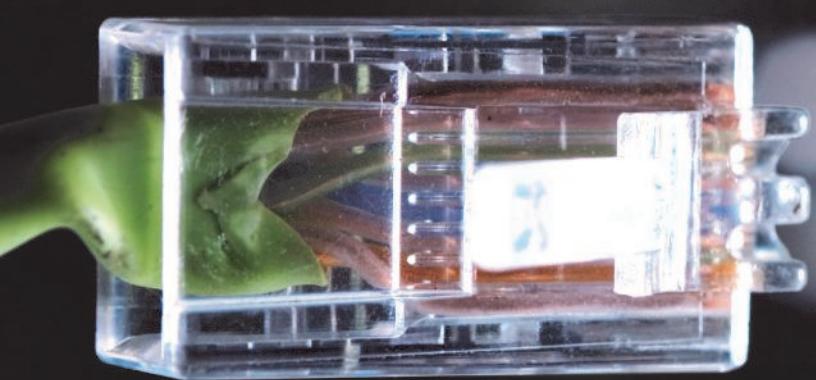


# Strategic Procurement Services





## We have un-paralleled experience running strategic telecom procurements

- We deploy a mature, 7 step methodology that offers a continuous, single-minded focus on maximizing the value that clients extract from the competitive procurement process.
- We lay the groundwork for a successful procurement by developing a robust sourcing strategy at the start.
- We have developed detailed, comprehensive templates that we use to prepare client RFPs.
- We know what the suppliers need to develop competitive and accurate pricing proposals, and we know how to collect, process and collate the data from bills and contracts.
- We construct sophisticated Total Cost of Ownership models that compare supplier bids and evaluate cost savings over the lifetime of proposed contracts.
- We leverage our benchmark data (for both pricing and terms) to expedite negotiations and quickly conclude market leading agreements.
- Our evaluation of supplier bids extends beyond pricing to encompass technical solutions, service levels, operational support, billing, and contract terms.
- We have far more experience than any other firms in negotiating custom service deals, telecommunications outsourcings, and other complex network transactions for large users.

## HOW WE WORK ON STRATEGIC SOURCING PROJECTS

We prefer to conduct full scale procurements using a seven phase strategy: (1) work with the Client to determine the most effective sourcing strategy; (2) obtain baseline demand and pricing information to assess current contracts and costs; (3) prepare and deliver the RFP document(s) to potential Suppliers; (4) evaluate the RFP responses; (5) deliver proposal feedback in formal coaching letters to the suppliers and evaluate the resulting round 2 bids; (6) final commercial negotiations and down-selection; (7) negotiation of complete agreement(s).

### Phase 1 – Sourcing Strategy

The primary objective of this Phase is to determine and document the sourcing strategy that the Client will employ. Areas considered include:

- Overall state of the market for the services that are in-scope, including the relative strength of potential suppliers (*e.g.*, technical capabilities, comprehensiveness of service offerings, geographic scope, etc.);
- Existing contract constraints (*e.g.* contracts that do not expire for a number of years);
- Geographic footprint of the Client's business and service requirements;
- Synergies between the services that the Client uses and opportunities to leverage them by consolidating suppliers;
- Supplier and infrastructure diversity requirements;
- Consideration of the Client's industry-specific requirements;
- Maintaining a suitable level of ongoing competition for the Client's business;
- Specific Client financial issues (*e.g.*, short term cost saving requirements or a desire to off-load assets from the Client's books).

As part of this Phase TC2 and LB3 work with the Client to collect the existing contracts for the

services included in the review and details of the existing spend with each supplier. TC2 and LB3 use this information to conduct a leverage analysis to determine the Client's negotiation leverage, transition assistance requirements, and any contractual issues. This includes reviewing the Client's existing contracts to identify any constraints (*e.g.*, termination liabilities or commitments) that would prevent the Client from taking full advantage of the competitive procurement process. If necessary, we work with the Client to amend the sourcing strategy and procurement project plan in light of issues that come to light during the leverage analysis.

Because the global telecommunications market remains fragmented, successful sourcing strategies involve soliciting and evaluating bids from a range of different suppliers, both in terms of geographic coverage (*i.e.*, bids from global suppliers, as well as regional companies) and services provided (*e.g.*, telecommunications carriers vs. system integrators vs. niche suppliers of network equipment support services). To address this, sourcing strategies consider the best way to structure a procurement to capture and evaluate the ability of a range of suppliers to meet the Client's needs. A key part of our methodology is to structure procurements into modules that reflect market structure (*e.g.*, separating AsiaPac, EMEA, and Americas transport, data infrastructure management and voice infrastructure management). The structure chosen depends on the targeted supply model and the services included.

Deliverables from this Phase include a strategy report consisting of the leverage analysis; independent assessments of the potential bidders that the client is considering (including recommendations of which should be asked to bid); the agreed sourcing approach, supply model and contract structure alternatives; RFP scope and structure recommendations; and a procurement roadmap/schedule.

