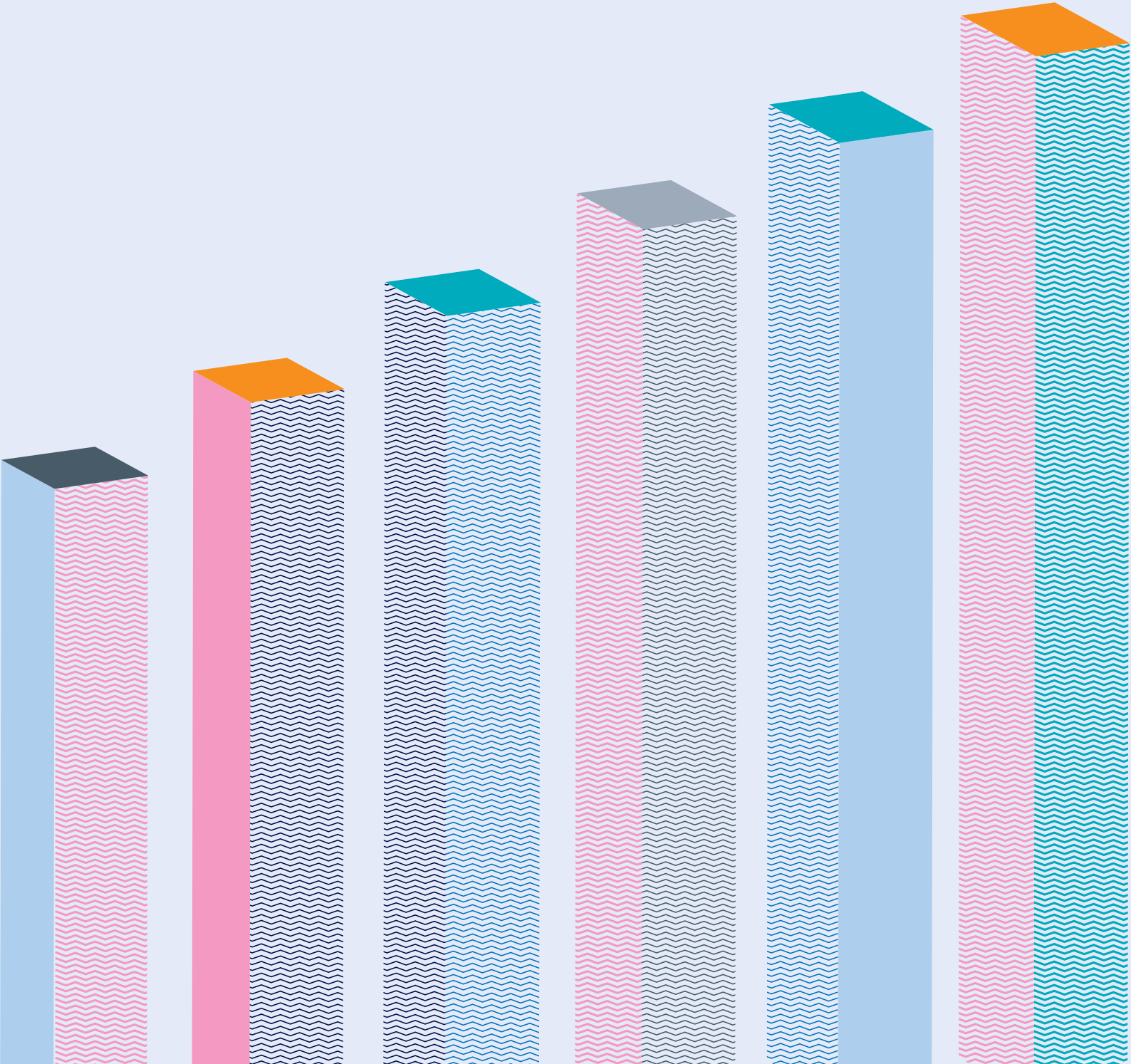


Case study

Prudential UK

Savings Programme



The company

Prudential UK is a leading life and pensions provider to approximately seven million customers in the United Kingdom. It operates from two core strategic UK sites in Stirling and Reading and has offices in London and Dublin, as well as a customer service centre in Mumbai.

Prudential UK provides a range of products and services including individual and bulk annuities, individual and corporate pensions, with profits bonds, onshore and offshore bonds, and savings and investments.

