

About Booz Allen

Booz Allen Hamilton is a leading provider of management and technology consulting services to the US government in defense, intelligence, and civil markets, and to major corporations, institutions, and not-for-profit organizations. Booz Allen is headquartered in McLean, Virginia, employs more than 25,000 people, and had revenue of \$5.59 billion for the 12 months ended March 31, 2011. (NYSE: BAH)

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Strategic Sourcing

In an environment of relentless budget pressure and the need to reduce costs while continuing to fulfill mission objectives, many organizations are turning to strategic sourcing to stretch the value of every procurement dollar spent. And with 50 percent to 70 percent of an organization's cost structure typically being spent on procured goods and materials, strategic sourcing has the potential to deliver tremendous value without major restructuring.

Strategic sourcing ensures that organizations acquire materials and services on a cost-effective basis even as they improve the quality, service, and overall value of the enterprise. Strategic sourcing differs from traditional purchasing in several important ways:

- Traditional purchasing focuses on purchase price while strategic sourcing focuses on the total cost of ownership to the enterprise.
- Traditional purchasing is transactional while strategic sourcing is collaborative and focused on the management of an ongoing relationship between buyer and supplier.

Booz Allen Can Help You Be Ready for What's Next

Booz Allen Hamilton, a leading strategy and technology consulting firm, has long supported US government clients in deploying strategic sourcing methodologies to deliver enterprise value. Booz Allen has unparalleled breadth and depth of experience helping clients implement strategic sourcing programs. We have achieved consistent, long-term results by identifying category-specific savings of up to 40 percent and delivering sustained annual procurement savings averaging 7 percent or greater. Our experts have worked with a range of federal agencies, including the US Department of Veterans Affairs, US Department of Defense (DoD), National Aeronautics and Space Administration, and National Institutes of Health.

Our Approach to Strategic Sourcing

At the core of strategic sourcing is commodity management. Booz Allen's commodity management approach is the key to unlocking value from strategic sourcing. Our methodology is based on the following seven-stage process, which rigorously identifies, prioritizes, implements, and manages cost savings and performance-enhancing opportunities across the enterprise:

- **Spend Analysis and Organizational Baseline.** We begin by developing an understanding of the organization's spend profile, baseline procurement processes, strategic objectives, and known future requirements.
- **Market Assessment.** We evaluate supply market trends, assess underlying supplier inputs and economics, identify value drivers, and determine how to correspondingly optimize sourcing strategies.
- **Sourcing Strategy.** We develop a tailored, commodity-specific sourcing approach—aligned to the organization's strategic goals and objectives—using cost modeling, total life-cycle analysis, and risk profiling and assessment tools.
- **Sourcing Process.** We define appropriate contracting vehicles, create optimal bid processes and parameters, solicit price quotations, and select only suppliers that offer the optimal and achievable total value package.

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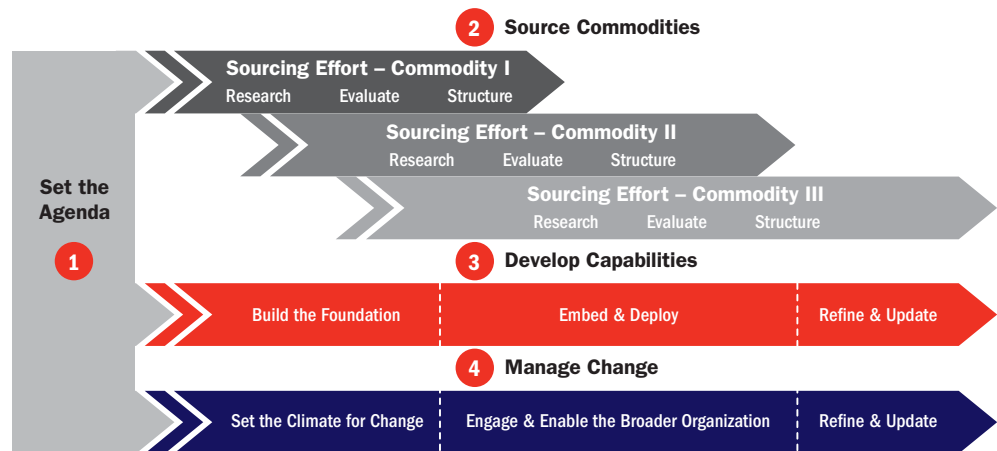
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delivering results that endure

- **Negotiation.** We develop a commodity-specific negotiation strategy and actively support the negotiation to ensure bottom-line value for our clients.
- **Implementation.** We recognize the importance of a seamless supplier transition and therefore employ a supplier management approach throughout the supplier relationship life cycle.
- **Performance Evaluation.** We work collaboratively with clients and suppliers to benchmark industry best practices, set performance targets, and implement customized metrics.

Sustaining Strategic Sourcing Gains

Booz Allen recognizes that strategic sourcing methodologies deliver ongoing cost and performance enhancements only when commodity management is coupled with organizational capability development and effective change management. Developing and implementing the capabilities to sustain these strategic sourcing methodologies is critical to the initiative's success and ensure that strategic sourcing continues to deliver value long after the initial engagement. To enable organizations to most efficiently realize the benefits of strategic sourcing, Booz Allen executes a coordinated, four-stage approach:

Strategic Sourcing Sustainment Through Organizational Capabilities Development



Client Success Stories

Booz Allen has conducted a number of strategic sourcing engagements for clients, including:

- **US Department of Veterans Affairs (VA).** Booz Allen helped VA's Office of Acquisitions and Logistics (OAL) modernize its procurement practices while performing a comprehensive commodity management program across the four spend portfolios of health care services, medical/surgical equipment, IT, and construction and facilities management. Working with VA, which operates the largest health care system in the United States and has the second largest acquisition organization in the federal government, we aggregated spend data from numerous systems and from across a decentralized network of regional organizations. We then analyzed and applied a hypothesis-driven approach to identify cost savings and performance improvement opportunities valued in excess of \$680 million.
- **DoD Office of the Secretary of Defense (OSD).** Booz Allen successfully applied its unique strategic sourcing approach across several commodity pilots conducted for OSD. Guided by our hypothesis-driven approach, we applied readily available data to identify significant opportunities across DoD, including the Defense Logistics Agency and each of the services. We then validated these opportunities against key objectives, including federal acquisition requirements and socioeconomic goals, and we defined strategies to quickly realize true savings and supply available improvements. All of our processes and activities were clearly documented in commodity workbooks and training guides to sustain the ongoing management of the target commodities.

Whether you're managing today's issues or looking beyond the horizon, count on us to help you be ready for what's next.