



The 2003 Outsourcing World Summit

Conference & Exposition

How to Optimize Benefits of Supply Chain Outsourcing

Tuesday, February 25

Round Four 3:20 – 4:10 PM

Session T

FREDERIC CANTIN

General Manager, Outsourcing

BELL CANADA

Learn:

How outsourcing of supply chain functions, such as logistics, labor, order management and material management, can dramatically decrease costs and improve service levels.

This presentation is of interest to any company with production capabilities, including both direct manufacturers as well as service companies with supply chain elements, such as telecom and cable companies.

Since 1995, Bell Canada has outsourced many of its supply chain activities in logistics, including transportation, warehousing, inventory management, and order processing, and its labor functions related to its telecom network, such as, outside plant repair functions, and network installation and repair. As a result, Bell Canada has acquired unique experience in the field of outsourcing. In fact, 33 percent of all spending at Bell Canada is for outsourcing services with 20 percent being for supply chain outsourcing services.

The benefits of supply chain outsourcing are significant: cost savings, service level improvement, greater supplier collaboration. However, supply chain outsourcing must be carefully structured because it deals with the core delivery capabilities of a company. For example, demarcation points with suppliers must be clearly identified.

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Topics to be addressed include:

- What is “supply chain outsourcing”?
- How to outsource these activities, including the selling of existing divisions and other approaches
- The benefits and risks of supply chain outsourcing
- The eight key factors critical to guaranteeing the success of supply chain outsourcing



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FREDERIC CANTIN
General Manager, Outsourcing
BELL CANADA

Frederic is a lawyer with an LL.B. from Université de Montréal (1989) and a Masters in International Legal Studies from New York University (1992). Frederic is member of the Québec and New York State bar associations. Frederic Cantin has joined Bell Canada's Law Department in 1993 in the Law Department. Frederic was involved in key regulatory decisions, such as the introduction of competition in several telecommunications markets and deregulation of telecom markets. Frederic was also priming key commercial negotiations with alliance and outsourcing partners.

Since June 1999, Frederic has been involved in alliance and outsourcing. As part of Bell's Procurement group, Frederic has accountability to negotiate new outsourcing relationships and optimize existing ones. Frederic has acquired in-depth understanding of outsourcing as a tool to improve service levels and reduce costs.

Frederic's key projects and accomplishments over the past 3 years include the following:

- prime for negotiations of several outsourcing agreement (Nordia: operator services, Certen: billing and collection, Progistix: logistics; Xerox: facilities management; Expertech: network installation and construction)
- 2.5% year-over year cost cost reductions on outsourcing spend of around \$1B (\$CAN)
- several projects where suppliers were leveraged to re-engineer services
- creation of outsourcing model (e.g. service levels, governance, productivity) designed and implemented to maximize benefits of outsourcing relationships

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FREDERIC CANTIN

Frederic is a firm believer that outsourcing can be leveraged to reduce costs and improve service levels, provided however it is properly managed and driven. The following factors can lead to failure of outsourcing relationships:

- no long-term objectives for relationship
- no governance/alliance management
- no service levels, or service levels not properly defined or reported
- no control over users of outsourcing relationship
- lack of alignment between client group and outsourcing management.

The outsourcing model designed by Frederic to ensure success of outsourcing relationships will be reviewed with the participants at the 2003 Outsourcing World Summit. It is easy to use and implement, but must be strictly enforced to ensure success of relationship.

HOW TO OPTIMIZE BENEFITS OF SUPPLY CHAIN OUTSOURCING

Presented by Frédéric Cantin
General Manager-Outsourcing (Bell Canada)
Outsourcing World Summit (Desert Spring, CA)
February 25, 2003

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Overview

INTRODUCTION

SUPPLY CHAIN FUNCTIONS OUTSOURCED BY BELL

BENEFITS OF SUPPLY CHAIN OUTSOURCING

PITFALLS TO AVOID

7 LESSONS TO OPTIMIZE SUPPLY CHAIN OUTSOURCING

FUTURE OF SUPPLY CHAIN OUTSOURCING

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Introduction

WHO IS BELL CANADA?



