

Lean Opportunity

Organizations approaching cost containment typically focus initially on unit cost. While this approach provides incremental cost savings, significant opportunities for cost takeout can be overlooked.

Total cost assessment and value optimization require deeper insight and analysis to yield dramatic and sustainable results. Key approaches that deliver benefits include:

- Elimination of waste such as unused services
- Optimization of services and costs
- Consolidation of higher cost vendors
- Shifting high cost internal support to free or less expensive vendor support
- Competitive bidding to drive price concessions
- Volume consolidation to drive discounting

Opportunity Assessment

Vendor Rationalization begins with identifying the consumption and costs of services. The Opportunity Assessment deliverable identifies the alignment of service delivery to the needs of the individual groups consuming them. This process yields those groups who are underutilizing services (needs exceeded or unused services in the sample Assessment depicted). Moreover, the Assessment identifies internal costs where needs are unmet but are consuming internal resources in lieu of vendor support.

Business Unit / Department	Spend	Users	Needs Assessment				
			Unmet*	Unmet	Met	Exceeds	Unused
Business Unit 1							
Department 1	\$50,000	50			✓		
Department 2	\$150,000	200				✓	
Department 3	\$125,000	170		✓			
Business Unit 2							
Department 4	\$164,000	300			✓		
Department 5	\$32,000	72		✓			
Department 6	\$208,000	405	✓				
Business Unit 3							
Department 7	\$450,000	900			✓		
Department 8	\$12,000	8					✓
Department 9	\$180,000	220			✓		
Total	\$1,371,000	2,325					

The Opportunity Assessment will provide an initial estimate of cost takeout opportunities. The additional benefit is the identification of unmet needs where users are not receiving services they expect.

Vendor Alignment

After determining the demand side of the service portfolio, the supply side is mapped. An Options Matrix is constructed to model supply chain options.

Options for supplying needed services are stratified according to the following categories:

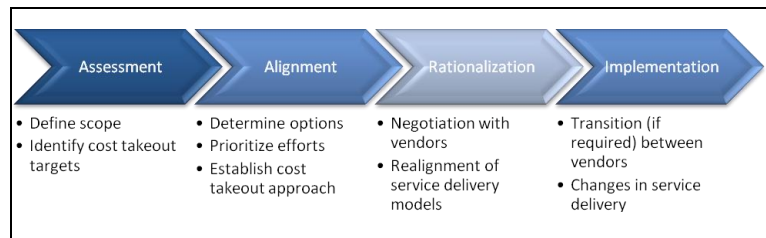
- Unique: Cannot be provided by other vendors
- Competitive: Vendors offer similar services
- Commoditized: Services are undifferentiated and readily available

The resulting matrix provides options for each service which is then cross tabulated into a Vendor Footprint. The Footprint aids in determining negotiating leverage.

Options Matrix Services Map	Vendors		
	Firm A	Firm B	Firm C
Unique			
Service 1	●		
Service 2		●	
Service 3	●		
Competitive			
Service 4	●	○	●
Service 5		○	○
Service 6	○	●	●
Commoditized			
Service 7	●	●	●
Service 8	●	●	
Service 9		●	●

Engagement Structure

Actionable Strategies applies an iterative approach to mitigate risk and deliver incremental value. The basic engagement structure involves the following steps.



For specific details on how we can help you:

- Optimize a services portfolio,
- Rationalize vendors, and
- Take cost out of your operation

Please contact your Actionable Strategies Account Manager.