

# How Cisco IT Improved Strategic Vendor Management

Strategic sourcing for vendor management results in flexibility, simplicity, and reduced costs.

BUSINESS BENEFITS
<ul style="list-style-type: none"><li>• Lower Costs</li><li>• Increased Flexibility &amp; Simplicity</li><li>• Better Vendor Communications</li><li>• More Productive Partnerships</li><li>• Reduced storage requirements</li><li>• Easier Renegotiations</li></ul> <p>"Now, Cisco and strategic vendors set all terms and conditions at the beginning of their relationship."</p> <p>– Wallace Chan, Cisco IT Program Manager</p>

**With more than 35,000 employees and hundreds of locations, each Cisco office has many complex IT requirements.** Cisco uses its own products and services wherever possible, but still spends US\$500M a year globally on other IT products and services.

**These out tasked products and services used to come from local suppliers, resulting in a number of issues,** including lack of formal contracts, support time problems, and disagreements over prices and warranties. More strategically, this practice of letting out bids haphazardly resulted in little or no emphasis on establishing strategic vendors or planning for the future. Cisco's challenge was to unify the vendor management process for greater control and cost reduction.

**In response, Cisco created a new global IT group called the Cisco Vendor Management Organization (VMO) in May of 2002.** Its

mandate includes managing strategic vendors that supply hardware infrastructure, software, storage, telecom services, and outsourced services. In addition, the VMO provides value and expertise in process and business development, asset management, and vendor engagement.

**With standard contracts in place worldwide, Cisco can manage existing contracts and negotiate new ones more easily.** Thanks to VMO efforts, cost savings totaled \$33M through the first three quarters of FY04, and \$64M over the life of the contracts. **Cisco has reduced its number of vendors,** and has consolidated contracts with a smaller number of strategic vendors, so these strategic vendors receive more business and less paperwork. Cisco also works with its strategic vendors to help them develop skills and relationships to improve their value and their position in the marketplace, and Cisco expects the same support from vendors.

By centralizing out tasking contracts, Cisco is saving \$11 million per quarter.

**Cisco customers see the VMO as an attractive model.** Since many Cisco customers are large, multinational enterprises, they share Cisco's interest in establishing and maintaining strategic vendor relationships.

**Case Study:** [http://www.cisco.com/en/US/about/ciscoitwork/case\\_studies/business\\_management\\_d11.html](http://www.cisco.com/en/US/about/ciscoitwork/case_studies/business_management_d11.html)

## FOR MORE INFORMATION

To read the entire case study or for additional Cisco IT case studies on a variety of business solutions, visit Cisco on Cisco: Inside Cisco IT [www.cisco.com/go/ciscoit](http://www.cisco.com/go/ciscoit)

## NOTE

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