



cutting through complexity

Procurement for Growth

FMA Conference

23rd May 2013



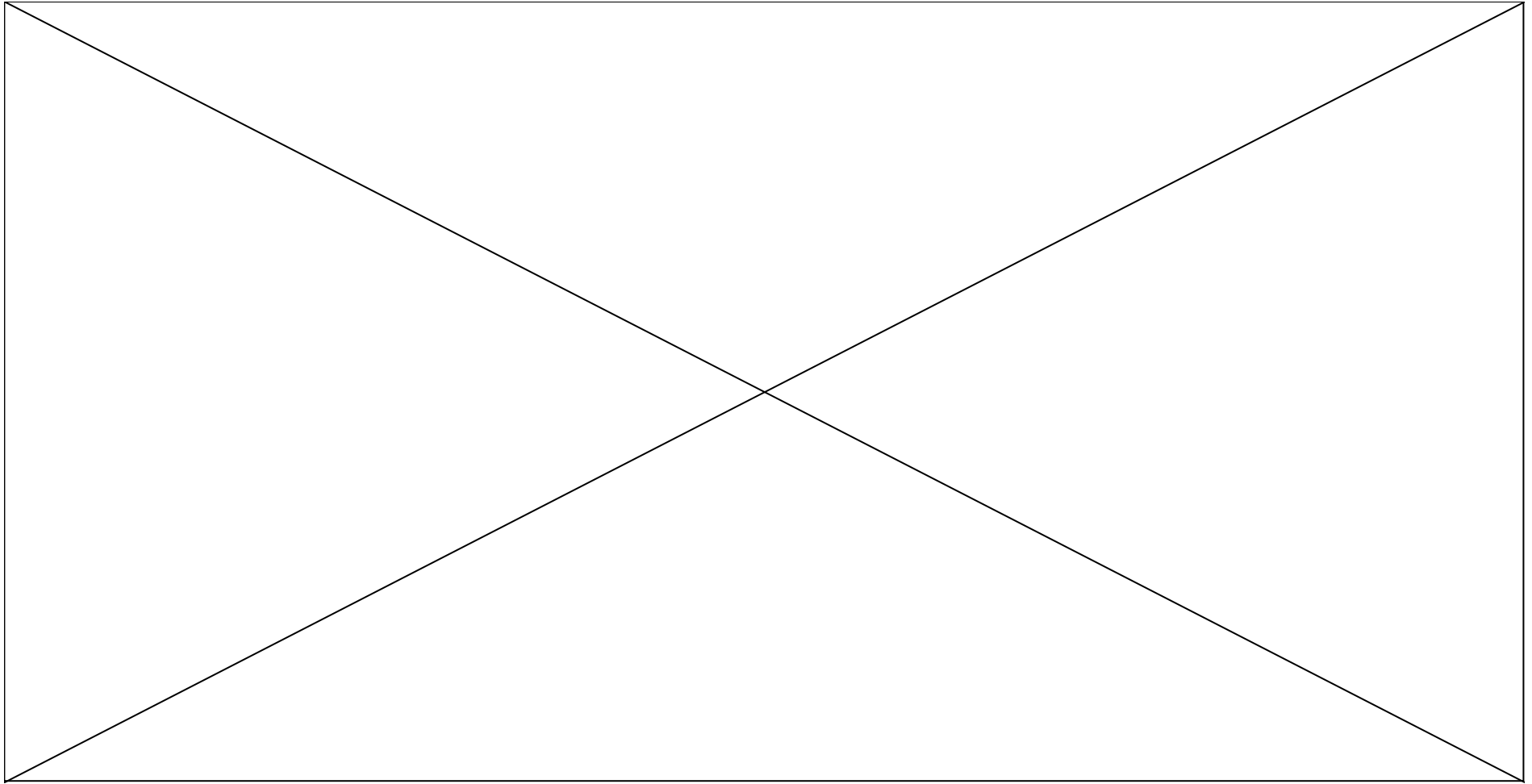
I **Market and Trends**

II **How Procurement Can Leverage the Value Chain**

III **Is your Procurement Set-Up to Drive Growth**

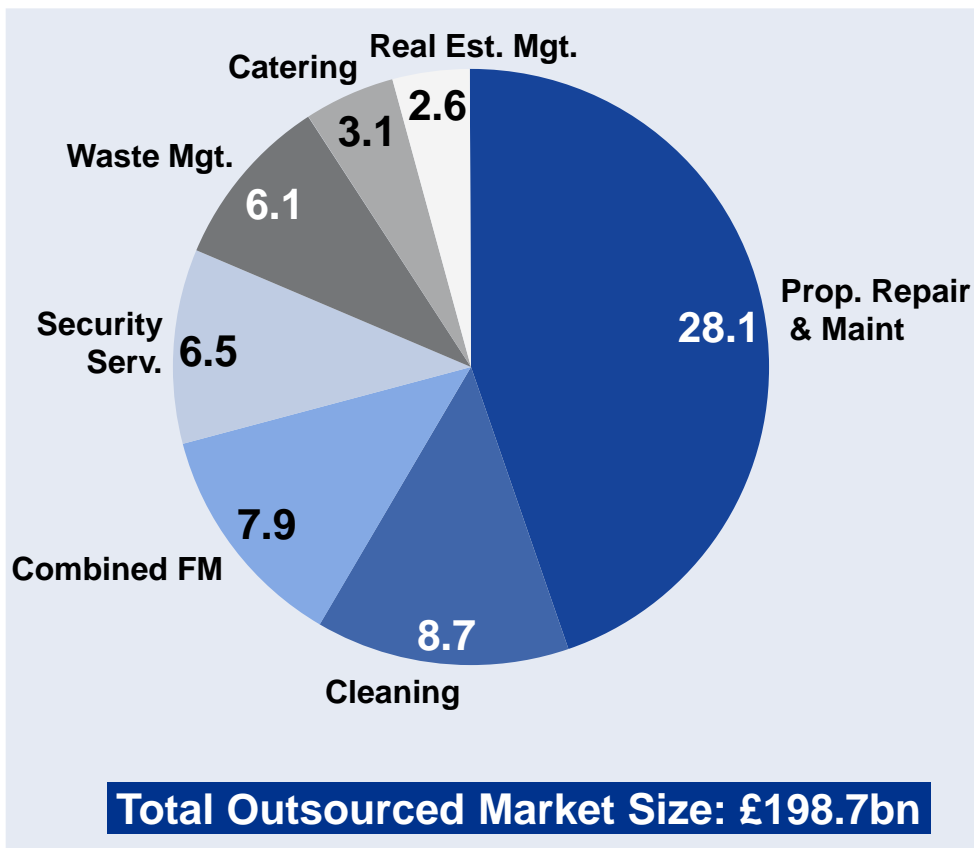
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A short introduction Facilities Management – What Is It?



There is general agreement that the FM market in the UK will see slow growth through to 2015 – slow growth, cautious optimism.

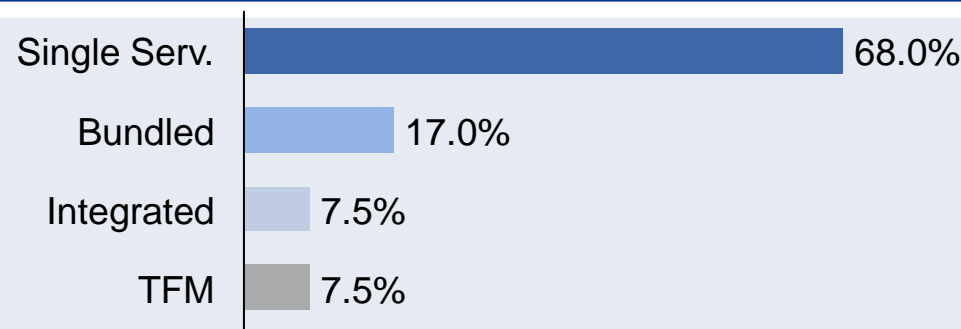
FM Share of Total Outsourced Market UK (£bn)¹



Key Points

- 2 - 4% Growth predicted to 2015
 - Big multi service providers share space with small specialists
 - Growth by acquisition
 - Growth areas: Compliance & Energy Services
- ❖ **Diverse and complex industry - the value chain is key**

Types of Contracts Used²



1. Oxford Economics for the Business Services Association, November 2012 (Outsourced Services)

2. FM news, Trend & Opps. Report 2011/12

Current trends will have significant impact on supply chains – time to show that procurement & S/C is able to deliver competitive advantage on corporate strategy.

