

It's a Win Win: Using a Vendor Scorecard to Manage Your Vendors

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Abbott Laboratories



Abbott Laboratories

- Abbott Laboratories is a global, broad-based health care company devoted to discovering new medicines, new technologies, and new ways to manage health.
- Business areas include:
 - Diagnostics
 - Vascular
 - Diabetes Care
 - Vision Technologies
 - Nutrition
 - Established Pharmaceuticals
 - Animal Health

Abbott Library Information Resources (LIR)

- Abbott LIR serves a diverse group of internal clients with very different and wide-ranging information needs.
- LIR Mission: To provide world class, corporate-wide access to knowledge resources, literature research capabilities and information delivery solutions to support and enable Abbott's research and market leadership.



The Challenge for Abbott LIR

- Our challenge:
 - ✓ Provide the **right content** for Abbott's diverse users...
 - ✓ with **minimum staff time**...
 - ✓ at the **right price point** to meet budgetary guidelines.
- In 2010, LIR was asked to:
 - More fully document our content management and acquisitions procedures
 - Review these processes in order to make recommendations to improve the management of the Library content portfolio

The “Vendor Scorecard”

- In answer to that challenge, LIR developed a deliverable nicknamed the “vendor scorecard”
- The vendor scorecard has become our standard tool for content management:
 - Tracks **vendor performance**
 - Tracks **contract negotiation successes**
 - Provides valuable **benchmarks** that librarians have been able to leverage during contract negotiations

Developing the Vendor Scorecard

- The roots of our vendor scorecard are grounded in:
 - The well-known “magic quadrant” reports by Gartner Research
 - Outsell’s Vendor Portfolio Toolkit published in *Vendor Portfolio Management Toolkit: A Decision Matrix for Vendor Investment**
- The tool Outsell developed seeks to “balance **strategic fit** of resources and services with the **degree of risk** associated with a product’s or vendor’s **performance** and **stability**”*
- The idea is to maximize ROI while managing risk

* Lustig, Joanne. “Vendor Portfolio Management Toolkit: A Decision Matrix for Vendor Investment.” (2009) <http://www.outsellinc.com/rate/report/850>

Assessing Vendors in a Special Library

- An earlier exercise in rating our vendors using Outsell's tool showed that the vast majority of vendors were in one of two categories:
 - Top right quadrant indicating high performance and high fit
 - Bottom right quadrant indicating strong strategic fit but weaker performance or higher risk
- Questions used to assess strategic fit focused on:
 - Uniqueness of the vendor's content set
 - Its value and cost per use
 - The accuracy and quality of the information the vendor provides
 - The fairness of its prices compared with competing resources

Assessing Vendors in a Special Library

- When broadly applied to STM journal publishers, the questions of strategic fit are mostly moot, as the vendors are overwhelmingly sole source and our users rely heavily on their unique content to perform their jobs.
- In most circumstances, the answers to strategic fit questions rarely result in any course of action other than the continued purchase the content set.

What to do?

- We decided our vendor assessment tool would need to be more descriptive than analytical.
 - Focus almost exclusively on performance and risk factors
 - Resulting actions grounded in process improvements and cost containment
- Descriptive metrics track:
 - Vendor performance (especially related to cost)
 - Product and platform stability
 - Vendor staff turn-over
 - Customer service performance

Goals of the Vendor Scorecard

- The vendor scorecard's aim is to collect, archive, and display a set of standard data for each vendor contract in the top 20 percent of Abbott Library's content budget spend.
- The scorecard standardizes the data set and centralizes its location, making the data more accessible throughout the organization.

Description of Content and / or Services Provided

A brief paragraph about the vendor, their business, what services they provide, and Abbott's history with the company.