SCOPE OF OUTSOURCING

- DEFINITION OF « SUPPLY CHAIN»
- PRESENTATION APPLIES TO BOTH SERVICE COMPANIES AND MANUFACTURERS

GOAL OF PRESENTATION:
SHARE EXPERIENCE AND LESSONS

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Supply Chain Functions Outsourced by Bell

1992: TELECOM COMPETITION INTRODUCED



1995-1997: THREE DIVISIONS SPUN-OFF



LOGISTICS



**NETWORK
INSTALLATION**



**OUTSIDE PLANT
REPAIRS**

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Supply Chain Functions Outsourced by Bell (cont'd)

LOGISTICS



*Progistix-Solutions
Sold to Canada Post in 2001*

**NETWORK
INSTALLATION**



*Expertech Network Installation
25% sold to SNC-Lavalin*

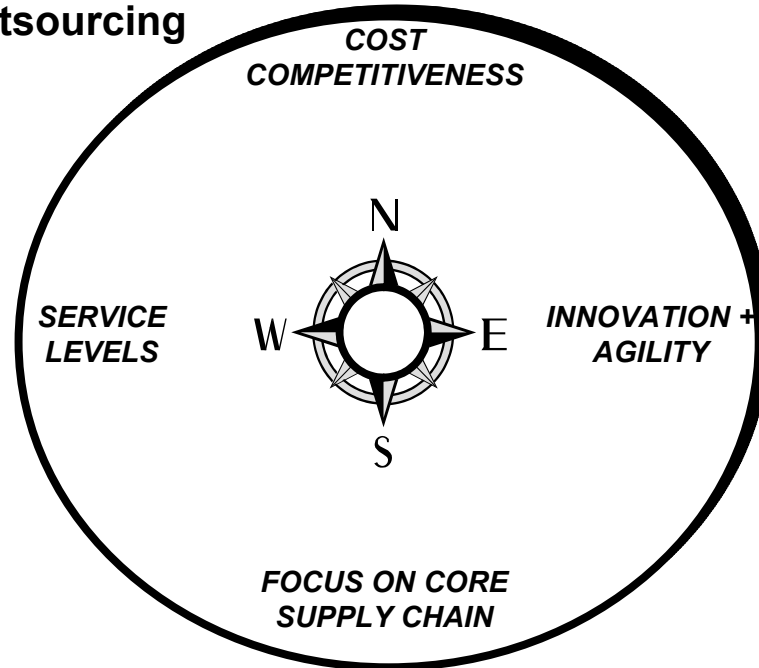
**OUTSIDE PLANT
REPAIRS**



*Entourage Technology Solutions
75% sold to private equity*

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Benefits of Supply Chain Outsourcing



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Pitfalls to Avoid



NO GOVERNANCE

NO SERVICE LEVELS

NO STRATEGIC DIRECTION

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Pitfalls to Avoid (Cont'd)



NO CLEAR SUPPLY CHAIN STRATEGY

NO ALIGNMENT WITH PROCUREMENT

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7 Lessons to Optimize Supply Chain Outsourcing



Lesson #1
OUTSOURCING FUNCTIONS
TO BE ALIGNED WITH PROCUREMENT

Lesson #2
STRONG GOVERNANCE
AND ALLIANCE MANAGEMENT

Lesson #3
UNDERSTAND END-TO-END
PROCESS AND COSTS

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7 Lessons to Optimize Supply Chain Outsourcing (cont'd)



Lesson #4
GET UNIT PRICING + SERVICE LEVELS

Lesson #5
ENSURE TIGHT CONTROLS
OVER INTERNAL SPEND

Lesson #6
MAINTAIN LOWER COST
SUPPLIER ALTERNATIVES

Lesson #7
OUTSOURCE MATERIAL MANAGEMENT

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Future of Supply Chain Outsourcing

***NON CORE SUPPLY CHAIN ACTIVITIES
INCREASINGLY OUTSOURCED***

***EVERYTHING IS POSSIBLE WITH STRONG
SUPPLY CHAIN MANAGEMENT***