Healthcare and protection products are provided by PruHealth and PruProtect. A leader in the UK individual annuities and with-profits market, Prudential is also the market leader in the provision of AVC schemes and the dominant AVC top-up provider to the UK public sector. Prudential's recent product innovations include the Income Choice Annuity which offers a guaranteed level of income combined with the opportunity for income growth in retirement; and the Dynamic

Portfolios range of five risk-rated funds designed to match clients' differing appetites for risk.

Prudential UK is part of Prudential plc, an international financial services group with significant operations in Asia, the US and the UK. The operating model allows each business to stay close to its customers within the framework of a consistent, Group-wide global approach to managing risk, capital, cash and reputation.

Prudential Group in numbers:

- Serves more than 25 million customers (and policy holders and unitholders) worldwide
- Employs 25,000 staff
- Manages funds of £309 billion

Proxima's engagement is with Prudential UK.

The challenge

The Strategic Sourcing function was challenged to reduce external spend by £4million to support the Group's overall cost reduction target in order for it to be able to fund its desired investment in its identified areas for business growth.

The existing Strategic Sourcing function was focused on sourcing new requirements and risk management related to existing third party relationships. It was felt that extra capacity and market expertise across a wide range of indirect categories would help maximise the chances of achieving the savings targets. Therefore Pru engaged Proxima to focus on identifying cost saving opportunities in its cost base. Proxima replaced an existing service provider which had already had the opportunity to review all areas of spend.

The transition to Proxima had to be seamless from the stakeholders' point of view.

Initially the difficulty lay in influencing the mindsets and behaviours of the business stakeholders to be willing to consider different opportunities and business solutions for reducing costs without causing them concern that service levels and quality would be affected

Our approach

Proxima approached the challenge in two phases from April to December of 2010 : phase one – the 100 day savings campaign; phase two – 'achieving the £4million'.

The aim of the 100 day savings campaign was to gain momentum by implementing the Quick Wins to achieve an initial £1.5 million whilst planning for the medium-term benefits that could be realised in phase two to achieve the rest of the £4 million.

Projects that required a longer period of planning and / or stakeholder engagement were scheduled into phase two.

For each project an 'Opportunity Assessment Review' was undertaken that involved benchmarking of prices and processes, review of contracts and discussions with stakeholders.

An important element of phase two was the stakeholders' involvement in the planning and their role in the approval process for initiation of a project. This meant they were bought in throughout and played an active role in contributing to the end result.

Proxima's people, who worked in close collaboration with the in-house team to achieve the target, comprised a mix of dedicated on-site resource and flexible category resource focused on specific areas.

The solution

Proxima's category expertise identified opportunities in existing contracts including areas that had been reviewed by the previous service provider. For projects that were 'in-flight', Proxima managed a seamless transition from the previous service provider.

Proxima's spend analysis solution, buyingInsight, enabled opportunities to be identified and trends in buying patterns to be spotted.

A combination of analysis and insight, market expertise and technical knowledge gave Proxima staff credibility with the stakeholders and trust in their capability to improve supplier relationships by obtaining greater value for money whilst reducing costs.

Initially projects focused on unit cost reduction in contracts, then additional savings were achieved through:

- Challenging the suppliers to find savings in different areas
- Challenging the suppliers to provide better value for money
- Engaging stakeholders to manage suppliers in a more co-ordinated manner across the business

Cost reduction and value added opportunities were identified and implemented in every category reviewed, including:

- HR
- Marketing Print
- Professional Services (including tier one and two consultancies and a panel of Legal firms)
- Media
- Other Marketing activities
- Travel & Events

The benefits

- £4 million savings were achieved plus an additional £1.5m of cost avoidance and additional value
- Stakeholder relationships were improved through the deep category expertise and passion for procurement that Proxima brought to the programme
- The internal Strategic Sourcing team developed a deeper understanding of specific category expertise as well as awareness of a different commercial approach to the procurement role
- A programme of greater supply market engagement has been initiated which should facilitate opportunities for sustained and continuous improvement.

"Proxima has brought deep category expertise and insight to the Strategic Sourcing team that complement our in-house relationship skills well. Their procurement experts work hard to understand the Pru context and values."

Linda Dunion, Head of Engagement Management, Strategic Sourcing

"Your people are committed, supportive and work with great professionalism and efficiency – and of course very well prepared on the subjects anytime. I am really pleased to be working with them."

Nicolo Carpenada, Procurement Manager

About Proxima

Proxima is a dynamic international business, specialising in procurement outsourcing.

At Proxima we approach things differently. Working closely with you, we improve business performance by making procurement deliver more. Our approach goes beyond driving efficiency. It's about enabling change, enhancing management control and delivering results that exceed your expectations.

Proxima: Redefining procurement. Powering business.

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