Trends in UK FM Market

- 1 Value**
Understand the real value a supplier brings & what value a client wants
- 2 Contract Management**
Contractors should develop SLAs and KPIs with clients, quality of relationship is key
- 3 Digitalisation**
Connectivity drives new ways of working, higher efficiency
- 4 Risk Management**
Due diligence in financial assessments for suppliers
- 5 Bundled & Integrated Services**
Drives complex contracts which need to be managed well

Areas of competition

Cost

Innovation

Flexibility

Sustainability



Be better than your competition

| | |
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FM companies can learn from successful concepts in procurement, supply chain / logistics and manufacturing in other industries.

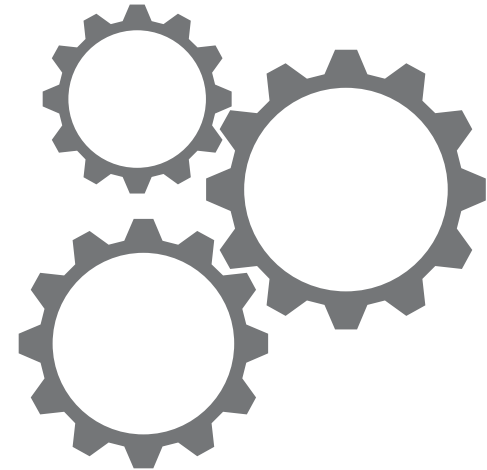
SCALE



VALUE CHAIN








INTEGRATION



Best Practice Examples 'Scale'

The FM Industry can learn from successful concepts in procurement, supply chain / logistics in other industries.







| Topic | Best Practice Examples | | |
|----------------------------------|---|-------------------|--|
| | Company | Industry | Specific Best Practice |
| Category Management |  AIRBUS <small>AN EADS COMPANY</small> | Airplanes | <ul style="list-style-type: none"> Consistent usage of cost reduction potentials with stringent spend category management approach |
| Standardization & Modularization |  | Utilities | <ul style="list-style-type: none"> Focus on plant & equipment standardization across company |
| |  | Logistics Systems | <ul style="list-style-type: none"> Consistent reduction of product complexity through reduction of internal variants |
| Sub-tier Sourcing |  | Automotive | <ul style="list-style-type: none"> Modular building set, across vehicles and platforms |
| |  | Consumer | <ul style="list-style-type: none"> Leverage of commercial scale across supplying can / aluminium industry |

Best Practice Examples 'Value Chain'

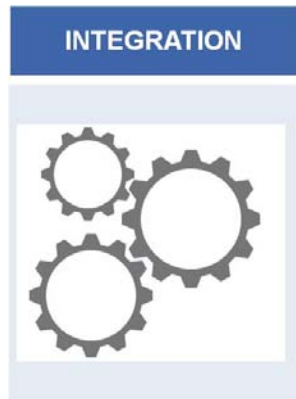
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| Topic | Best Practice Examples | | |
|-------------------------|--|-----------------|--|
| | Company | Industry | Specific Best Practice |
| Total Cost Focus |  SBB CFF FFS | Transport | ■ Life cycle cost focus in asset procurement & maintenance |
| |  | Infra-structure | ■ Stringent evaluation of sub-contractors under quality & cost criteria |
| Delivery Chain Planning | Z A R A | Apparel | ■ Set up of supply chain to design, produce & deliver new garment in 15 days |
| |  | Con-struction | ■ Reduction of construction time & cost through prefabrication approach |
| SC Risk Management |  RWE The energy to lead | Utilities | ■ Set up of dedicated function to manage raw material price exposure |

Best Practice Examples 'Integration'

The FM Industry can learn from successful concepts in procurement, supply chain/logistics in other industries.



