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Global procurement in Vodafone - Retail category

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Declaration of authenticity

Hereby I confirm that I have written the thesis *"Global procurement in Vodafone - Retail category"* by myself using a literature listed in the footer and in the list of references at the end of the work.

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Prague, 11. 5. 2015 ....

Signature

Abstract

This Master's thesis deals with the analysis of the global procurement in a multinational company on an example of Vodafone Group; it highlights the main features of global procurement firstly in overall and then focuses on Retail category within Commercial & Services.

In addition, this work aims to serve as a guide to best practices from global procurement because of the lack of literature on this subject.

Key words:

procurement, Vodafone, supply chain, retail, telecommunications, sourcing

List of abbreviations

B2B	Business-to-business
EMAPA	Eastern Europe, Middle East, Africa and Asia, Pacific and Affiliates
EOM	End of Month (payment terms)
EVO	Evolution Vodafone
ExCo	Executive Committee
FTO	Free Text Order
FY	Financial Year
GC	General Contractor
H&S	Health & Safety
KPI	Key Performance Indicators
OIT	Order Intake
OpCo	Operating Company
PMO	Project Management Office
RBS	Red Book of Savings
RFI	Request for Information
RFP	Request for Proposal
RFQ	Request for Quotation
SCM	Supply Chain Management
T&Cs	Terms & Conditions
TCO	Total cost of ownership
VF	Vodafone
VPA	Vodafone Procurement Agreement
VPC	Vodafone Procurement Company
VRM	Vendor Relationship Management

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Introduction

Current business environment often aims to seek a comparative advantage. Many of economic and business theories support this behavior because of comparative advantage being able to differentiate the company from the rest of the market and can bring long-term and sustainable profit and growth.

Companies have taken many initiatives ranging from cutting costs through shortening the production cycle, adapting to customer needs or offering additional services. Their aim was to adapt to the hard conditions and the trends that were set on financial, commodity and other markets. Some of the companies found their way to success – effectively working procurement. Based on 2012 KPMG global study "The Power of Procurement"[1], there is huge potential for procurement to rise and shine during the period where cost is the main factor.

If you look for procurement in English-Czech dictionary, the definition you get resembles more of sourcing than the whole concept of procurement. In business currently procurement is understood as a complete process that has changed throughout the time. In the past, the supplier-buyer relationship was understood more as business relationship focusing strongly on price and not really focusing on win-win situation for both parties. Currently the aim is rather to build long-lasting relationships that lead to a business partnership and friendship leading to delivering common values and goals. Therefore this paper aims to change the general view on procurement as sourcing only activities which used to be true some time ago and currently has been taken to a next level.

Rationale behind choosing procurement as a subject for the thesis is following; it brings author's interest and experience in procurement gained during the internship at Vodafone Procurement Company in Luxembourg. During this 6 months stay in VPC, author gained valuable experience and data in procurement of Retail together with strong theoretical background earned during the studies could have been used as a backbone for writing this paper.

The aim of this thesis is to analyze the Retail global procurement strategy in Vodafone, its effectiveness, impact and come up with possible areas of improvement – both for procurement in Vodafone in general as well as Retail specific improvements.

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[1] KPMG. The Power of Procurement. [online]. [cit. 2015-04-25]. Available at: https://www.kpmg.com/US/en/IssuesAndInsights/ArticlesPublications/Documents/the-power-of-procurement-a-global-survey-of-procurement-functions.pdf

Further to the main goal of the thesis, this work is intended to serve as a guide how world class procurement functions because of the lack of literature on this subject (mainly in the Czech Republic & Slovakia). Due to this fact, most of the literature and data are used from internal sources of Vodafone and surveys conducted by external companies.

The thesis is divided into 4 sections with first 2 sections having purely theoretical approach and the remaining 2 focusing directly on the practical scope of this paper. The first section is dedicated to Supply Chain and its management. Starting from the very broad characteristics of the entire field of supply chain and step by step getting into the procurement and its subcategories.

Second chapter focuses on Vodafone, a multinational company that is analyzed in this work. It is essential for the reader to understand the background, the company organization, its way of functioning which is described in the first part of this chapter. The second part is more procurement specific – describing the model of One Supply Chain Management in Vodafone that has changed the entire supply chain and procurement strategy within the company.

Retail strategy and the procurement of the global concept are discussed in the third chapter. It starts with the pre-global scenario and the development of the global approach. The model that is currently in operation is discussed here as well followed by the analysis of the market, possible risks coming from the concept and the suppliers that are all required for the procurement department to be ready to come up with the right strategy.

The fourth chapter aims to rate the success of the global procurement in Vodafone especially in Retail. 6 variables (both price and non-price) have been chosen and are analyzed within the concept. The second half of this chapter serves provide valuable feedback to the project as such and focuses on what could be improved for the project to be more successful.

1. Supply Chain in general

There is no organization out there that could function on its own, without any connections to other organizations. The concept of supply chain is based on close coordination, network cooperation and competition with other networks (Christopher 2005, MGSC). The main idea is to cooperate with other companies as partners to execute activities that are necessary to perform the bigger process. The main idea behind is that no organization can be good in every aspect of the business, this is essential not only for growth but also survival in fast-paced business world. There is no way a single company can accomplish its goals alone within intense competition, increasing customer requirements and fast evolving technology.

One could think that supply chain is a new feature of the companies that evolved in the past decades but the opposite is true. First traces of supply chain can be found in the Roman Empire and its historic commodity supplies. These chains were organized as a series of independent entities – being connected by financial transaction (buying/selling), geography of resources and available technologies. As resources varied, or the local supply was run out of, the chains shifted in response, followed by price change.[2] This was limited by available technology and organizational development as such.

In present age, companies are competing globally; the one who can react most rapidly to changing customer preferences at the lowest cost is the one who is likely to be the market leader. In the recent years the main focus of the companies was the mass production; this has now changed towards customized products and services. The development of new IT and telecommunication systems helped the companies to reach beyond their borders; being able to coordinate company structures through the entire supply chain.

1.1.1. Its function

The concept of supply chain and the name was firstly used by Keith Oliver in 1982. However the function of supply chain worked long time before the name was used. The creation of supply chain was endorsed by the need for large-scale changes, downsizing (cost-reduction) as well as widespread Japanese management practices in the early 20th century.

[2] SKJOTT-LARSEN, Tage a Philip B SCHARY. Managing the global supply chain. 3rd ed. Denmark: Copenhagen Business School Press., 2007, 459 p. ISBN 978-876-3001-717.

The supply chain includes all organizations and activities that deal with the transformation of the raw materials to the end user including information and monetary flows {Handfield & Nichols 2002, MGSC).

Mentzer defines supply chain as:

"Supply chain is a set of three or more companies directly linked by one or more of the upstream or downstream flows of products, services, finances, and information from a source to a customer."

He further differentiates so-called *basic supply chain*, *extended supply chain* and *ultimate supply chain*. Basic supply chain is consisting only of three members: focal company, immediate supplier and immediate customer. Extended supply chain includes immediate supplier's suppliers and the immediate customer's customers. Ultimate supply chain is the most spread one; from the supplier to the ultimate customer[3].

1.1.2. Characteristics of Supply Chain

Skjøtt-Larsen in the book Managing the Global Supply Chain defines basic characteristics of supply chain. He further adds that the characteristics are not unique but together create a new challenge to management:

- The supply chain is a complete process for providing goods and services to final users.
- Membership includes all parties, including logistics operations from initial material supplier to final user.
- The scope of supply chain operations includes procurement, production, and distribution.
- Management extends across organizational boundaries to include planning and control over operations of other organizational units.
- A common information system accessible to all members makes coordination possible between organizations.
- Member organizations achieve their own individual objectives through the performance of the supply chain as a whole.

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[3] MENTZER, John T. Supply chain management. Thousand Oaks, Calif.: Sage Publications, xii, 512 p. ISBN 07-619-2111-7.

Supply chain does not only connect operational units together, it manages far more than that: production, procurement and distribution.

1.1.3. The framework of the Supply Chain

Supply chain can be decomposed into three main components:

1. Activities
2. Organizations
3. Processes

Once they are joined together, they create *"long-linked technology"*[4] – a long chain of activities and decisions. This is further linked to the corporate environment that sets the strategic objectives. The environment beyond the company boundaries influences supply chain as well. It might be competition, technology or local and global political issues. The framework of the supply chain is pictured in the Figure 1.1.

