

# ENABLING SAVINGS UPWARD OF \$1.35M AUD WITH INFOSYS BPM'S 'EXTENDED TEAM'

## Abstract

Honoring a contract is a critical facet for any organization which works with external service providers and suppliers. But at times, when the suppliers realize that the organization has become a loyal customer of theirs, there comes a looming risk of complacency from the supplier's end – both in terms of costs and services. Hence, it is always a good practice for procurement organization to be constantly looking at market innovations and new entrants to reduce risks associated with complacency and too much dependency on one supplier especially with regard to critical services. In a similar situation, Infosys BPM helped its client to overcome similar risks and challenges through identification and onboarding of new suppliers leading to an additional value for the client.

Read on to know how Infosys BPM's operational and technical teams acted as an 'extended team' for the client to deliver consolidated savings of over \$1.35M AUD from a single contract.



## When your partner becomes an 'extended team'

The client is an international mining and metals company dealing in exploration, mining, and processing of metals and other mineral resources.

The client partnered with Infosys BPM in 2015 for provision of sourcing and procurement services for goods and services across their regional corporate offices and various mining sites.

Infosys BPM has over 47 full time employees (FTEs) supporting the client's sourcing and procurement (S&P) operations from 2 delivery centers based out of India and Mexico, who are integrated as an 'extended team' of

the client. This means that, the Infosys BPM operational teams are aligned to the client's regional organizations with opportunities for the teams to visit each other's locations to promote a culture of 'zero distance' and a much stronger cultural fit.

## The risks of an undisputed supplier

A single supplier provided the telecommunication and data services to the client, with the existing contract tendered in 2005 and was due for renewal in 2019.

As the client honored the contract and also, the supplier's business was not challenged

since 2005, the supplier's dominance increased, and simultaneously, the quality of services decreased.

The Infosys BPM team identified an opportunity for market exploration and cost reduction by understanding the various changes in the telecommunication market over the period of the last decade. The team enabled this through initiating a market exercise to identify and perform a prior assessment of other service providers in the market. The team also carried out a review of the existing contract with the incumbent supplier, and identified a need to redraft and re-negotiate some of the outdated legal terms and conditions.

## Tenders, contracts, and re-negotiation – the Infosys BPM solution

Based on joint discussions and go ahead from the client, the Infosys BPM team initiated the contract renewal process six months prior to the existing contract expiry by anticipating the following critical challenges as were foreseen in the process of introducing new competitive service providers:

- Delay in contract renewal which could put the client's business continuity at risk
- Various legal risks involved in continuing with an expired contract
- Delay in contract execution which could lead to
  - delay in continuity of services
  - potential loss on cost benefits
  - increase in costs due to service overlaps between the incumbent and new service provider

To incorporate the changes in Scope of Work (SOW) over the period of contract term, multiple contract variations had been attached in the existing contract resulting into a scattered SOW which required consolidation before the commencement of the tendering process. The Infosys BPM team consolidated the scope of work jointly with the client business users through a series of joint iterations to finalize and streamline the commercial terms. This was an important prerequisite towards ensuring comprehensiveness of

RFQ package for the tendering process. The tender was floated to four major service providers.

The tendering process was managed by Infosys BPM using the client's tendering system. As a post tender process, Infosys BPM also coordinated the visit of new suppliers to the client location – a step to ensure that the suppliers understood the need and that the tender response was in alignment with the client requirements.

Based on the evaluation criteria - capability, quality, and cost - the Infosys BPM project owner and the client's technical team carried out the tender evaluation jointly on both technical and commercial perspectives.

Post tender evaluation, the team found that the pricing structure of the new service provider was found to be significantly competitive as compared to the incumbent service provider. Also, as the new service provider was already in business with the client for other services, the risk associated in switching the services was found to be minimum.

The new service provider's offer was evaluated as commercially and technically compatible. Based on the evaluation criteria, Infosys BPM recommended the client to split the SOW between two service providers to achieve maximum savings at the right price and better service quality and at the same time adequately covering risk associated with working with a single supplier for critical services.

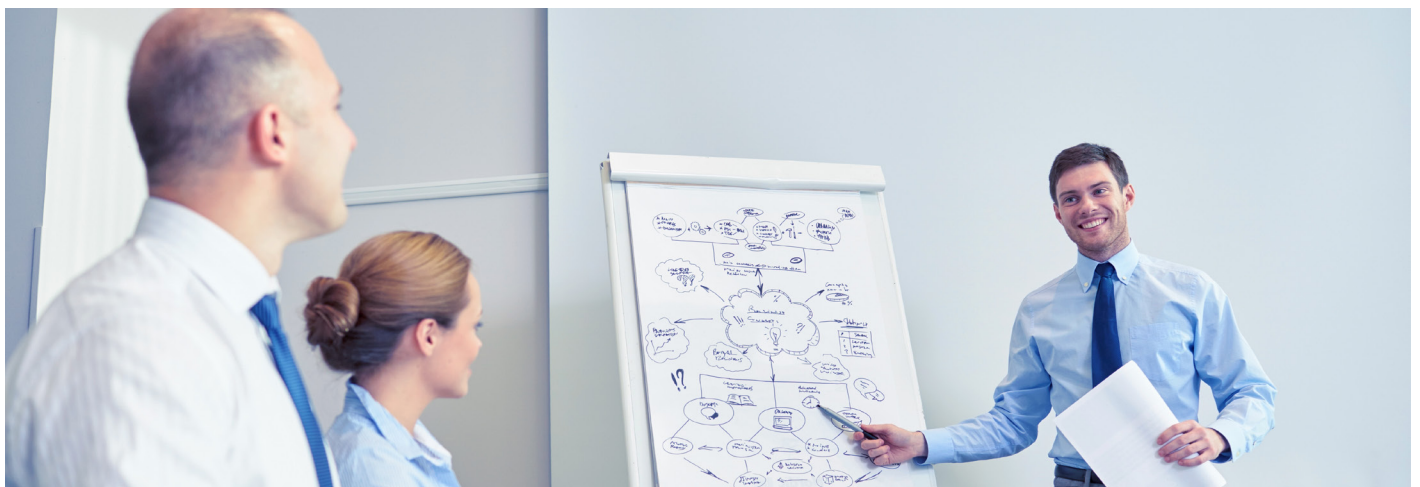
## Extended team's value delivery

The newly identified service provider was able to provide the landline and data services considerably lesser price as compared to the incumbent service provider, resulting in > \$400K AUD annual savings. As per the contract, the team fixed this price for a period of 3 years, with an overall savings > \$1.2M AUD for the contract term.

With the introduction of the new service provider, the team also initiated a set of negotiations with the existing service provider, which resulted in holding the existing pricings of the services for the contract term. The team also negotiated for obtaining additional value added services within the contracted price, achieving an annual savings of \$38K AUD additionally

## Key highlights of the solution:

- 31% reduction in overall cost
- Overall benefit of \$1.35M AUD delivered
- Reduced/ diversification of risks associated with a single service provider
- A room for innovation where the client could challenge the traditional methods





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