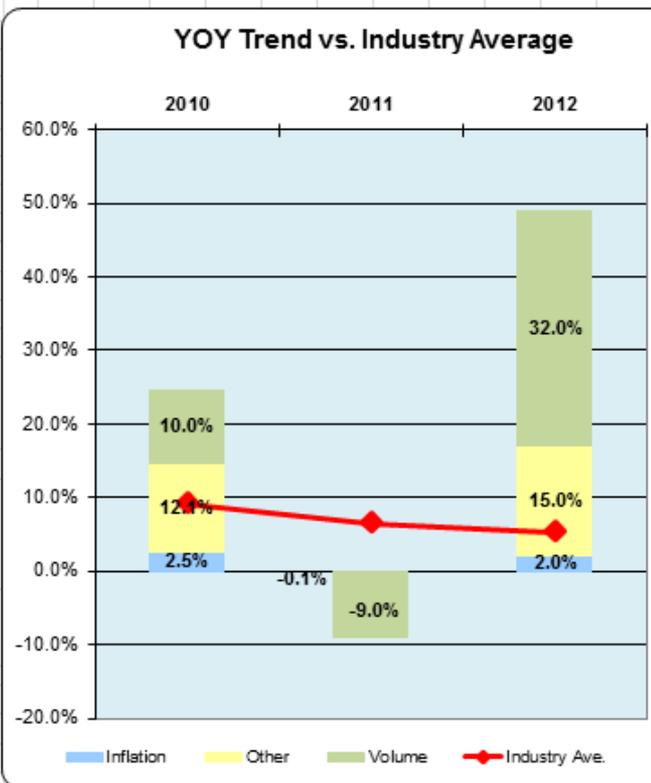
Another brief paragraph about the vendor relationship, including ease or difficulty of negotiations.

Structure of the Vendor Scorecard

Three-Year Spend History (\$000)

| | 2010 Act | 2011 Act | 2012 UPD | 2013 Plan |
|---------------------|----------|----------|----------|-----------|
| Total LIR Content | \$12,221 | \$12,475 | \$15,026 | \$14,696 |
| Acquisition | | | \$104 | |
| Total This Supplier | \$222 | \$202 | \$301 | \$324 |
| % of LIR Content | 1.8% | 1.6% | 2.0% | 2.2% |
| YOY Trend | 25% | -9% | 49% | |

Contract Price Increase Trending



Pricing Trend / Other Comments

2010 - Comments about any notable pricing trend for this year, such as one-time purchases which may have impacted fees for one year or packages purchased which reduced overall spend.

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LIR Allocation Methodology / Top Users

Statement of how this vendor cost is allocated to Abbott divisions.
 Statement of which divisions use this vendor content.
 Statement of what usage statistics are available from the vendor and in what timeframe.

Current Contract Terms & Conditions

License expires MM/DD/YYYY.

 Statement of what the vendor pricing is based on (e.g. number of sites, R&D headcount, set global price)

 Statement about whether the vendor accepted Abbott's license terms.

Billing Frequency

Statement about how often Abbott is billed (e.g. annually, quarterly, monthly) and during what timeframe (e.g. beginning of the quarter).

Products (\$000) / Competitive Landscape and Supplier Pricing Models

| Product Name | 2012 UPD | Sole | Comp | Other | Pricing Models |
|---|----------|------|------|-------|---|
| 1) Name of first product with optional brief description | \$301 | | X | | Description of pricing model for that product |
| 2) Name of second product with optional brief description | \$0 | | X | | Description of pricing model for that product |

Historic Inflation Rates / Abbott Headcount

| | 2010 | 2011 | 2012 |
|----------------------------|-------|------|------|
| Abbott | X.X% | X.X% | X.X% |
| CPI (prior year's average) | 3.7% | 3.2% | 3.4% |
| Journal Publishers | 10.0% | 8.0% | 5.0% |
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Contract Price Increase Trending

Y Trend vs. Industry Average

Description of vendor and each product licensed, including a detailed description of any platform, performance, billing, or customer service issues we experienced during the term of the contract

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Contract Price Increase Trending



Three-year spend history

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LIR Allocation Methodology / Top Users

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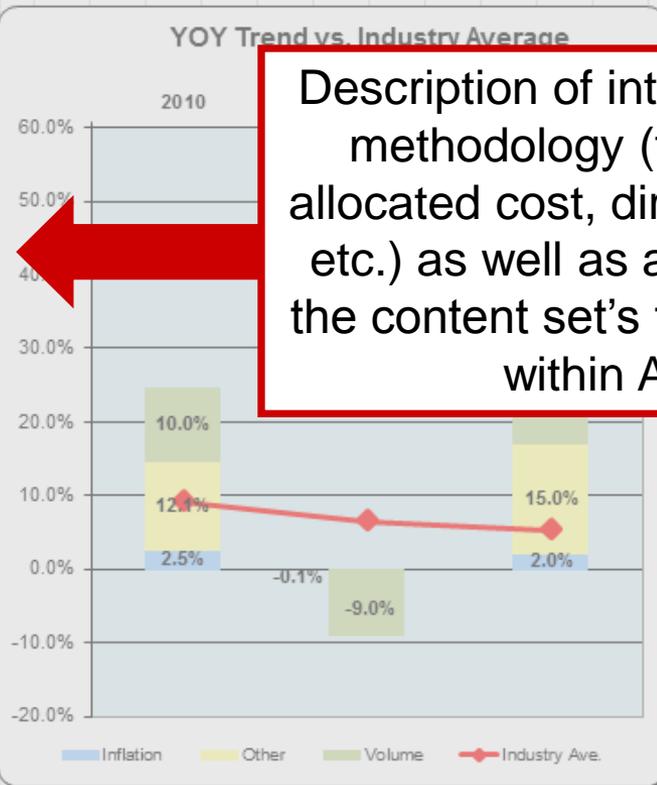
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Contract Price Increase Trending