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[4] Stabell, C.B., and Fjeldstad, Ø.D. (1998) "Configuring Value for Competitive Advantage: On Chains, Shops, and Networks", Strategic Management Journal, 19, 413-437

Figure 1.1 – A Framework of the Supply Chain (SKJOTT-LARSEN, Tage a Philip B SCHARY. Managing the global supply chain. 3rd ed. Denmark: Copenhagen Business School Press., 2007, 459 p. ISBN 978-876-3001-717., own creation)

1.2. Supply Chain Management

Supply chain management as a business discipline is relatively new, that is why a general definition cannot be found easily. One of the most quoted definitions is by Cooper et al. (1998):

"Supply chain management is the integration of business processes from end user through original suppliers that provides products, services and information that add value for customers and other stakeholders."

The US-based council of Supply Chain Management Professionals (CSCMP) has published different definition[5]:

[5] CSCMP Supply Chain Management Definitions. In: [online]. [cit. 2014-09-07]. Available at: http://www.clm1.org/about-us/supply-chain-management-definitions

"SCM encompasses the planning and management of all activities involved in sourcing and procurement, conversion and all Logistics Management activities. Importantly, it also includes coordination and collaboration with channel partners, which can be suppliers, intermediaries, third-party service providers and customers."

The above definition clearly differentiates between logistics and the entire field of supply chain management with logistics being one of the core functions of SCM.

Both SCM definitions above assume that customer is the one who should be focused on and should be able to get the products directly from off the shell. In Porter's value chain model this can be clearly seen that the flow of processes is set towards the customer. This orientation is called *push* orientation – business response based on projected customer demand. More recent orientation is called *pull* orientation, relates to the just-in-time school and minimizes stock on hand. In this strategy, products enter the market when they are demanded by customer (no forecast used). Naturally, there is not a clean strategy; all of the strategies are hybrid push/pull strategies.

1.2.1. Value chain

The basic framework for the supply chain management was defined by Michael Porter in 1985 who named it *value chain*. Porter defined primary activities (deal with physical production of the product, delivering to customer and taking care of service) that take part in the output of the firm, these activities are backed by so-called support activities (customer should not feel their impact directly). In the below list we can see the main activities in both groups:

1.2.2. Primary activities:

- Inbound logistics
- Operations
- Outbound logistics
- Marketing & sales
- Service

1.2.3. Secondary activities:

- Firm infrastructure
- Human resource management
- Technology development
- Procurement

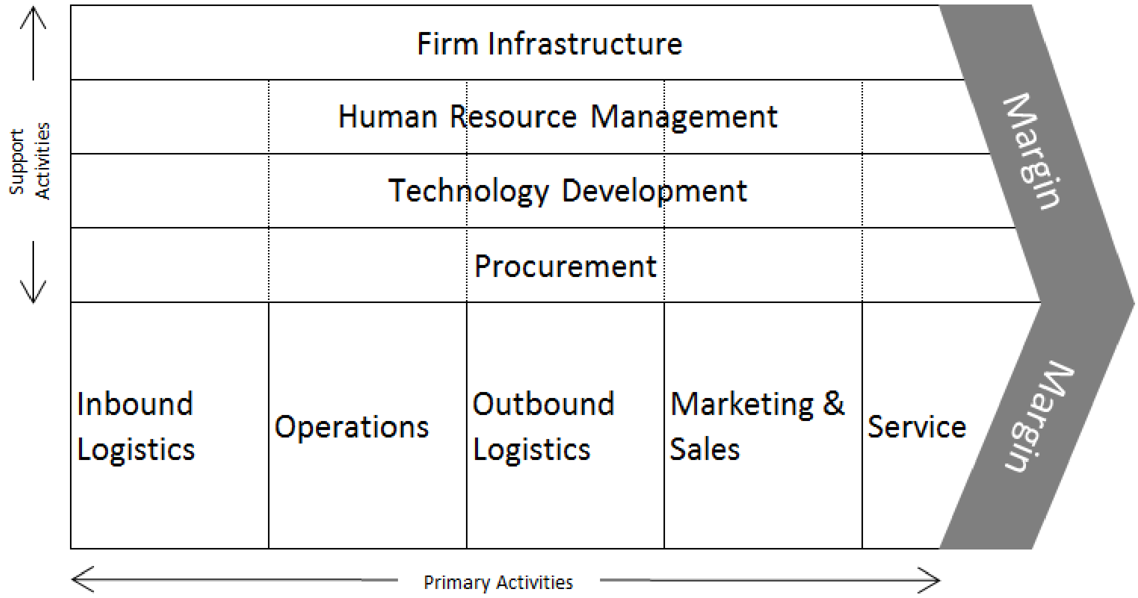

Figure 1.2 – Porter Value Chain (Porter, Michael E., "Competitive Advantage". 1985, Ch. 1, pp 11-15. The Free Press. New York.)

The main idea of Porter's value chain (Figure 1.2) is to increase the output value for customer. The core of the value chain of each company is a result of the company's history, strategy, and approach to strategy realization as well as inner economics of the separate activities in the value chain. It can be a simple system of upstream and downstream value or a complex network of interconnected value chains. The focus of supply chain management is to look at it as a big picture and to understand the scope of the entire chain beyond the boundaries.

1.3. Procurement

Procurement is nowadays an essential part of every business environment.

In certain business fields the production is slowly being replaced by well-functioning supplier chains. Companies try to optimize their costs via looking for alternative sources of their production. It is said that in case of automotive industry the supplier added value on the final product ranges between 60-70% (based on the continent) and is expected to grow to more than 75% by 2015[6].

The importance of the well-functioning procurement is growing due to various reasons, one of them is that decreasing costs directly influences the profit of the

[6] KAMP, Bart. Location behaviour and relationship stability in international business networks: evidence from the automotive industry. New York, NY: Routledge, 2006, p. cm. ISBN 04-153-9962-9.

company. Lowering the purchasing price by 5% can result in 50% increase of the profit margin, or decrease indirect costs by 20% or decrease the head count.[7]

In the next few pages, we will focus on the individual components of the procurement and on the goals that current sourcing processes aim to meet. The development of the past decade has shown that once known and valid best practices might not be the best ones and there is a need to expand the scope of procurement.

The Oxford dictionary defines "**procurement**" as an action of obtaining something or procuring something. In business procurement is thought of as an entire process composed of choosing and rating suppliers, ordering goods, its delivery and sorting out paperwork related to it. Victor H. Pooler defines procurement as:

"Procurement is a way of obtaining appropriate product or service, with the delivery in the right time to the right place for the best possible price"[8]

In the practice synonyms as **purchasing** or **sourcing** might be used. However sourcing in its core has much narrower scope than procurement, we will talk about them later in this chapter.

In relation to buying products and services, one can find word **bidding** being used quite often. Bidding is a term used mostly in case of offers and that is why price breakdown and calculation can be called bidding. The widespread use of this word is certainly also caused by the expansion of internet auctions.

1.3.1. Goals of procurement

One of the main goals of procurement is certainly optimizing price/performance ratio for buying products and services, increasing the quality of procured goods, improving the communication with suppliers, access to new products, services and technologies and shortening the time needed to buy stock.

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[7] BARRY, Jack. Supply chain risk in an uncertain global supply chain environment, International Journal of Physical Distribution & Logistics Management. 2004.

[8] POOLER, Victor H, David J POOLER, Samuel D FARNEY a Victor H POOLER. Global purchasing and supply management: fulfill the vision. 2nd ed. Boston, Mass.: Kluwer Academic, c2004, xvi, 443 p. ISBN 14-020-7817-X.

a) Ensuring effective delivery

The goal of the purchasing department is to ensure that deliveries are efficient and on time. Under the term efficient one can think of delivering the goods ordered on time. Especially in production facilities can the insufficient level of stock cause huge delays in production.

b) Making decision "make or buy"

Procurement takes part in the decision making process "make or buy". Few years ago big multinational companies still did most of the supply chain process (delivering goods, warehousing and manipulation) themselves. Currently, the trend is completely different. Outsourcing (discussed later in this chapter) is getting more popular and enables companies to focus on their key business activities.

c) Supplier rating

Supplier performance rating is one of the key goals of procurement. In this field it is important to define which indicators are the most important for the company and how they should be measured. In order to rate supplier various methods can be used – both quantitative and qualitative.

d) Minimizing/optimizing costs

Decreasing operating and purchasing costs is another key goal of procurement. This goal can be reached very well in case of big multinational corporations, which have very good negotiating position on the market. As said before, decreasing costs will lead to increasing profit.

e) Optimal quality

Quality optimization is one of the fundamental goals of procurement. One might think that only the products with the highest possible quality are required, but this does not necessarily have to be true. The quality/price ratio should be maintained within the range defined by the business.

f) Efficient delivery system

Vital condition for well-functioning procurement is efficient delivery system. This system should include daily communication between business partners mainly using advanced IT technologies (sharing of documents, additional agreements, warranty,…)

g) Managing legal aspects of purchasing

Procurement includes a range of activities that are linked to local legal system. Mainly in case of entering into a contractual relationship, it is important to care about national legal requirements. There are many stories about cartel contracts that were discovered and companies had to pay huge fines and got some bad reputation in the eyes of their customers.

