

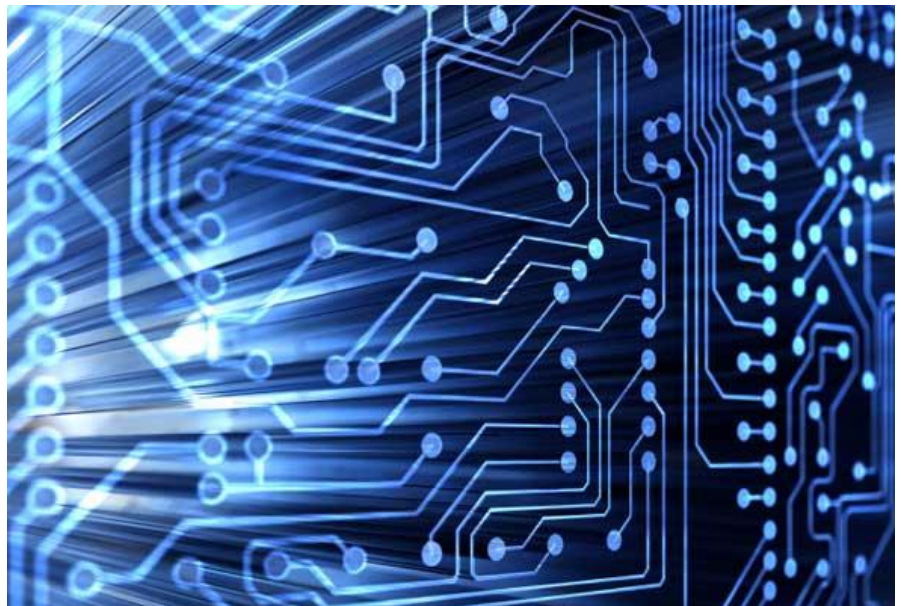
Customer Story: Even the Best Internal Procurement Efforts can Leave You with Higher Costs

The Problem: Procurement efforts don't always deliver fully

The Procurement team for a global leader in tools for the design of transistors, circuits and semi-conductor technologies thought they had scored a major success in their latest contract cycle with Verizon. The team had, on their own initiative, negotiated what they believed to be a very favorable contract renewal only to find they left millions on the table.

With millions of dollars at stake, and their communications and network services being business-critical to the company's growth and continued success, a lot was riding on Procurement to deliver. The team chose what they thought was a prudent path, and worked with their current vendor, Verizon, to put together what Procurement felt was a significant improvement over the current, expiring contract.

Unfortunately for the company, the Procurement team acted with little involvement of their IT team. While Procurement did a good job of obtaining substantial savings over the prior contracts for the data services, they were working without the help of experts in telecommunications technologies and the intricacies of complex services contracts for them. As a result, though seemingly impressive savings did result from Procurement's well-intentioned efforts, their lack of subject matter expertise



caused a considerable amount of money to be left on the table.

How Did Network Control Help?

Once Procurement had completed its work, they shared the results with the company's IT team who reviewed Procurement's work effort. In the words of one of the company's IT executives, "It did not pass the sniff test." As a result, they brought in Network Control to review the results, benchmark them against industry pricing and analyze the Service Level Agreements and contract Terms and Conditions.

Network Control performed a comprehensive review of the company's internet and MPLS inventory and determined additional savings could be obtained by putting it out to bid through a

broader, multi-vendor RFP process. The Network Control team knew that for many of the needed services it was important to look, not just at national carriers, but also local and regional carriers, both for lower cost, high quality services as well as negotiating leverage against the national vendors.

The Network Control team brought years of experience with complex RFP responses and resultant contracts to bear. Using cross-industry data from numerous RFP results as well as an intimate knowledge of the range of pricing vendors had actually offered other companies, Network Control was able to review and negotiate the best possible results for their client.

The Network Control team brought a cross-industry view with real market data to the procurement process which added greatly to the savings

The team at Network Control knew that driving pricing down was only a part of the equation for the client. They also looked at the vendors' minimum annual revenue commitment (MARC) requirement in order to de-risk the eventual contract in the event of a change in the client's usage or business situation. Too, there was a need to provide various contractual protections to ensure the best possible result for the client. Items such as early termination fees, payment terms and cancellation fees were all considered as part of the RFP process.

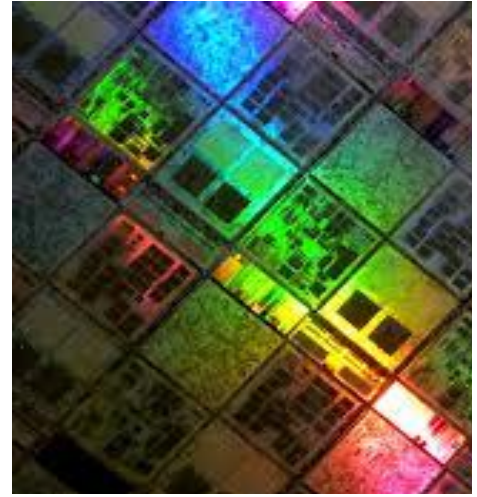
Results

As a result of this expert effort by Network Control, the client saw an additional 23% reduction in costs over the Procurement team's efforts, resulting in a further \$1.6 million savings over the contract period. Equally important for the overall value of the contract, extended payment terms were negotiated to better support the client's needs, and line termination charges were substantially reduced from earlier penalty schedules.

As further value to the client, the annual MARC was reduced from 80% to 60%, providing an additional measure of risk reduction and contract protection. Most notable, all this was achieved with the incumbent vendor, following directly on the footsteps of the Procurement team's best efforts,

and not requiring a massive vendor shift which would have been very costly and potentially disruptive to the business.

Through this work Network Control demonstrated that an RFP process does not have to be a long and painful process, especially when working with the incumbent service provider. It also demonstrated that outside expertise is a critical, but often overlooked, component to achieving the best possible results from a business-critical RFP and contract negotiation process. It also provided better service levels, account management and reporting analytics, all critical to the overall value of the contract.



About Network Control

As a TEM/WEM outsourced services provider Network Control helps companies in a range of industries reduce short- and long- term voice, wireless and data communications expenses.

At the same time our team will improve your overall service levels, help to obtain better contract terms and empower management with the control and visibility to manage all communications cost drivers with fact-based decision making.

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