €/\$/£

- There is going to be a pay back period
- Cost Savings

Cost Escalations WILL overspend the budget, leading to RISKS

- Increased Pay back period
- (Maybe) Invalidation of the Business Case

Use effective Vendor Management to mitigate these Risks

The Need for Vendor Management



So you are doing an Implementation of Oracle OTM

Which is a Strategic, Enterprise Class, Optimising, Transportation Management System and Logistics Platform

You have done it before ?

A Vendor Manager can provide you with

- INDEPENDENT interpretation of what vendors are telling you
- VERIFICATION of vendor claims and business cases
- VALIDATION of Programme Plans and Contracts

BEWARE the silver tongued vendor salesman



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3rd Party Implementation Vendor Selection



OTM is a specialist product

Unlikely you can implement it with in-house resources

You are going to NEED some help from 3rd party specialist vendors / consultancies

What criteria do you use to select your implementation partner ?

- Capability, Cost, Capacity, Commitment, Track Record
- Probably ALL of the above ...

Recommend going through a formal procurement process

- RFI / RFP
- Involve your Vendor Manager
- But remember Vendor Management isn't just a procurement activity it's ongoing

Ascertain who will work on your projects, are they staff or contractors ?

3rd Party Implementation Vendor Selection



Take References from previous customers

Decide if you will use a single vendor or multiple vendors

Don't discount some of the smaller / lower profile vendors in the market

Finally don't forget to AUDIT your potential vendors security policies and Infrastructure

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Scoping & Prioritisation of Deliverables



Dimensions of Scope

Technology

- Platforms/Environments, Integration
- Carrier Portals, Distance Engines, etc

Functionality

- Order Management, Operational Planning & Optimisation, Visibility
- Shipment Execution, Freight Settlement, etc

Operations / Transport Modes

- Air, Sea, Road, Rail
- Inbound, Outbound, Parcels, Cross Dock, etc

Geographies

- Regions, Countries

Non-Functional Requirements

- Volumetrics & Growth Plans, Capacities, Service Levels

Scoping & Prioritisation of Deliverables



What are the BUSINESS priorities ?

Determine scope based on quickest realisation of business benefits

Consider a PHASED implementation approach

ALWAYS better than a BIG BANG

Whatever scope you determine what you want to end up with is

- A set of **Clearly Defined** deliverables
- Within a phased plan
- With an associated Delivery Cost

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Vendor Engagement & Contractual Models



You **MUST MUST MUST**
have **FORMAL**, watertight, contracts in place

Two Main Contractual Models

- Time and Expenses (T&E)
- Fixed Price

Which to use ?

One or Other ?

Mix and Match ?

Lets look at both models in more detail

Vendor Engagement & Contractual Models



Time & Expenses

Variable Costs based on Resource Utilisation

- Rate Cards / skill set

Something you want to **NEGOTIATE** !

- Volume discounts, DAY rates not per hour etc

Not something I'm a big fan of

Has it place but can be **RISKY**

- Blank Cheque
- Easy Way to **BURN** Money !



If you must use this model have some caps in place

- Agree a maximum / not to exceed cost for the activity(s)

Vendor Engagement & Contractual Models



Time & Expenses...

A few examples where this is a valid model

- Provision of Training
- Trouble Shooting
- Performance Tuning
- Staff Augmentation

If you are going down this route then it's YOUR responsibility to vet the resources
Due Diligence in this area **Mitigates RISKS** and ensures **Value for Money**

Vendor Engagement & Contractual Models



Fixed Price

This we like ... [as long as it's in line with the budget]

Provides a degree of certainty

Means you don't have to vet the resources to the same extent

Shares the Risk more Equitably with the Vendor

Want phased payments linked to Acceptance of Deliverable

- Provides a clear incentive for the vendor
- Gives greater control / better transparency



Vendor Engagement & Contractual Models



Fixed Price...

BUT beware the pitfalls, Fixed Price generally means

- Fixed Scope
- Fixed Duration
- Do NOT cause project delays resultant from your dependencies

Whatever model you chose

Watertight, Formal contracts are **ESSENTIAL**

Vendor Engagement & Contractual Models



On the matter of Expenses

Relevant to both T&E and Fixed Price

Do you really NEED to incur them ?

Typical Expenses of the travelling consultant

- Travel to / from Airport, Parking at Airport, Flights, Hotels
- Travel to Hotel, Travel to / from Site, Subsistence, Comms
- Alcohol ?



Vendor Engagement & Contractual Models



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On the matter of Expenses...

You want to CONTROL expenses ...

- Cap them !
- Flights / Travel : Actual cost Capped at a max
- Accommodation / Subsistence / Etc : Fixed rate per stay NIGHT
- Keep it simple, Get good forecasts : Who, When, Why, How Long
- Uncontrolled can add 20-25% to a day rate !

And if you MUST have consultants on site

- PLEASE PLEASE ensure adequate facilities for them
- Desks, Chairs, Meeting Rooms, Conference call places, Internet

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Pre Implementation Preparations



Planning Planning **PLANNING** !

- NEVER ever skimp on this....
- Don't forget the business change management
- Don't forget review / acceptance / feedback & rework time

Requirements well defined at a detailed level

- As is & To be process landscape
- Clearly documented and Ratified up front before implementation
- Major cause of delays and cost escalations

MASTER Data

- Data Quality Imperative
- Particular Pain Points ...
- Carrier Rates & Structures, have them well documented up front
- Locations : No Duplicates, Geocoded with Latitude / Longitude
- It wont work with bad master data
- Major cause of delays and cost escalations

Pre Implementation Preparations



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Integration Strategy

- Ensure interfaces are well defined
- Ensure capabilities to realise interfaces
- Good OVERARCHING Design ...
- Recipient defines data content, originator provides
- Data GAPS & Incompatibilities spell trouble !
- Major cause of delays and cost escalations

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Programme Management & Controls



Follow the Plan

Involve the Vendor Manager

Weekly project status reporting from the vendor

- Status of progress on Tasks / Deliverables
- For ALL work streams
- Estimated completion dates and variances to plan
- Costs to complete
- Issues
- Risks & Mitigations

Have clearly defined escalation paths and processes

Billing and Payment Status

Monthly Steering Board Meetings

Quarterly Business Reviews

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Effective Vendor Management is **ESSENTIAL** to success

Effective Vendor Management is **ESSENTIAL** to **Cost Control & Reduction**

DON'T DO WITHOUT IT

Unmanaged Vendors **ALWAYS** Escalate Costs

Engage an **Experienced** Vendor Manager who has done it / seen it before

- Knows the Business Domain
- Understands the Business Case
- Knows the Technology
- Knows the Vendors
- Knows about Contractual Frameworks, Legal and Commercials
- Knows about Programme and Project Management
- Knows about Relationship and Stakeholder Management

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???? Any Questions ????



Thank you for your attention



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