1.3.2. Types of procurement

We can consider procurement to be a daily routine task (**day-to-day procurement)** but also as a part of strategic activities of the company (**strategic procurement).** Procurement on a daily basis deals with requirements of business departments, intra-company communication in order to specify the requirements, dealing with invoices, communicating with suppliers regarding payment and delivery terms as well as dealing with finance/accounting departments. One of the main tasks of the strategic procurement is to define company mission and objectives and to base procurement strategies so they fit in to the overall approach of the company.

We can also divide procurement based on the purchasing activities – **direct procurement** (production-related procurement) and **indirect procurement.** Direct activities act as a part of the production processes and include purchasing raw materials, semi-finished products, components and parts. Most of such purchased goods are transformed into products ready to be sold. The entire movement of the goods from the supplier to the final customer is in scope of Supply Chain Management mentioned earlier in this chapter. Indirect procurement covers all the other business departments that do not directly take part in the production process but act as support activities. Indirect procurement can purchase office furniture, office supplies, advertising, legal services, audits…

1.3.3. Procurement in organizational structure

The importance of indirect procurement is neglected mostly in smaller companies. Direct procurement is usually managed centrally because of supporting key activity of the company (production). In case of indirect procurement, the purchasing is usually managed independently in each department. This approach is very risky. In practice, employee who was fired can still order something and when the product/service arrives he might no longer be with the company and so his successor has no choice just to accept and pay for the product.

In bigger companies it is very common that the procurement (or a purchasing) department is a stand-alone part of the organizational structure. In the Figure 1.3 the procurement is pictured as an intermediary between the company and the supplier. Internal customer is any department of the company that needs to purchase goods or services. The procurement department and any other internal customer are both part of the same business unit (company). As it is pictured, the supplier does not enter into a direct contact with the ordering department, the negotiation is done by the procurement department on behalf of the ordering department. In this way the procurement department can have an overview about all the purchases done in the company and so can save costs when analyzing this.

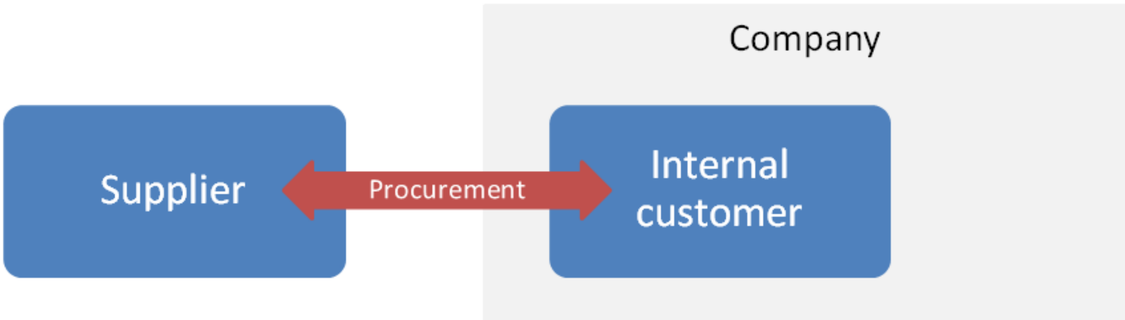

Figure 1.3 – Procurement in the organization (own creation)

1.3.4. Vendor Management

In the 70s procurement was thought of as a routine activity that was not required to have its own department and people. Commodity crises from that decade have shown that consistency in supply is very meaningful. At the beginning of the 80s procurement is starting to be more taken into consideration by top management and is slowly being changed from support activity to strategically important for the business. In the 90s procurement has benefited from the increasing use of IT and modern communication tools. Currently the procurement is keeping its original goals and extending them with the vendor communication and management.

Mutual communication between business partners is the base for good cooperation. Changing a supplier in case of bad performance was a very common practice few years ago, both current practice and theory agrees on building relationship with the suppliers in order to experience mutual benefits. That is why one of the goals of procurement is to build a stable relationship with the competent and reliable suppliers. Daily procurement creates huge room for using **Vendor Relationship**

Management (VRM) that focuses on systematic cooperation between two subjects. VRM is the innovative part of current business relationships.

1.3.5. Vendor Relationship Management

Partnership according to the European Foundation for Quality Management is:

"A working relationship between 2 or more parties creating added value for the customer"[9]

Similarly defines partnership also Nenadal who says that:

"Partnership with suppliers is such a working relationship between supplier and customer that is based on mutual trust and brings values to both parties."[10]

In the past suppliers were usually considered as an enemy. After the fall of communism, this scenario could be seen in the post-soviet countries where there was a small number of subjects in the market as well as lack of resources. As the time flew, many suppliers were losing their privileged position but on the other hand it is not always customers who have the better position. This is valid mainly in case of commodities and strategic goods. In the last few years the trend in the business is to have the best possible supplier and that is why awards for the best performing supplier take place annually.

Suppliers should realize that (most likely) they act as customers too and should be aware of tight relationships between suppliers and customers and incorporate this into their company policy.

1.3.6. Principles and meaning of the vendor management

World class managers consider following factors to be essential when building proper supplier-customer relationship:

- Quality – meaning not only high quality but being able to fulfill various requirements set by stakeholders from both parties.

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[9] CAIN, Clive Thomas. Performance Measurement for Construction Profitability. Oxford: John Wiley, 2008. ISBN 978-140-5147-903.

[10] NENADÁL, Jaroslav. Management partnerství s dodavateli: nové perspektivy firemního nakupování. Vyd. 1. Praha: Management Press, 2006, 323 s. ISBN 80-726-1152-6.

- Time – it does not necessarily have to be as quick as possible but to be delivered on the required time.
- Costs – mainly focused on the efficient cost allocation.
- Employees' knowledge – and human factor in general that plays vital role in many aspects.

Principles that are necessary in order to build a business partnership were formulated in the 80s and are valid even today. One of the most important can be found below:

- Mutual trust is vital in maintaining a quality relationship.
- Managing two-way flow of information is a requisite of flawless orders.
- Both parties should be clear about the contract – how to deal with possible outstanding problems, warranty, late payments…
- There has to be necessary will from both parties to cooperate and plan together.
- Both parties should put more into the relationship than necessary minimum.

As can be seen above, managing a well-functioning partnership is very complex and requires approach and cooperation of various disciplines.

1.3.7. Strategic Sourcing

In order to avoid confusion between procurement and sourcing, the following pages will define what sourcing is. Sourcing has always been a part of internal company functions regardless of what business field the company operates in. The scope of sourcing is each and every product or service that the company cannot produce or provide and that is why it has to source it from outside world. In its original form, sourcing was primarily used to locate and employ suppliers. Under the flow of globalization one can find under the name of strategic sourcing many often confusing and miscellaneous methods.

Fred Sollish in his work Strategic Global Sourcing Best Practices defines Strategic Sourcing as follows:

"Strategic sourcing is an organizational procurement and supply management process used to locate, develop, qualify, and employ suppliers that add maximum value to the buyer's products or services."

Activities including buying are being analysed from time to time in order to decrease costs. In order to do so they look for suppliers which are able to deliver certain service or product for a better price with a comparative quality to the current option. If the company succeeds to find such a supplier, it can improve its financial position and competitiveness as well.

He then adds the further definition of strategic in the name:

"The major objective of strategic sourcing is to engage suppliers that align with the strategic business and operational goals of the organization. We apply the term "strategic" to recognize that many sourcing projects require a long-term plan of supply chain action. It is meeting the needs of this relatively long time horizon that makes sourcing "strategic"."

