



# On demand visibility equals bottom line value

Client story



**Client**  
FORTUNE 100 managed healthcare company

**Sector**  
Healthcare

**Project**  
Contract performance management optimization



## Client challenge

This FORTUNE 100 managed healthcare company had contracts with more than 50 suppliers, spending more than \$2.5 billion annually in purchases for information technology, outsourcing, marketing, print, and front and middle-office expenses. However, many suppliers were not meeting contracted service level agreements (SLAs), and contract and supplier performance were not captured, tracked, or monitored. The procurement function lacked visibility into suppliers' SLA performance at commodity, supplier, and contract levels across regions and business units, making aggregated reporting difficult. The organization also could not address risks, unmet deliverables, and unmanaged contractual changes, nor could it analyze large portfolios to discover how suppliers could perform better and become strategic partners.

Recognizing the potential for significant contract value leakage due to poor vendor performance, unfavorable contract terms, and inconsistent contract administration, the chief procurement officer decided that a single, effective approach was necessary to manage and enhance the organization's contractual relationships.



## KPMG response

We had been working with the client for more than a year on a major procurement transformation program when we learned about significant issues in supplier performance management. Though these were outside the scope of our remit, we quickly formed a team of product operations and procurement specialists to conduct a CPM pilot.

CPM, part of KPMG On Demand Services, combines technology, intelligence, and hands-on experience to enhance performance, protect assets, and improve compliance.

In this initial phase, we analyzed four contracts and **identified a number of deficiencies—including \$500,000 in recoverable credits from a single supplier contract**—as well as pricing errors that resulted in adjustments to prior invoices and inadequate documentation in the wake of change agreements.

After implementing CPM and discovering additional potential annual savings, **the company expanded the project from four to 250 contracts encompassing more than 2,000 SLAs.**

With CPM, the company now gains significant foundational technologies, including:

- Data analytics, artificial intelligence, and robust workflow
- Financial and agreement management
- Key SLA information, accessible by the company and its vendors via a dashboard
- Tracking and validation of supplier performance against agreed terms.

The latest CPM release also provides:

- Enhanced analytic insights to improve decision-making
- More control through greater visibility
- Improved business integration and increased productivity.

The resulting contract analyses and business insights are available on demand and can be accessed through our secure, user-friendly portal.



## Benefits to client

With KPMG Contract Performance Management (CPM), the client gains real-time visibility into the performance and compliance of all its contractual relationships. Now it can identify where value leakage is occurring and take remedial action, all while strengthening relationships with its most strategic partners. In addition, the organization has:

- **Earned \$3.5 million in credits**, identified through automatically computed and tracked predefined service levels and allocation rules, **with a potential for \$10 million in annual savings**, based on our business case
- **Gained a 400 percent return on investment in the first year**
- **Improved supplier contract compliance by 30 percent** through effective SLA tracking and information visibility to all stakeholders
- Enhanced management decision-making with a comparative vendor scorecard.



## Why KPMG

### Even the most sophisticated procurement organizations can have performance management issues.

Hundreds of partners can result in tens of thousands of contractual terms, making it difficult to track and standardize where appropriate. Lack of a monitoring function also limits visibility and increases the potential for value leakage. But with an on demand CPM program in place, real-time visibility can significantly boost operational effectiveness, reduce costs and improve business efficiencies.

### Better procurement performance drives improved performance across the organization.

Third-party contracts are a core contributor to an organization's success. Metrics that track the performance of suppliers against specific terms and line items can incentivize leaders to ensure that business relationships are creating—rather than leaking—value. This focus on measurement also can help define companywide management objectives that address deficiencies and value leakage before they affect bottom-line performance.

**If you are interested in learning more about this case study, or if you are experiencing similar issues, please contact us.**

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