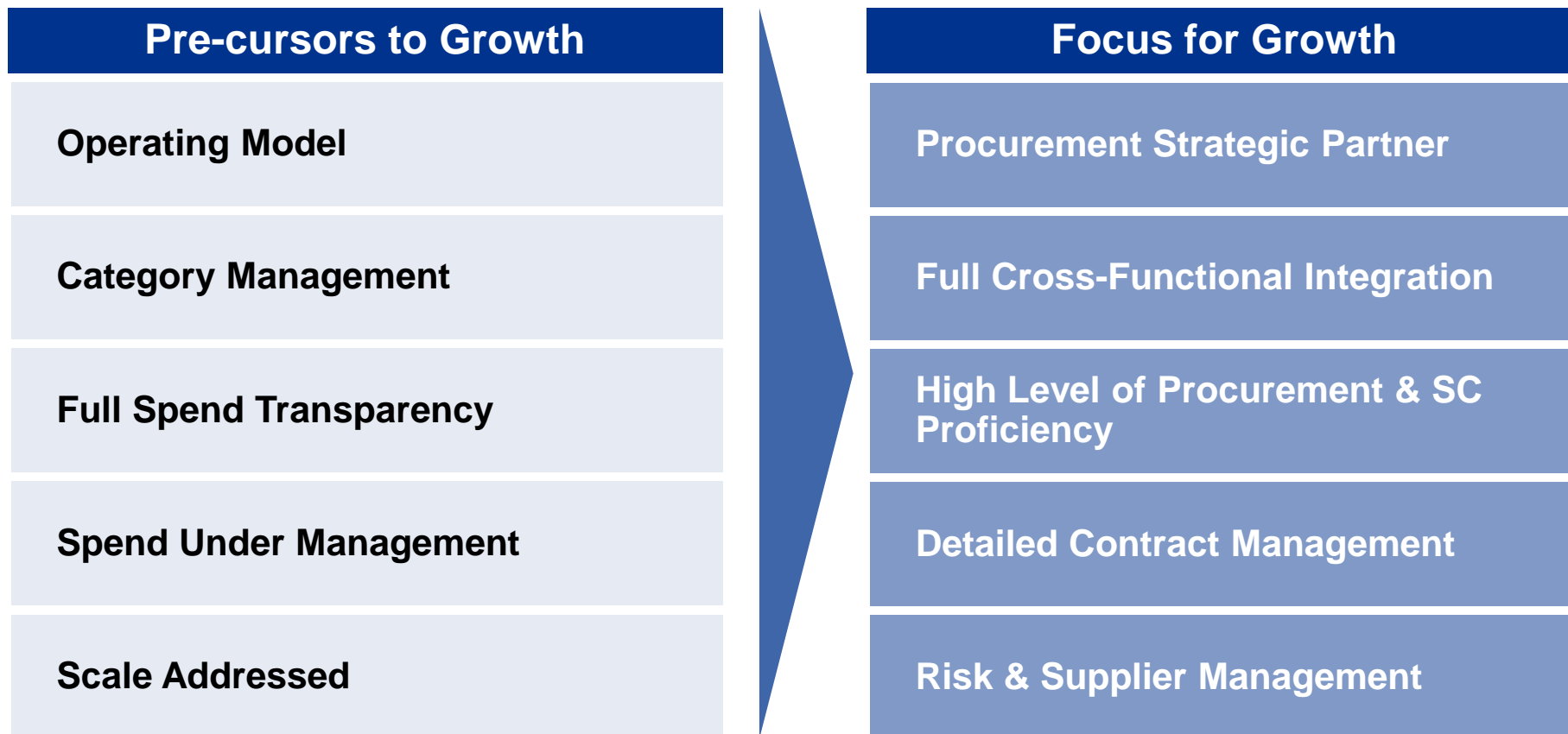
| Topic | Best Practice Examples | | |
|---------------------|--|------------------------|--|
| | Company | Industry | Specific Best Practice |
| Strategy Alignment |  | Construction Materials | ■ Restructuring of supply chain to reduce order lead time for poured cement from typical 48hrs to industry transforming 4hrs |
| |  | Telecoms | ■ Alignment of supply base to build mobile phone networks in emerging markets – in line with corporate strategy |
| Product Development |  | Consumer Electronics | ■ Innovation sourcing and integration of key suppliers in product development process |
| |  | Automotive | ■ Joint development platform with suppliers for new products |
| |  | Plant Engineering | ■ Substantial product cost reduction through value- and cost-engineering approaches |

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Ensuring the key elements for procurement are in place, positions procurement as a strategic partner for growth



1

What return on procurement are you getting?

2

How much spend should be under procurement management?

3

How would you rate your company's procurement strategy?