Pricing Trend / Other Comments

pricing purchases the year or overall

pricing trend uses which or overall

Description of internal allocation methodology (fixed budget, allocated cost, direct chargeback etc.) as well as a description of the content set's top user groups within Abbott

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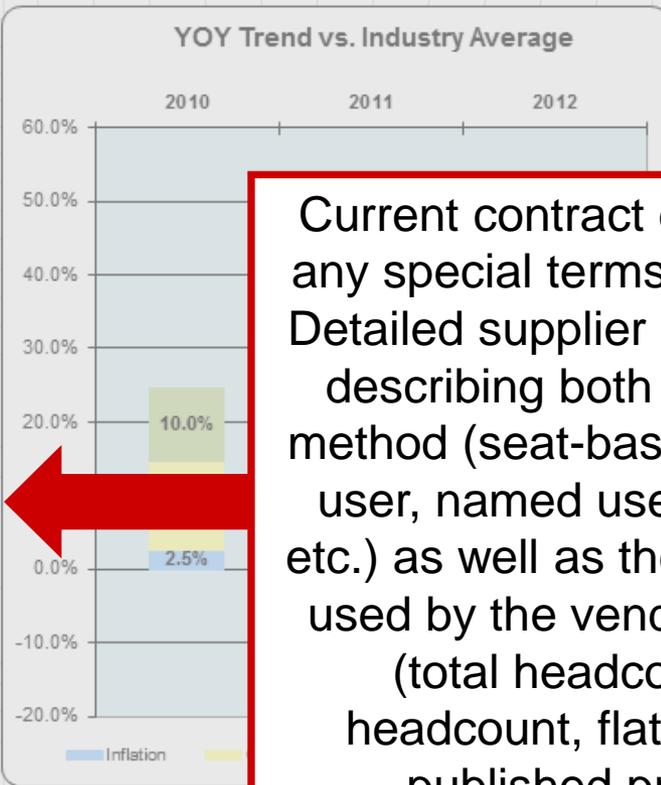
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Current contract expiration and any special terms or conditions. Detailed supplier pricing models describing both the licensing method (seat-based, concurrent user, named user, tier-based, etc.) as well as the methodology used by the vendor to set cost (total headcount, R&D headcount, flat-fee pricing, published price, etc.)

Billing Frequency

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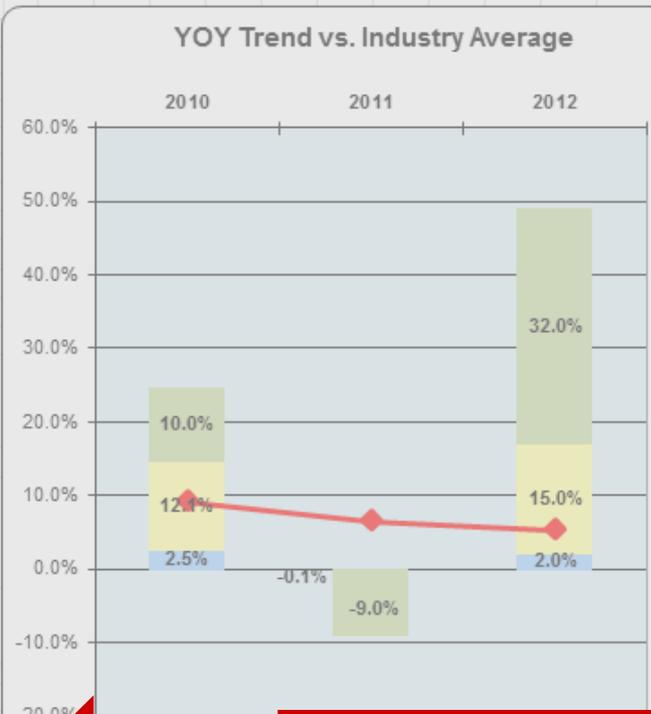
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Billing frequency and method