Decisions regarding the number of suppliers are influenced by their size, reliability, complexity, geographical distance as well as market structure. Based on the number of suppliers, we can divide sourcing[11]:

- **Single sourcing** – using only supplier in order to increase the quality of supplies. This usually results in a very intensive cooperation between companies.
- **Dual sourcing** – using two suppliers with a goal to decrease the risk. Second supplier can be used as a back-up supplier, so that the business is not affected in case of any problems. From the beginning, back-up supplier might be given smaller split of the total order.
- **Multi sourcing** – also known as multiple sourcing. Using more suppliers to decrease the business risk, on the other hand one might not be able to use discounts as in case of bulk orders in single/dual sourcing.

Based on the scope of sourcing, Synek divides sourcing as follows:

- **Element sourcing –** buyer receives small and less complex parts.
- **Modular sourcing –** buyer receives complex modules.

The distance between the suppliers plays a vital role, geographically we can divide sourcing into two basic categories:

- **Local sourcing –** which focuses mostly on local (or national) producers. The biggest advantage of this sourcing is the geographical distance which makes the delivery cheaper. The downside of local sourcing can be the lack of

[11] SYNEK, Miloslav. Manažerská ekonomika. Praha : Grada, 2007. 452 s. ISBN 978-80-247-1992-4.

advanced technologies or price competitiveness (mostly in the areas with higher labour costs)

- **Global sourcing –** does not strictly focus on the local area, but is using up all global possibilities. As defined by Sollish: *"When the word "global" is added to the title. It means that suppliers may be selected beyond the organization's national borders"*

Apart from sourcing, one can find in the literature words insourcing and outsourcing.

When the business produces all the needed parts for the final product itself, one can call it **insourcing**. In this case company is not using anyone else's resources and is relying solely on itself

Outsourcing is the exact opposite. The idea behind outsourcing is to move production to the companies that can produce it for a lower price. In this way, company can get extra resources and use them elsewhere. The main benefit in long-term is the competitive advantage, it can use on the core business activities, reduce overhead costs, fight with seasonal and cyclic demands. On the other hand, disadvantages include exposure of confidential data, lack of customer focus as well possible delivery issues.

2. Vodafone Group and Vodafone Procurement Company

This master's thesis focuses on Vodafone Group and its "One SCM" company – the Vodafone Procurement Company. Vodafone is a global player in the telecommunications field and one can clearly see benefits of having one procurement organization in case of such a big company. In the first part of this chapter, Vodafone Group will be introduced and characterized. In the second part of this chapter Vodafone Procurement Company will be described in detail.

2.1. Introduction to Vodafone Group[12]

The Vodafone Group is one of the world's leading mobile telecommunications companies (currently 2nd largest by subscribers and revenue after China Mobile, September 2014), being present in 21 countries directly via equity interests and in more than 40 countries using partner market arrangements. Vodafone Group Plc (known as Vodafone) is public limited company (Plc) registered in England with office in Newbury, Berkshire, England.

As of March the 31st, 2014 Vodafone had 434 million mobile customers (based on proportionate basis with respect to Vodafone's ownership in local ventures). Vodafone's shares are listed and traded on the London Stock Exchange. However these are not the only shares of Vodafone traded – Vodafone American Depository Shares (ADSs) are listed on New York Stock Exchange. The total market capitalization of Vodafone as of September 20th 2014 is 87.6 billion GBP[13].

Vodafone believes that as a market leader or number 2 it has to be very active in terms of developing new technologies before the competition. That is why Vodafone was an innovator in the field of data products and services – introducing high speed mobile broadband as well as easy to use devices with touch screen technology.

Vodafone brand awareness is very high among all the customers in the markets where it operates. This helps Vodafone to be well placed and grow in emerging markets,

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[12] Vodafone: Annual Report 2014. [online]. [cit. 2015-02-22]. Available at: http://www.vodafone.com/content/annualreport/annual_report14/downloads/full_annual_report_2014.pdf

[13] YAHOO. Vodafone Group Plc [online]. [cit. 2014-09-20]. Available at: http://finance.yahoo.com/q?s=VOD

which are currently one of the biggest opportunities for the company because of expected growth.

2.1.1. History

Vodafone was firstly registered under English law in 1984 as Racal Strategic Radio Limited. This company went through many name changes and then 20% of Racal Telecom Plc capital was offered publicly in October 1988. This company was later detached from Racal Electronics Plc and became independent in 1991. At this time the name was changed to Vodafone Group Plc.

In the history of Vodafone, there have been some important transactions[14] which significantly influenced Vodafone's international presence:

- **July 2000** agreement with Bell Atlantic and GTE to create the largest US mobile operator Verizon Wireless
- **May 2007** acquired Vodafone India Limited (formerly Vodafone Essar Limited)
- **April 2009** acquired stake in Vodacom – became a subsidiary
- **July 2012** acquired the entire share capital of Cable & Wireless Worldwide
- **Sep 2013** 76,57% interest acquired in Kabel Deutschland Holding
- **Feb 2014** disposal of 45% interest in Verizon Wireless

2.1.2. Vodafone Business Segments

Vodafone is divided into two geographic regions – Europe and EMAPA – with the objective of aligning operations with the Group's strategy in order to satisfy various market and customer needs and requirements.

Europe

The main strategy for European markets is to drive additional usage and revenue from the core voice and messaging services and to reduce the costs associated with these services. These represent around 80% of the Vodafone's revenue today.

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[14] VODAFONE. Annual Report 2014. [online]. [cit. 2014-09-20]. Available at: http://www.vodafone.com/content/annualreport/annual_report14/downloads/full_annual_report_2014.pdf

Core European markets include Germany, Spain, the UK and its joint venture in Italy. Smaller European markets include Albania, Greece, Ireland, Malta, the Netherlands and Portugal.

All of the above mentioned subsidiaries operate under the brand name "Vodafone". Vodafone used to be also active in the United States, however after having sold its stakes in Verizon Wireless in February 2014 this is no longer true.

EMAPA

This region is much more widespread and covers Eastern Europe, the Middle East, Africa and Asia, Pacific and Affiliates. It includes Vodafone's subsidiaries operating in continental Europe – the Czech Republic, Hungary, Romania as well as Turkey, Egypt, India, Australia and New Zealand. Joint ventures are located in Poland, Kenya, South Africa and Fiji. Direct subsidiaries operate under "Vodafone" brand; joint ventures operate under local names (for instance Poland – Plus).

Main focus of Vodafone is to create value in these markets, where (mostly) the market penetration was lower.

The differences between Europe and EMAPA regions have significantly changed with emerging markets no longer being so much "emerging" but having quite high level of penetration.

2.1.3. 4 pillars of Vodafone

Customer focused	•Tries to overcome customer's expectations, understand needs and get their loyalty.
Eager to innovate	•Vodafone aims to support innovative environment and is not scared to develop new services and ways of working.
Ambitious and competitive company	•Vodafone brings energy and enthusiasm for work, sets high standards. Measures success not only based on plans but also in comparison with competition.
One company, local roots	•Acts as one company but adapts to local markets bringing the best possible result for customers.

Vodafone tries to reach its goals via:

- Managing operational performance and **decreasing costs**
- Focusing on **growth opportunities** in telecommunications
- **Expanding** to emerging markets
- Encouraging financial discipline
- Finding **savings** due to European markets being oversaturated.

2.1.4. Project EVO

It has been more than 25 years when Vodafone entered the market for the first time. Since this moment, the company has grown up via various mergers and acquisitions and became one of the biggest telecommunications companies in the world.

As mentioned before, Vodafone has gone through a range of acquisitions. Now, realizing the power of the big company, Vodafone wants to become truly global. The problem that Vodafone is facing currently is the significant dispersion and inconsistency among local markets. That is why Vodafone in 2006 with project called EVO – Evolution Vodafone that is supposed to unify some service and supporting processes. Based on EVO, Shared Services Center in Budapest and Vodafone Procurement Company in Luxembourg were set up. This transformation should result not only in savings (which might be transferred into technology development) but also in focus on the core business. Migrating all the processes (mainly finance, supply chain and HR) to SAP was also part of this project.

Project EVO is one of the big global transformation projects of Vodafone and is related to all the local markets worldwide. The main purpose of EVO is the acceleration and simplicity of selected supporting processes. This shall comply with the main rule of Vodafone: **"Speed, Simplicity and Trust".**

The biggest change was the change of the entire IT platform that automatizes everyday finance, supply chain and HR business processes. All the remaining ordinary work is done in the SSC in Hungary. VPC negotiates better prices because of bigger negotiation power as well as standardization. This results in savings from scale.