4

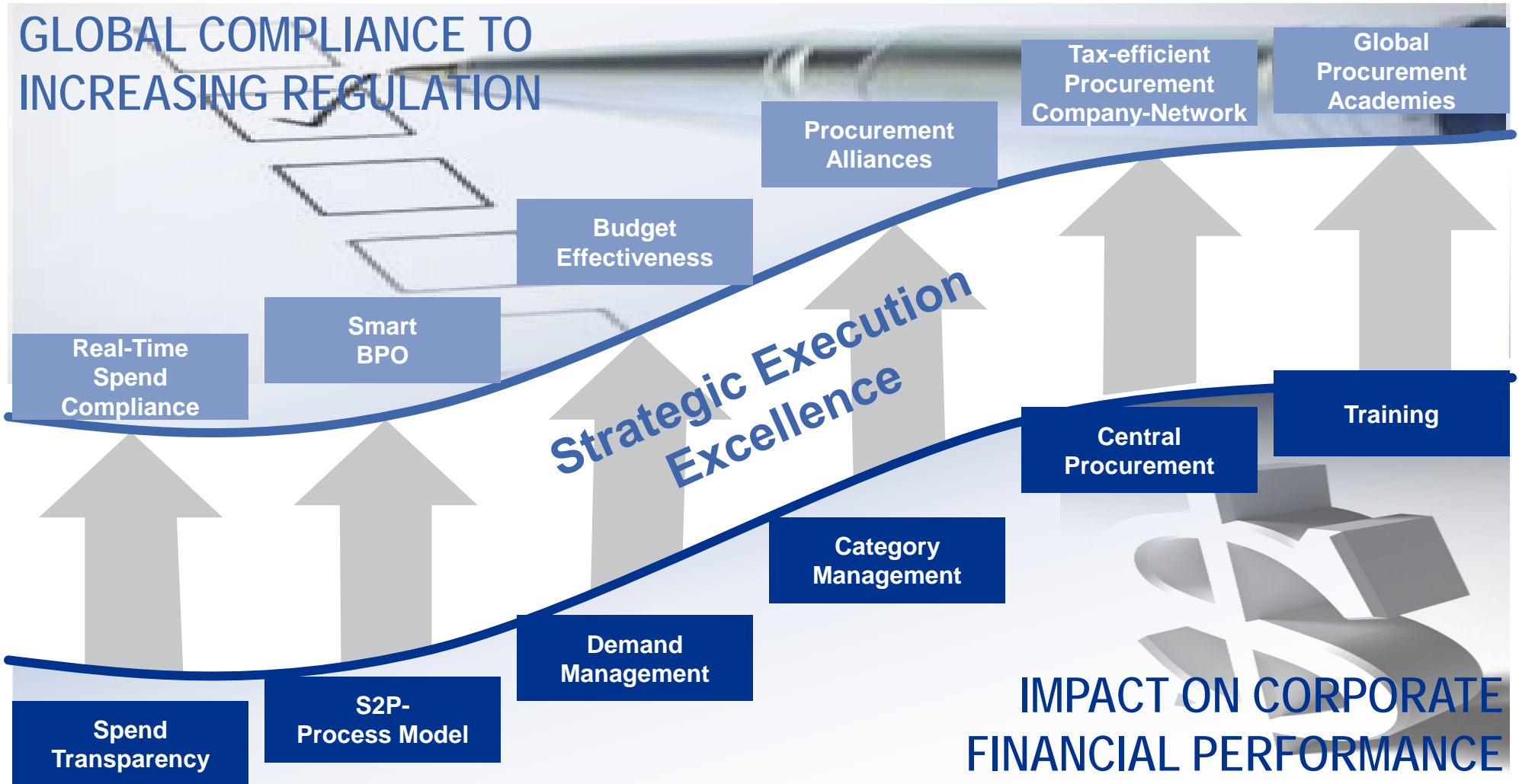
Have you got joint targets with supplier partners?

5

Have you quantified how mature your procurement organisation is?

The next level of procurement and supply chain excellence is achieved by focusing on high quality strategic execution.

GLOBAL COMPLIANCE TO INCREASING REGULATION





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Key Contact



Dr Dave Hull

Strategic Sourcing & Procurement

T: +44 7776 462498

M: n/a

F: n/a

d.hull@brainnet.com