

# QANTAS TRAINS 300 IN SUPPLIER RELATIONSHIP MANAGEMENT

## CASE STUDY

### Facts

After building a solid foundation in strategic sourcing practices that rated highly in terms of best practice, Qantas needed to look at how to further improve the management of an \$8.0bn annual spend. The ability to continually drive ongoing savings through the traditional cost down and cost avoidance approach was becoming increasingly difficult in successive contract cycles and this was further compounded within significant monopoly supply chains. Consequently, there was a need to tap into the “added value” within the commercial relationship and a focus on Supplier Relationship Management (SRM) was identified as the method by which to achieve this. The challenge was how to effectively implement such an initiative across a distributed strategic sourcing function.

### Critical Action

The outcome was to develop an SRM program based on a category management approach which provides for consideration of all aspects required to effectively manage the category spend. The objectives of Qantas’ SRM program are:

- optimise the mix of quality, service and total lifecycle cost for the goods and / or services;
- continually drive for innovation and improvement in specification, on-going cost reduction and service improvement;
- be customer of choice; and
- minimise the need for expensive regular re-sourcing activity by proactively managing suppliers.

### Results

The Category Management Plan is the foundation document that identifies the stakeholders and governance structure, details the business objectives and value drivers, and documents salient market analysis considerations.

It establishes the foundation strategy for managing the category and forms the basis from which a detailed Supplier Management Plan is developed.

The Supplier Management Plan then provides the detailed framework for managing the Supplier Relationship and for pursuing innovation and improvement within the commercial arrangement with the supplier. Whilst the contract continues to be the pivotal commercial document, it is now complemented by the broader SRM framework.

In managing the Supplier Relationship, this approach ensures management efforts are focused on the major “value add” activities.

In essence, Qantas’ approach to SRM enables them to pursue cost improvements on two fronts, through the traditional contract management avenue and also through a more collaborative and innovation based path provided under the Supplier Management Plan. Category Managers and procurement staff are provided with a range of tools and templates to assist them in the SRM function.

Through this approach, SRM delivers the following outcomes for Qantas:

- delivers ongoing improvement and continuing cost reductions and overall value;
- outlines the process for performance management, including issues management, and continuous improvement;
- provides a process for benchmarking and / or re-evaluation process;
- a consistent and standardised approach to the development and management of contracts within existing policies and procedures; and
- provides a framework to enable effective communication between the business units involved.

**In his role as Manager, Strategic Procurement within Qantas’ corporate Strategic Procurement Group, Andrew Godden has been responsible for the design, development and delivery of the SRM program to more than 300 procurement and non-procurement stakeholders within Qantas. This is now allowing Qantas to access the “added value” within their commercial supply relationships and provide additional return to the business and ultimately the shareholder.**