



corcentric™

Reducing Spend in Facilities Management

A Customer Success Story

GETTING STARTED

A national diversified manufacturer sought to partner with a strategic sourcing consulting firm to help centralize its internal purchasing team and supplement existing cost reduction strategies. Having gone through a period of growth through acquisition, the manufacturer needed to rein in the decentralized aspects of its operations to control costs and ensure the profitability of the unified company.

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A key category that Corcentric was asked to review was Facilities Management. Each facility acted independently with little to no coordination

across plants to leverage spend or standardize supplier service levels.

Within the Facilities Management category, Corcentric evaluated various subcategories including:

- + General Waste Management
- + Industrial Waste Management
- + Pest Control Services
- + Security Services
- + Industrial Rentals
- + Janitorial Services
- + Elevator Maintenance
- + HVAC
- + Landscaping
- + General Contractor Services

FACING CHALLENGES

Effectively sourcing Facilities Management comes with unique challenges, including:

- + the ability to collect meaningful data
- + a diverse set of locations and requirements
- + regionalized supply bases
- + high visibility of supplier performance within the organization

At Corcentric, our sourcing strategy is customized for the category while accounting for the unique needs of each customer. Corcentric works directly with key decision makers and end users in each category to ensure their needs are met within the sourcing process. Our consultants can adjust quickly according to the needs of the customer while factoring in other key sourcing strategy drivers including:

- + customer spend levels
- + the importance of particular supplier relationships
- + the ability to leverage or consolidate suppliers and services within a category



10+

facilities spend categories sourced



13-43%

savings achieved



Universal

scopes of work established



Supplier

consolidation and right-sizing

THE SOURCING PROCESS

The strategic sourcing process for Facilities Management began with in-depth requirements gathering, which included interviews with end users, spend owners, and incumbent suppliers. The primary benefit of this initial phase was gaining an understanding of the strengths and weaknesses within the service category. The qualitative information that resulted was then paired with quantitative data collected from the end users and suppliers. Corcentric gathered data in the form of detailed usage reports, invoices, and POs to capture spend profiles, volumes, order frequencies, and specifications, and - most importantly - the detailed scopes of work (SOW).

The SOW is one of the most critical elements in Facilities Management, as it documents the current scope and is reflective of any improvements or modifications. Contract terms and conditions, including existing service levels, are evaluated as part of the baseline stage to determine if they meet current needs. When current conditions are unsatisfactory, enhancements to the service levels are integrated at this stage. Additionally, an initial assessment of the market was performed to determine pertinent market drivers and to identify other potential players that might fit with the business from an overall value perspective. This information was compiled into a thorough current state assessment. The goal was to benchmark current cost structures, rates, and contract terms against a vast database of price points and qualitative data, in addition to outlining the proposed sourcing strategy.

JANITORIAL SERVICES

The primary task for the customer in sourcing janitorial services was to consolidate suppliers and standardize the scope of services across hundreds of locations. After assessing the current state and implementing a Service Level Matrix, Corcentric was able to negotiate a 32 percent savings and reduce the network of suppliers from an excess of 50 down to one preferred supplier.

Corcentric started by collecting invoices and contracts from all locations to consolidate the various SOWs to develop

a singular, universal scope applicable to all sites. Scope activities were segmented by room type, level, frequency, and service type within the Service Level Matrix. An all-encompassing scope was developed that captured the core services to be performed at every location. From there, an à la carte menu of services was formed that would allow each site to customize its service offering based on its specific needs. The matrix

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included various service level options that sites could select to achieve flexibility based on days per week and services performed. Each site also gained variable cost options to maximize budgets.

Using this SOW matrix, suppliers in the Request for Proposal (RFP) process could quote a price per square foot based on frequency and service-level complexity. Corcentric coordinated site visits with individual locations and suppliers to ensure proposal accuracy. Suppliers were evaluated based on their ability to effectively manage the current service profile and scale up if the need arose.

Once the customer selected its new preferred supplier, Corcentric implemented the new service profile with a strong, centralized account management team. The implementation process required a phased approach due to varying contract termination dates with existing suppliers. The solution was a multi-month rollout by region, contract termination timeframe, and site size, with the Corcentric project team contacting each site individually to notify them of the final decision of the preferred supplier and discuss the implementation and transition process. The transition also included working with all sites to terminate existing agreements in place - helping to notify suppliers and providing information needed to ensure that the customer's decision was relayed properly as certain suppliers were sunsetted.

The Corcentric team served as the main

point of contact for site-level resources to report implementation concerns and ensure the rollout was on time and efficient. This approach also enabled the supplier to ramp up resources slowly, and thoroughly train staff on the newly contracted SOW. Corcentric spent the following months ensuring a successful implementation of services. As sites continued the onboarding process, the Corcentric project team tracked billing

and performance compliance through invoices and end user feedback.

Overall, the project allowed the customer to achieve a streamlined supply base, standardized scope of work, and reduced costs, all leading to a maximized ability to manage the category more effectively.

PEST CONTROL SERVICES

Pest Control Services is a category that can be tackled on a national scale with similar services across multiple locations that share comparable structures. After a review of the SOW for several locations that shared a similar blueprint, Corcentric engaged national service providers to quote on pest control services and associated products. By leveraging the multiple locations into one contract and assessing the service rates against various competitors and other available data sources, Corcentric established better spend controls and management of the service across all locations. As a result, the customer achieved 43 percent savings and consolidated from seven suppliers to one preferred provider.

WASTE MANAGEMENT

Proximity to local landfills is a major cost driver for General Waste Management. Therefore, Corcentric approached this category on a more regional basis, considering landfill location when evaluating opportunities in the market. Solid waste disposal services represented a low spend area for this customer, prompting Corcentric's strategy to negotiate directly with

WHY CORCENTRIC



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incumbents after benchmarking rates against other local providers. Corcentric negotiated up to 14 percent savings at individual facilities without affecting service levels. Rates were then implemented immediately without any interruption in service for the customer.

The manufacturing customer also had Industrial Waste Disposal Services that required support from more specialized providers. Corcentric identified a 45 percent savings opportunity with an alternate provider, cutting the annual spend almost in half for the customer.

ADDITIONAL CATEGORIES IMPACTED

Corcentric worked closely with the customer's purchasing team to achieve success in other Facilities Management categories across the organization.

Industrial Rentals – An 18 percent savings was achieved with an incumbent provider. By funneling additional facilities' services through this existing supplier, Corcentric helped the customer improve an already strong relationship.

Landscaping Services – Unsatisfied with its current supplier's ability to meet service levels, the customer was looking to move to a more qualified and responsive service provider. Corcentric vetted the competitive market for a supplier that was well known for excellent service quality and customer service capabilities. As a result, a cost savings of 13 percent was implemented along with a more qualified supplier. Following the implementation of the new service provider, Corcentric closely monitored compliance to ensure that the customer's previous service issues were mitigated through the transition.

SUCCESS IN COLLABORATION

The manufacturing customer's primary objective was to control spend across multiple categories and multiple locations. Corcentric was not only successful in supporting this objective, but in delivering benefits that positively impacted the customer's internal processes and communication channels. The customer purchasing team developed stronger relationships across its individual functions. Corcentric also helped the customer improve internal collaboration, which empowered them to focus more time on performing core daily functions, while benefiting from a knowledge share between Corcentric and its team.



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Procurement and Finance Solutions

ABOUT CORCENTRIC

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