2.2. Vodafone's One SCM

After expanding into numerous countries in the world, which resulted in 25 OpCos (operating companies) and taking into consideration the world economy nowadays, it seems that the global telecommunications company has found its way and a model of Global SCM that seems to work and uses comparative advantages through supplier performance management and the effectiveness of procurement.

Vodafone has incorporated e-auctions, e-sourcing, category management system and spend analysis tools to support its strategy of creating global SCM model. This model includes the selection and approval of suppliers, their performance management and management of the local Vodafone subsidiaries. Vodafone is still aware of the fact that global purchasing is the most advantageous model; this might not be true all the time. That is why it does not use only model, but has developed variety of models.

Vodafone aims to reach three pillars in its supply chain strategy:

Cost Reduction

- Aims to reduce (to a minimum) the costs related to transport, facility locations and storage

Capital Reduction

- Decrease the costs of investment made for logistics

Service Improvement

- Simply translates to: the better service, the higher revenue

Using the Global SCM, Vodafone uses the tax efficiency. In addition, Regional Distribution Centers for devices and network spares reduce costs of storage and facility locations. Based on the cost and capital reduction approach, Vodafone Procurement Company was set up to reach this goal. According to Arntzen et al (1995)[15] Global SCM reduces cost and time. Under cost factors they mean following: production and inventory charges, distribution expenses, taxes, duties and duty drawback.

On the other hand, many researches argue that it is not the cost reduction that affects the positive result. Piece of research from Krenn and Shycon (1983) advises that it is meeting the customer needs that might result in increasing sales. In addition, proper customer service leads to increased loyalty. Vodafone is active in this field as well. By moving its low value, high volume transactions to Shared Services Centre.

2.2.1. Vodafone SCM Organization Chart

The entire SCM Community of Vodafone Group as mentioned before is called "One SCM". The procurement in One SCM is managed by individual legal entity within Vodafone – the Vodafone Procurement Company (VPC). VPC is responsible for all sourcing activities – including sourcing of goods and services, instead of local deals, using global deals and so obtaining better conditions via this leverage and high purchasing power. VPC divides the goods procured into 4 Level 1 categories:

1. Commercial & Services
2. Information Technology
3. Network
4. Terminals

VPC manages strategy development for each of above mentioned categories. This Level 1 Categories are further divided into Level 2, Level 3 and Level 4 categories. Retail category which is thoroughly discussed in the next chapters is shown in the Figure 2.1 – Hierarchical structure of Vodafone categories.

[15] ARNTZEN, Bruce C., Gerald G. BROWN a Terry P. HARRISON. Global Supply Chain Management at Digital Equipment Corporation. 1995, s. 69-93.

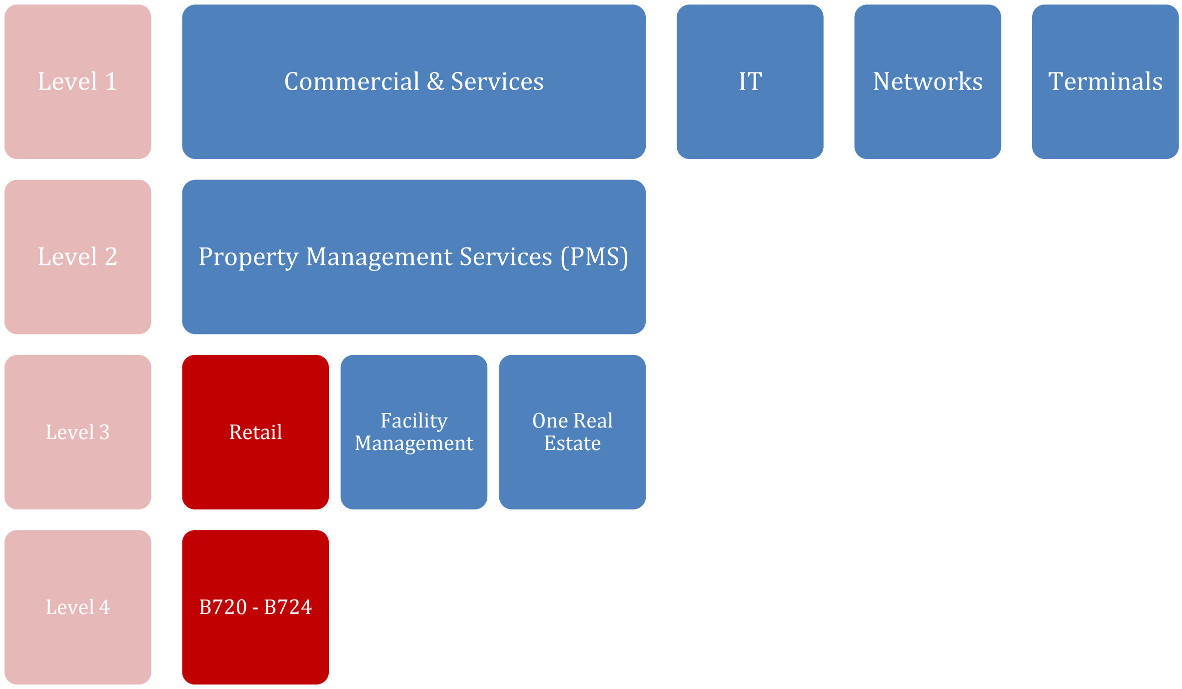

Figure 2.1 – Hierarchical structure of Vodafone categories with focus on Retail (data source: Vodafone internal, own creation)

Regarding the categories, there are various risks that might result when goods and services are traded through VPC such as:

- Supplier selection
- Volume discounts
- Payment terms
- Insurance and performance based deals
- Cash and foreign currencies management
- IPR
- Warranties

It is important to mention that VPC trading is divided into 2 main regions, one of them being divided into 4 subcategories.

2.2.2. Supplier Qualification and Registration

Ellram argues that the information exchange between the buyer and the supplier cannot be symmetrical. This is caused by the fact that obtaining complete information from suppliers is not easily quantitatively measured.[16]

Vodafone created a method of supplier selection where suppliers have the chance to register and self-assess. This serves to see whether they are eligible and fit within the company's selection criteria[17].

As a part of the sourcing process, managers responsible for each category at VPC identify the suitable supplier candidates for sourcing activities. If these suppliers have not been registered previously and approved, category managers ask them to register on the above mentioned self-assessment system. If the suppliers pass the self-assessment, they are added to the Approved Supplier List.

In case of successful qualification, suppliers might be invited to participate. Naturally, only the suppliers that are on the Approved Supplier List may participate in a sourcing activity. Approved suppliers are then registered in Vodafone's Enterprise Resource Planning system.

2.2.3. Supplier Segmentation

In a piece of research done by Dyer et al (2002), he concludes that procurement strategy should not be "one-size-fits-all" but rather using a segmented strategy that serves to optimize the purchasing effectiveness (allocating various resources to various groups).[18]

Vodafone segments suppliers and divides them according to the annual spend and business impact. The following segments are used:

- Tactical

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[16] ELLRAM, Lisa M. Total cost modeling in purchasing. Tempe, Ariz.: Center for Advanced Purchasing Studies, c1994, 93 p. ISBN 09-459-6817-5.

[17] EUROPEAN INSTITUTE OF PURCHASING MANAGEMENT. Category Management Foundation Training. 2015. (Vodafone Internal)

[18] KALE, Prashant, Jeffrey H. DYER a Harbir SINGH. Alliance capability, stock market response, and long-term alliance success: the role of the alliance function. Strategic Management Journal. 2002, vol. 23, issue 8, s. 747-767. DOI: 10.1002/smj.248. Available at: http://doi.wiley.com/10.1002/smj.248

- Approved
- Preferred
- Strategic

However this segmentation might be different in global and local level for individual suppliers. For instance, certain supplier might be considered “Strategic” at a global level, but “Approved” in case of some local markets. This segmentation then influences the way the supplier is treated and managed.

2.2.4. Supplier Assessment

Once the supplier supplies the goods to the VPC, the graphic below shows how supplier’s performance is assessed. This is done by cross-functional teams, each of them responsible for one of the “Six Pillars of Supplier Performance”.