## Phase 2 – Baseline

In Phase 2, we inventory the services to be included in the RFP, including existing network services, data equipment (e.g. routers, LAN switches, firewalls, wireless access points); voice equipment (e.g. PBXs, voicemail systems, and call center gear); voice usage; and infrastructure. We work with the Client to determine its baseline costs from electronic invoice data (from supplier CD ROMs and web portals), current contracts, commitment tracking reports, supplier usage reports and any information already in the hands of the Client.

The baseline data thus compiled is used for two purposes:

1. It is organized into a demand set to be provided to bidders. The demand set includes detailed circuit information and granular volume data for usage based services.
2. It is organized into a detailed Total Cost of Ownership (TCO) Model. The TCO Model establishes the baseline costs of the Client's services and is used in the subsequent Phases to undertake financial analysis of supplier proposals.

The deliverables for Phase 2 are a list of data collected and analyzed, completed data collection templates and an inventory of services and usage.

## Phase 3 – Request for Proposal (RFP) Development

During this Phase, which normally occurs in parallel with Phase 2, TC2 develops the first draft of the RFP document(s) that will be distributed to prospective bidders. Working with Client personnel and using our standard templates and the RFP content we have developed in previous engagements, TC2 develops requirements that comprise the RFP sections outlined below. LB3 advises regarding the RFP content that addresses contract and legal issues.

By using TC2 and LB3, Clients can take advantage of our existing RFP content, reducing the effort and burden of internal drafting and development. They are also able to rely on past TC2 and LB3 experience in negotiating with suppliers to capture all pertinent information.

The goal is to obtain strong responses from qualified bidders that can be compared on an “apples to apples” basis to determine which bid(s) will best meet the Client’s needs. The deliverable for this Phase is an RFP document (or documents, as determined by the sourcing strategy) tailored to Client requirements.

Once the first draft has been provided, TC2, LB3 and the Client typically share responsibility for refining and adding to the RFP to create the final document(s).

Areas covered in an RFP typically include the following:

- RFP Overview, Objectives and Scope
- RFP Process and Administration
- Network Transport Technical Requirements
- Managed Services (if in scope)
- Required Service Levels
- Implementation plans and timetables
- Service Management Requirements
- Billing Requirements
- Financial Requirements
- Contract Terms and Conditions
- Appendices such as Network Diagrams, a Pricing Template, and a Demand Set

## ***Managed Services Statements of Work***

In RFPs that include managed and outsourcing services the “Managed Services” section is crucial to ensuring that the bids comprehensively address all required services and functions, and can be evaluated on a like-for-like basis.

Our approach to this part of an RFP is to develop detailed Statement of Work content that explicitly sets out the scope of any required managed services in accordance with standard ITIL processes such as Incident Management, Problem Management, Configuration Management, Change Management, Asset Management and Release Management. The RFP is structured so that each standard process will map to each in-scope network infrastructure component.

Where necessary, an additional “Custom Management Services” section is included in the RFP, and provides statement of work content for any custom management services that the Client requires, such as Design and Engineering, Project Support, Performance Monitoring, Capacity Planning & Management, Third Party Vendor Management and Supplier Integration.

## ***Pricing Templates***

TC2 has extremely detailed and comprehensive standard pricing templates that it adapts for use by individual Clients. The templates encompass all pricing elements for all services included in the RFP, and may be customized to capture specialized Client pricing requirements. The primary objective of the template is to provide bidders with a clear and explicit format for the preparation and delivery of pricing proposals, such that all pricing proposals are complete and can be compared on an “apples-to-apples” basis.

Our pricing templates are based on years of experience in sourcing telecommunications and network management services. They are mature, robust, and reflect industry pricing structure conventions so that bidders can readily understand and populate them.

The pricing templates are designed to reflect the inventory of services that bidders will be proposing so that each bidder has a clear understanding of the scope of services and can provide an accurate quote.

Once the RFP document is final, TC2 (and LB3, as necessary) supports the Client in issuing it to prospective bidders and in managing the RFP process, including issuing updates, facilitating bidder conferences, distributing questions from bidders to appropriate Client personnel and soliciting answers for issuance back to the bidders.

## **Phase 4 – Evaluation of RFP Responses**

After the collection of accurate data, evaluation is the most critical task in the procurement process. We work with the Client to determine criteria that capture unique business requirements and pricing/budget objectives. Our analysis and evaluation of proposals can include all aspects of the RFP responses or focus on particular areas, as required by the Client.

TC2 is typically responsible for pricing analysis of the supplier bids using the TCO Model developed in Phase 2. The model allows the evaluation of all pricing components and combinations and enables financial analysis by site, division, sector, region or any other permutations required by the Client.

Moving from legacy services to new technologies, such as MPLS-based network services or SIP Trunking voice services, presents unique challenges for pricing evaluation because of the complexity and inconsistency of individual carrier pricing schemes. MPLS charges for priority Classes of Service can be explicit, baked into ports or circuit subscriptions, or even hidden within pre-packaged bundles of port types; SIP Trunking services present a whole new set of pricing structures and charges to be modeled. Because of its experience with numerous procurements, we are intimately familiar with the different

carrier pricing models and have developed ways to compare bids across a range of carrier pricing and service delivery methodologies, both domestically and globally. Our approach dramatically reduces the time required (and the frustration experienced) by enterprises soliciting bids for new technologies.

