

Contract Clarity Delivers Real Value

Australia Post - Contract Management

Contract Management

Supplier contracts and agreements permeate organisations. But they often sit hidden in company filing systems.

A consolidated view of contract management will add real value to your business by reducing risk, enhancing performance from suppliers and boosting cost savings.

Case Study – Australia Post

The Challenge

With its long history and national presence, Australia Post is part of the Australian landscape. Nearly all Australians come into contact with Post at their letterbox or over the counter at local outlets.

Important in maintaining its reputation and market trust is the relationships Post has developed with key external partners, particularly suppliers.

Australia Post has successfully transformed its corporate sourcing group in the last two years with the majority of contracts now managed by a central team.

Key to this improvement has been a strategic focus on governance and a commitment to professional development across a range of commercial skills.

Australia Post wanted its management of supplier contracts to be more rigorous and ultimately deliver increased commercial value to its businesses.

Our Approach

Contributing to the complexity of this project was the diversity of contracts in place at Australia Post. The Faculty was able to devise and implement a model that addressed this challenge and allowed for structured analysis.

The model enabled The Faculty to simplify the structure of 10 sourcing categories and 35 sub-categories.

It also helped identify a credible sample of supplier contracts representing more than half of annual contracted expenditure.

The Faculty developed three frameworks to summarise the data that emerged. This incorporated how Post utilised:

- ▶ pricing strategies
- ▶ price review mechanisms to renew contracts
- ▶ key performance indicators to assess the performance of suppliers

The Faculty consolidated this information, identified opportunities and provided specific recommendations for process improvements.

The Results

The project provided Australia Post with an assurance that correct contract strategies were in place. It also highlighted opportunities to:

- ▶ Rationalise the use of price review mechanisms
- ▶ Adopt a consistent framework for the identification of supplier KPIs
- ▶ Develop a contract portfolio scorecard to track the value derived from all supplier contracts

The project provided:

- ▶ A consolidated view of who owns and manages supplier contracts throughout Australia Post
- ▶ An opportunity to challenge pricing strategy arrangements

“As a result of this visibility we intend to refine our sourcing practices to include a more comprehensive and stringent supplier performance framework which integrates price reviews, contract compliance and supply performance for strategic procurement contracts.”

Rob Loats, Group Manager Corporate Sourcing, Australia Post