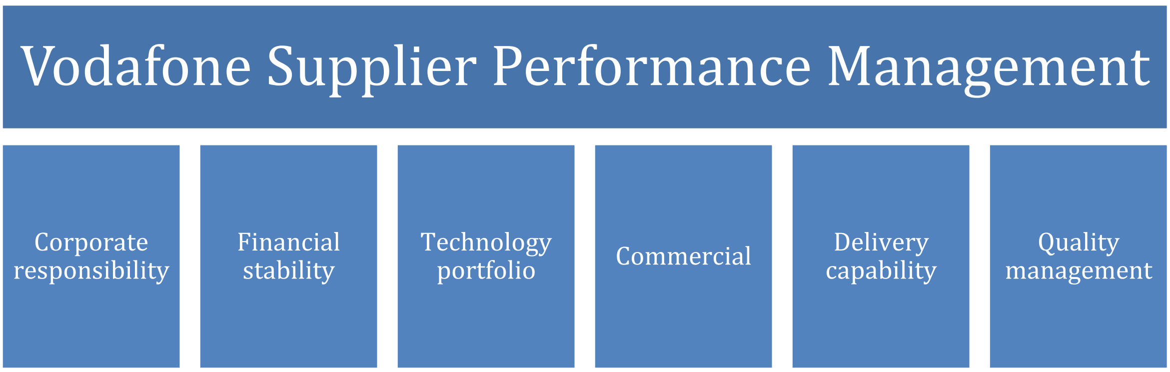

Figure 2.2 – Six Pillars of Supplier Performance (data source: http://reports.investis.com/reports/vod_cr_2006_en/pdf_cache/vod_cr_2006_en_extract_24.pdf, own creation)

From above mentioned pillars, Commercial pillar is the one that this thesis deals with. That is why it will be analyzed closer in the next paragraph.

The “Commercial” pillar deals with a review of TCO (Total Cost Ownership) as a part of the sourcing process. According to Dagraeve and Roodhooft, Total Cost of Ownership is defined as:

“Quantifier of all costs associated with the purchasing process, which takes into account all activities and cost drivers.”[19]

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[19] DEGRAEVE, Zeger, Filip ROODHOOFT a Harbir SINGH. Effectively Selecting Suppliers Using Total Cost of Ownership: the role of the alliance function. The Journal of Supply Chain Management. 1999, vol. 35,

VPC Category Manager responsible for a certain suppliers leads the purchase price analysis and internal cost review in order to produce TCO. To be able to get a complete picture, technical group and other stakeholders are included in the assessment as well. Category Manager then uses TCO to drive the value out of the relationship with supplier. After performance assessment, supplier is provided with a Scorecard which serves as a feedback tool.

The Scorecard evaluation is set on a 0-100% weighting scale. Vodafone differentiates suppliers below 49% as having very poor performance, 50-69 as poor performers, 70-89 as good, above 90 as very good and only those who reached full score of 100% as marked as exceptional performers. This model is a linear weighting model which is the most commonly used supplier evaluation model according to Weber et al (1991). Weights are based on company's performance objectives and result in the overall supplier's performance.

In case the supplier is poorly performing, VPC Category Manager who is responsible for this supplier might decide to stop the cooperation with this supplier. This decision is based on the monitoring of the supplier's performance as well as inputs from both Supplier Performance Management and local Vodafone Operating Companies. If the supplier is performing poorly to any of the 6 pillars mentioned earlier, it may affect seriously affect the performance of Vodafone as well. In case of exiting the cooperation, this usually results in further sourcing activities and search for possible replacement.

2.2.5. Procurement in OneSCM

Fung (1999) defines the main goals of procurement as purchasing the best quality at the most competitive price, in the right amount at the necessary time from trustworthy vendors. The above statement is exactly followed by Vodafone procurement strategy and is realized in the Vodafone Procurement Company.

Procurement is getting more global via the procurement company. It is easier for suppliers to be in touch with one entity than to serve each of the Operating Companies alone. Furthermore it streamlines the supply chain and creates savings on top of that.

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issue 1, s. 5-10. DOI: 10.1111/j.1745-493X.1999.tb00050.x. Available at: http://doi.wiley.com/10.1111/j.1745-493X.1999.tb00050.x

Vodafone Operating Companies trade with VPC via two basic models: Buy From and Agency Trading. In case of Buy From trading model, Operating Companies buy goods directly from VPC and VPC acts as a 3rd party supplier for them. In case of Agency trading model, VPC is used to set up the global deals and Operating Companies use these deals to buy directly from the suppliers.

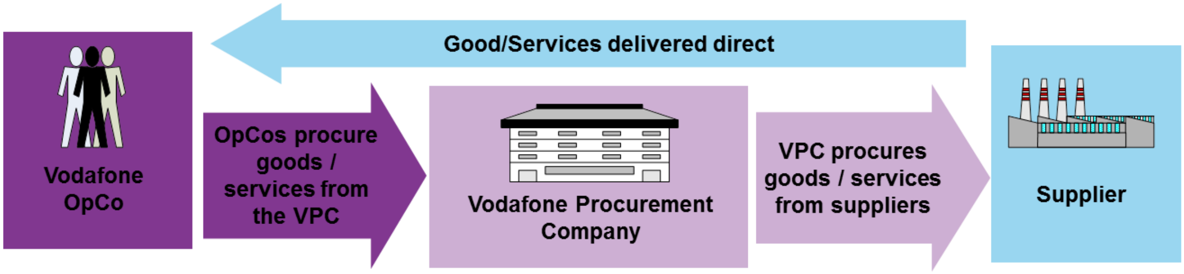

Figure 2.3 – Vodafone Procurement in picture (Vodafone internal)

Vodafone Procurement Company's performance is also evaluated. This evaluation takes place twice a year. The input is received from all the Vodafone Companies as well as Vodafone Operations Centre. The performance is based on a scorecard that evaluates the performance of VPC and Vodafone Group Companies relationship

Vodafone further sources its procurement activities into Shared Services Centers. This outsourcing strategies serve to reach common objectives, that include the cost reduction, orders optimization and distribution control. One of the centers can be found in China, known as China Sourcing Center. The aim of this entity is to get closer to local emerging suppliers, bring best practices to the region and support high potential. This is mutually beneficial for both Vodafone being able to use the cost advantage as well as for the suppliers allowing them to grow internationally.

3. Procurement in Retail

This chapter focuses on the crucial point of Vodafone business – retail. Retail is the place where Vodafone has a chance to interact directly (face-2-face) with its customers (in comparison with call centers and corporate clients). Retail has gone through huge development in the past couple of years and these will be discussed and analyzed in the next pages. Refurbishment of all Vodafone stores within the period of 2013-2016 is one of the key initiatives for Vodafone financed partially by the Spring budget which aims to increase network quality but improve customer experience as well. Project Spring should be finished by March 2016 and the total spend is expected to be around 19 billion GBP[20].

3.1. Definition of retail

Before we get into procurement of retail as such, I find it important to define what is meant by the term retail in Vodafone because there have been some discrepancies even within the company prior to the concept being clearly defined. Under the term retail in the scope of procurement we refer to everything that is visible to customer and more importantly is facing the customer as soon as he enters the store. The only exception to all of this which is not currently procured through the Services category but through Technology category (for obvious reasons) is TV screens.

3.2. Pre-global concept of retail

Before retail was procured globally, the situation in Vodafone was not clearly defined. The design and the elements of the store were defined by the Group Design team however the local markets were responsible for purchasing. Most of the times all the items were produced locally which could possibly lead to following problems:

- Broad supplier base (from the perspective of Group, from the perspective of each local market the base might have been similar – one furniture supplier, one ceiling supplier varying from market to market)
- Different customer experience in various local markets
- Possible quality and H&S issues different to various suppliers in each market
- Not using the economies of scale and the global buying power

[20] Vodafone Adds to Network Spending as Sales Miss Estimates. BLOOMBERG. [online]. [cit. 2015-03-13]. Available at: http://www.bloomberg.com/news/articles/2013-11-12/vodafone-service-sales-miss-estimates-amid-network-upgrade-push

When the old concept was in place, customers defined Vodafone stores as cold, unwelcoming, too corporate or boring. Furthermore, while waiting for the staff people would get bored because they had nothing to touch or play with because the phones were locked in glass cabinets.

All the above mentioned points were to be solved by the new global and unified approach which started in 2011.

3.3. Global concept of retail

Business environment is changing very fast; telecommunications industry is one of the sectors where the development has a very high pace. This is true in the technological part of the business but the brick and mortar retail strategy has not really been changed since the very beginning. The relationship between the customer and the operator are now more complex, with multiple competitors being active in the market, operator has to be very active in order to secure customer's long term loyalty. Experience in-store has always been the main point in the customer-operator relationship; this is the place where the relationship started and the store was revisited only in case of need of a new accessory or support. Vodafone understood that this has to be developed, retail stores shall not only be the point where people check out the phones and buy them elsewhere or online but they need to provide enough customer experience to make the customer stay longer, buy it there and subscribe.