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YOY Trend vs. Industry Average



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Chart listing vendor competitors or indication of sole-source supplier

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Chart with historic inflation rates and Abbott headcount

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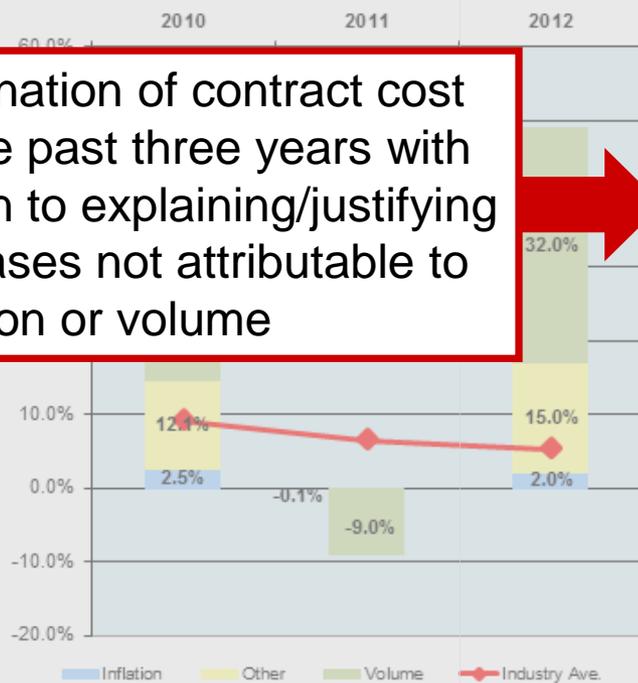
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YOY Trend vs. Industry Average



Detailed explanation of contract cost changes for the past three years with specific attention to explaining/justifying any cost increases not attributable to inflation or volume

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LIR Allocation Method

Statement of how this vendor cost is allocated
Statement of which divisions use this cost
Statement of what usage statistics are used
Statement of what usage statistics are used over a timeframe.

Current Contract

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| Outsell | 8.0% | 5.0% | 5.7% |
| Industry Average | 9.0% | 6.5% | 5.4% |
| Abbott HC +/- | X.X% | X.X% | X.X% |
| Abbott R&D HC +/- | X.X% | X.X% | X.X% |

Three-year trending of contract cost, including a graph of the year-over-year cost against the industry average as well as an indication of what part of each year's increase classified as either a volume increase (sales), inflation, or "other"

| Three-Year Spend History (\$000) | | | | |
|----------------------------------|----------|----------|----------|-----------|
| | 2010 Act | 2011 Act | 2012 UPD | 2013 Plan |
| Total LIR Content | \$12,221 | \$12,475 | \$14,026 | \$14,696 |
| Acquisition | | | | |
| Total This Supplier | \$222 | \$202 | | |
| % of LIR Content | 1.8% | 1.6% | 2.0% | 2.2% |
| YOY Trend | 25% | -9% | 49% | |

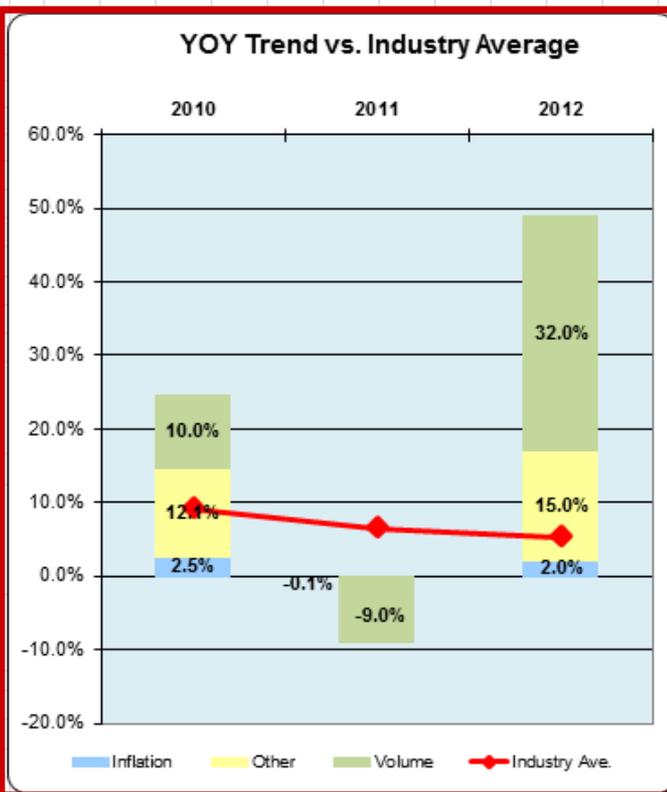
LIR Allocation Methodology / Top Users
 Statement of how this vendor cost is allocated to Abbott divisions.
 Statement of which divisions use this vendor content.
 Statement of what usage statistics are available from the vendor and in what timeframe.