Using the TCO Model TC2 can evaluate various traffic and service migration scenarios in order to calculate the savings that may be realized by migrating services from one supplier to another, including modeling the costs of migration (e.g. dual running costs, internal project costs, any carrier installation costs, incumbent supplier termination costs). The TCO Model can also be used to calculate annual savings based on different migration scenarios and timing assumptions.

As part of bid review, we issue detailed clarification questions to the bidders to ensure that they have completed their response to the RFP document correctly (addressing the pricing and business terms of the responses) and that each response is fully understood. This is critical to ensuring that bids are compared on an “apples-to-apples” basis.

If desired, our evaluation also includes market comparisons for select bid pricing elements and business terms and conditions. The market comparisons are broken down by service and region/country, as applicable, and are based on the detailed pricing information in our benchmark databases. TC2 does not share confidential information across clients, but does leverage its knowledge of business transactions taken as a whole to advise on target pricing and business terms in the negotiations to follow in Phases 4 and 5.

During this period, LB3 evaluates supplier responses to the RFP requirements on contract and legal issues, and provides input to the clarification questions addressing those issues.

The deliverable for Phase 4 is an evaluation report of vendor responses. Detailed analysis and supporting material is developed and made available to support our recommendations.

## Phase 5 – Round 2 Negotiations and Evaluation

Following our presentation of the bid evaluation report from Phase 4, we work with the Client to determine the short-list of bidders that should be taken forward for further negotiations and to establish the specific and detailed messages to be delivered to each short-listed bidder. We document the negotiation messages in coaching letters that provide targeted and detailed feedback to each bidder regarding the gaps in its proposal when compared to best-in-class responses for pricing, technical solutions and general business terms.

Our experience across literally hundreds of sourcing efforts confirms that this approach secures the greatest overall improvement in bids, thereby assisting clients in achieving market leading pricing, terms, service levels and technical solutions.

Once the coaching letters have been provided to the short-listed bidders we lead/support (as desired) face-to-face meetings with each bidder to go through the negotiation feedback in detail.

On receipt of bidders’ responses to the coaching letters TC2 and LB3 update the evaluation report.

## Phase 6 – Final Commercial Negotiations

Once the Round 2 bids have been evaluated and TC2, LB3 and the Client have reviewed the results of the Round 2 evaluation, a strategy for further negotiations is developed. This may include further negotiations with one or multiple bidders.

We can support the Client negotiation team or take the lead in negotiations to drive them to closure, as the Client wishes. In this phase, TC2 and LB3's activities typically include seeking additional pricing improvements, transition assistance, increased contract flexibility and robust technical solutions and service level commitments. TC2 continues to be responsible for analysis of revised supplier pricing and technical issues; LB3 takes responsibility for analysis of non-price terms. This phase may include issuing further coaching letters to the bidders and often involves additional face-to-face negotiations.

## Phase 7 – Negotiation and Documentation of Final Agreements

After (or as) final vendor decisions are made, LB3 works with the Client team, TC2, and the selected supplier(s) to develop contract(s) and attachments. We support and participate in the contract negotiations (directly and/or indirectly) as the Client wishes.

LB3 is typically deeply involved in drafting and negotiating the contract documents. TC2's responsibilities in this phase typically focus on pricing, service level and technical contract schedules and include reviewing the agreements to ensure that all agreed rates and related terms are accurately reflected. We are intimately familiar with the pricing, discount structures and other unique complications of supplier contract practices, and utilize this strength to ensure that the Client actually receives the pricing and terms that it negotiated in Phases 5 to 6.



**TC2** is the leading consultancy dedicated to helping its clients maximize the return on their investment in telecommunications services and network infrastructure by providing a full range of strategic sourcing, benchmarking, contract compliance, optimization and technology consulting.

**LB3** is the premier law firm representing enterprise customers in connection with telecommunications and information technology agreements. LB3 focuses on the negotiation of complex agreements for network services, managed voice/data infrastructure solutions, and other enterprise technology and business process solutions; the resolution of disputes between large customers and carriers; and representation of the enterprise user community before the FCC.

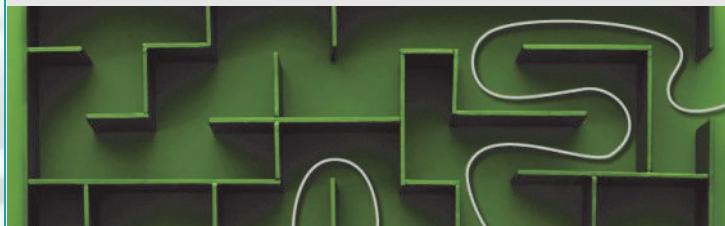


## Interested in What LB3 and TC2 have to Say?

LB3 and TC2 assist enterprise customers with network service and IT procurements, benchmarking, compliance management, regulatory issues and disputes. Learn more about industry developments and the challenges facing enterprise users:



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