The first milestone of the concept was achieved in March 2011 with defining the retail vision. This was followed by the development of the store concept which took 7 months and finished in October. Since Vodafone is a big company, it took noticeable amount of time to get the approval and mandate for the design to be approved globally. This happened in May 2012. Throughout the financial year 2012/2013 first stores were opened in various Vodafone markets. The full rollout started at the beginning of the new FY 2013/2014. The decision to involve Spring budget was made at the beginning of current FY 2014/2015.

The new concept should provide customers with the same experience and consistent look no matter in which location or in which market they enter the store. The design should help Vodafone reach its goal to be the number one in customer experience across all channels. Each of the stores must include "so-called" iconic elements – Top 10 Table, Promotional fins at the entrance or a Tech zone. The main three pillars of the new concept from the design & experience perspective are shown in the Figure 3.1 below.

Figure 3.1 – Vodafone Global Retail Concept – 3 main pillars from design & experience perspective (Vodafone internal, own creation)

To make the design concept for the reader easily imaginable, Figure 3.2 shows a sample Vodafone store in the new global design with the iconic elements. As it can be seen, the new Vodafone store design is fully in Vodafone's main motto – Speed, Simplicity and Trust.

Figure 3.2 – Vodafone Global Retail Concept – sample store (Vodafone internal)

3.4. Global Retail Rollout

After the new design concept has been approved, the aim was to refit the entire Vodafone footprint within very short period of time. The entire Vodafone footprint that is planned to be refurbished is 8232 stores. Originally the amount of stores was lower by approx. 2000 but the plan was very brave – to have it done in 2 years. Currently, the full rollout is planned for 3 years starting from April 2014 and finishing in March 2017. Prior to the full rollout in FY 2012/2013 312 stores were refitted and in FY 2013/2014 841 stores were refurbished.

The remaining amount of stores as of end of February 2015[21] (FY 2014/2015) – after the first year of full rollout is approx. 5100 which are to be refitted in the next 2 years as mentioned above. The store openings are tracked every month by Retail Delivery Team based on the number gathered from individual OpCos. In the Figure 3.3 you can find the latest chart (end of February 14/15).

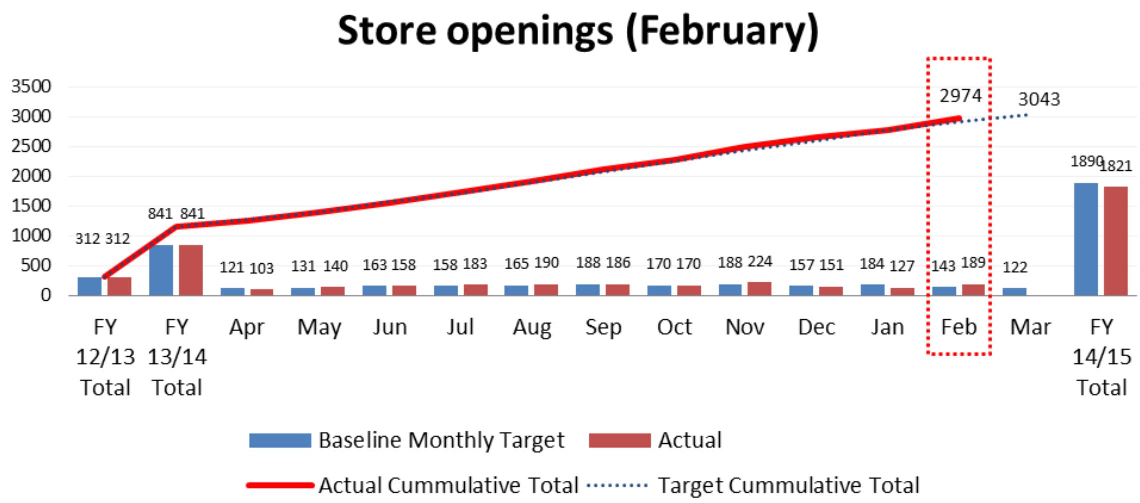

Figure 3.3 – Vodafone Retail Transformation Overview (Vodafone internal, own creation)

As it can be seen from the Figure 3.3, Vodafone is very confident on delivering the planned number of stores during the first year of the full rollout. The trend is clearly shown with the least productive months being April, May (due to the beginning of the rollout) and period around the calendar year end/beginning (due to Christmas and winter holidays). On the other hands there are many months that over delivered the planned target and hence the total number one month before FY end is 1821 – compared to 1768 which is the target for this period.

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[21] Most current data as of 17th of March 2015

3.4.1. Objectives of the rollout

Project of this size and scope has to have clearly defined objectives before it is kicked off. Once these are defined it is much easier to track the performance and provide partial results to the management and shareholders. Objectives are both customer experience based as well as procurement oriented and can be defined as following:

1. Drive consistency across all Vodafone markets
2. Provide our customers with 21st century retail experience
3. Differentiate Vodafone from the competitors
4. Reduce the supplier base (active suppliers linked to Retail category)
5. Deliver a minimum of 10% savings (based on RBS[22] methodology)

In this thesis we are going to use these objectives to see how successful the rollout has been so far. Evaluation will be done focusing mostly on the measurable objectives (supplier base and savings).

3.4.2. Key Programme Roles

In order to be able for the reader to understand various relationships and responsibilities among stakeholders, stakeholder map has been put together and shown in the chart in the Figure 3.4. As it can be seen the stakeholder map is really broad and hence the coordination between the various stakeholder groups is necessary and often not easy.

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[22] RBS – Red Book of Savings – Vodafone finance guidebook that defines how to calculate savings and report them (internally) written by VPC Finance

Area	Role	Description Summary
Group	Group Retail Head of Delivery	Accountable for taking approved design and implementing the delivery of new store concept refits with all markets, ensuring that all forecast benefits and efficiencies are exceeded
	Group Retail PMO	Responsible for ensuring robust program project management is in place and that the reporting of the overall program performance is completed monthly, engaging all stakeholders. Works with Finance to review performance, management criteria, build benefits realisation, and review and identify any budget concerns.
	Group Retail Configuration Manager	Responsible for development and sign-off of store refit configuration layouts, working closely with each of the Local Markets. Also responsible for ensuring that the process for ordering required modules from various suppliers through the priority markets is effective, accurate and efficient.
	Group Retail Implementation Manager	Responsible for managing the implementation process globally, leading local market teams to ensure that the ordered module components are implemented in line with the approved configuration plan. Designated business lead for all store component supplier relationships.
	Group Retail Design Manager	Manage an effective design process across multiple markets. Approve template designs protecting the New Concept Integrity; manage the creation and approval of exception configuration drawings.
	VPC	Manage the supply chain partners and process. Effectively manage escalated risks and issues that arise for all markets.
	L&D Lead (HR)	Manage the development of store-staff training in line with the Global Store Concept.
Local Market	Project Manager	Responsible for ensuring robust project management is in place and that the reporting of Local Market project status is communicated to the Group Retail PMO.
	Configuration Manager	Maintains the integrity of the New Store Concept. Manage the creation of all configuration and gain quick approval exception sites.
	Implementation Manager	Responsible for the delivery of the deployment, in line with global standards and requirements of the local business. Also required to manage all resources across all activities in the end-to-end implementation.
Supplier	General Contractor	Supports the roll-out of the new retail Design Concept in the Local Market by accepting component deliveries into local distribution centre and managing the physical store refit
	Components Supplier	Manages the supply and delivery of components needed to refit stores based on central specifications.

Figure 3.4 – Retail Rollout Stakeholder Map (Vodafone internal, own creation)

3.5. Procurement of the concept

After the concept has been agreed upon on the global level; VPC was responsible for appointing of suppliers. As mentioned earlier VPC negotiates and enters into agreements on behalf of the Local Markets. The basic contractual set up is a VPA (short for Vodafone Procurement Agreement) – an agreement between the supplier and the VPC.

At the beginning of any process there has to be a thorough consideration, analysis and setting concrete goals. Based on these goals, the right ways and procedures are developed in order for these goals to be able to be met at the end of any process.

The prerequisite for defining a successful procurement strategy is composed of 3 analyses:

- The analysis of the **demand**
- The analysis of the **market**
- The analysis of the **supplier**

After all those 3 above are completed, the company can define its sourcing strategy – choosing the right markets and the right suppliers so that the current and future demand can be satisfied.