Current Contract Terms & Conditions
 License expires MM/DD/YYYY.
 Statement of what the vendor pricing is based on (e.g. number of sites, R&D headcount, set global price)
 Statement about whether the vendor accepted Abbott's license terms.

Billing Frequency
 Statement about how often Abbott is billed (e.g. annually, quarterly, monthly) and during what timeframe (e.g. beginning of the quarter).

| Products (\$000) / Competitive Landscape and Supplier Pricing Models | | | | | |
|--|----------|------|------|-------|---|
| Product Name | 2012 UPD | Sole | Comp | Other | Pricing Models |
| 1) Name of first product with optional brief description | \$301 | | X | | Description of pricing model for that product |
| 2) Name of second product with optional brief description | \$0 | | X | | Description of pricing model for that product |

Contract Price Increase Trending



Pricing Trend / Other Comments
 2010 - Comments about any notable pricing trend for this year, such as one-time purchases which may have impacted fees for one year or packages purchased which reduced overall spend.

2011 - Comments about any notable pricing trend for this year, such as one-time purchases which may have impacted fees for one year or packages purchased which reduced overall spend.

2012 - Comments about any notable pricing trend for this year, such as one-time purchases which may have impacted fees for one year or packages purchased which reduced overall spend.

| Historic Inflation Rates / Abbott Headcount | | | |
|---|-------------|-------------|-------------|
| | 2010 | 2011 | 2012 |
| Abbott | X.X% | X.X% | X.X% |
| CPI (prior year's average) | 3.7% | 3.2% | 3.4% |
| Journal Publishers | 10.0% | 8.0% | 5.0% |
| Outsell | 8.0% | 5.0% | 5.7% |
| Industry Average | 9.0% | 6.5% | 5.4% |
| Abbott HC +/- | X.X% | X.X% | X.X% |
| Abbott R&D HC +/- | X.X% | X.X% | X.X% |

Actionable Value

- The process of creating and maintaining the scorecards help solidify the level of preparedness with which contract negotiations are conducted in the Abbott Library.
- Creating and maintaining the scorecards help ensure portfolio managers are prepared for vendor contract conferences.
- Whole or parts of the scorecard are shared with the vendor if appropriate.
- Information culled from the scorecards is used to fine-tune our negotiation expectations and focus on the most desired outcomes.

Lessons Learned

- The first scorecard iteration for a management presentation was designed to fit on a single Excel worksheet. While this version of the scorecard is attractive and readable, maintaining the format was difficult and time-consuming.
- Later versions compiled the data in a more prose-heavy format while calling out specifically useful charts and graphs.
- Libraries hoping to emulate our experience should:
 - Be ready to output that data into some sort of usable format at a moment's notice upon management request.
 - Have a standardized way to produce a report that summarizes all the key facts without requiring a high level of manual manipulation or formatting.

Lessons Learned

- It became clear that to maintain the data integrity of our scorecards, we would need to do a better job of managing our contract data.
- To that end, Abbott's content management team also built an Access database to house vendor and budget data.
- That database now archives the information we use to build each year's scorecards and helps output needed vendor and contract data when it is required throughout the content management lifecycle.

Conclusions

- Developing the vendor scorecard taught us that the **process** of vendor management is more important than the **output**. Time is better spent analyzing the data for each vendor than creating “pretty” output.
- Having a **standard format** for each of our **key metrics** took the guesswork out of vendor decisions and provided a solid foundation for vendor comparison and evaluation.
- Standardized processes **streamlined staff time** during the annual vendor decision-making and contract negotiation process.

Conclusions

- Having the **three-year history** laid out in one place allowed us to immediately visualize trends and identify areas of both progress and concern.
- **Noting vendor performance throughout the year** allowed us to better address any issues for a more seamless customer experience as well as potentially use any unresolved issues as leverage during the next round of negotiations.
- The Access database that now lies behind the data has become an invaluable tool for housing vendor and contract information, and was the result of our more closely examined vendor management process.

Have Questions? Need More Information?

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