The company can choose the right supplier only when it knows its demand. Company should not forget about keeping track of current trends in consumption and the market prices. For instance, if some products use a lot of aluminium (then the price of aluminium on the market should be tracked and possibly reflected in the pricing).

In the analysis of the Vodafone Retail we can distinguish 2 subcategories:

3.5.1. Iconic elements

Iconic elements are all the elements visible to the customer as soon as he enters the store. As shown in the Figure 3.2, in the new design concept iconic elements are:

- Furniture
- Ceiling (not shown in the picture)
- Wallrail
- Security products
- Chairs
- Lighting
- Flooring

The aim of VPC is to have globally appointed suppliers that are able to cover the entire footprint of Vodafone. This approach has slightly changed and will be discussed later in this paper – currently dual suppliers are more favorable (one being the main supplier, one being a back-up supplier supplying 2-3 markets but in case needed could cover other markets as well).

3.5.2. General Contractor

General Contractor (GC) is usually a local company that is responsible for the shop fitting (all construction works required for store refurbishment). Reason for a GC to be local is simple, the work is done locally in one state plus there is a clear requirement of knowing the local language as well as the legislation. In addition, GC is also responsible for the central warehouse management. In practice all the iconic elements are delivered in bulk to GC's warehouse and from there are delivered to individual stores. One of their responsibilities is also to provide a visual check of the delivered items (whether they were delivered as requested or are not damaged). There is a need for a GC to have a warehouse because of efficiency reasons; orders directly to store are not allowed. Installation of iconic elements including the post-sale service of installed elements also belongs to the scope of GC.

Figure 3.5 depicts the relationship between the producers of iconic elements and the general contractor.

Figure 3.5 – Vodafone Procurement & Logistics – Accountability between Suppliers and GCs (Vodafone internal)

3.5.3. Market analysis

Information for the market analysis can be found in 2 ways – collection of primary data or using already existing secondary data. The first option is more time and money consuming however the results might be more useful and can show unexpected or undiscovered niches. The market might be analyzed using various methods such as observation, analyzing internal data, supplier visits or using questionnaires. Secondary data are gathered through external companies who have done the research or do the research and sell the data.

When starting a project with a global scope just like Retail rollout, there is a clear need to map and analyze the environment. This has been performed in order to provide the best possible preparation for the research, negotiation and sourcing of the future global suppliers. Analysis has been done in 2 variants:

a) Existing suppliers

- In close cooperation with Local SCM
- Done via reviewing current suppliers
- Huge advantage is having experience with Vodafone projects and Vodafone retail environment, knowing Vodafone as a customer
- Disadvantage (possibly) being local and hence too small, needs to be studied further whether the supplier is capable of delivering globally (stand-alone or partnership)

b) New suppliers

- Done through suppliers pool and knowledge, best practice sharing with other big players on the retail market
- Direct approach of global players – POPAI, Paris, France (The Global Association for Marketing at Retail)
- In the end 5 (out of 15) suppliers invited to a tender, 2 were chosen as Vodafone global suppliers

Further to the above mentioned market analysis, Porter's five forces analysis has been performed to be able to analyze and judge competition within the industry and hence to choose and adapt Vodafone's business strategy accordingly. Figure 3.6 depicts the Porter's five forces.

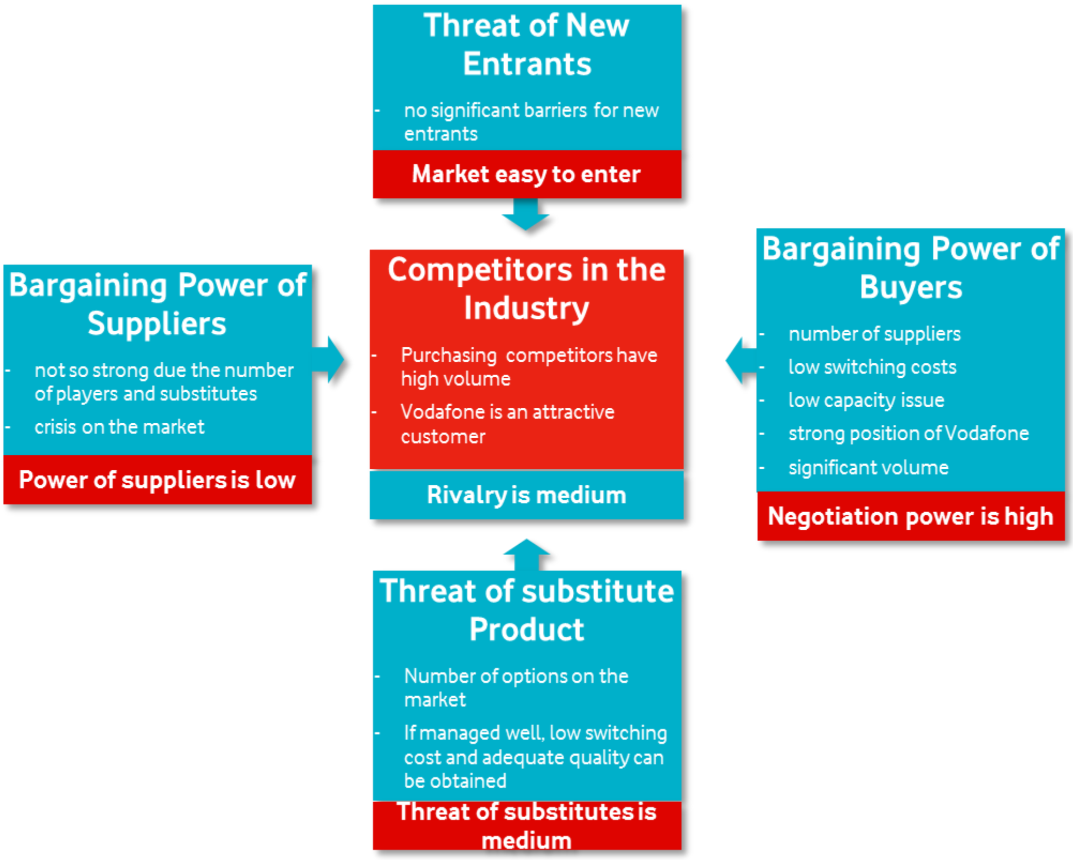

Figure 3.6 – Retail suppliers market – Porter's five forces (own creation)

In the following paragraphs individual Porter's forces will be discussed, the market is referred to as a general market for all the iconic elements. The reason behind is that all the iconic elements have very similar characteristics and therefore the potential suppliers operate in very similar market environment.

Threat of new entrants:

Market **does not** really possess significant **barriers for entry** for new companies. Naturally, there are certain financial requirements needed to set up a production but this can be mitigated through firstly starting as a trading company and then moving on to production which is a very common practice in this field. No licenses are needed to start business as well as the level of know how is rather low compared to different industries. The brand in this market is not that important because the products are (in most cases) not branded and the producer cannot easily be traced just by looking at the product. Small barriers might exist in case of security devices where all the long time players have gained a lot of know how during their existence and this can limit the new comers to the market.

Bargaining power of suppliers:

If we are looking at the main supplied element, mostly it is raw materials (wood, steel) which do not really possess any special characteristics and therefore the **suppliers might be easily replaced** if there is a need or a reason (cost, quality, …) to do so. The machines in the production mostly use generic type of raw materials and are not limited to certain types/brands. Furthermore, in certain cases the type of raw material can be changed without impacting the quality or the price (changing the type of wood used in the production process).

Bargaining power of buyers:

Buyers have relatively high power in this market due to several reasons. First of them is the **nature of the product** (being bespoke) and so the switching costs are rather low. Vodafone can change the supplier and as long as the quality is similar the end customer will not have a chance to notice. Secondly, the **market is very saturated** that is why Vodafone has a plenty of choice when choosing a supplier(s) which in general puts buyers into a very good negotiating position. When opening RFP (Request for Proposal) the amount of invited suppliers after shortlist is very commonly more than 10 – this ensures that the proposals are very competitive. Thirdly, which is more Vodafone specific (or related to any other bigger buyer) is the **volume of purchases** done. Substantial amount of orders creates to ability to negotiate even better deals.[23]

Competitors in the industry:

Iconic elements suppliers industry is concentrated however many of the players on the market are not very interesting for companies like Vodafone due to their limitations – size (unable to supply the required amount within reasonable timeframe) or location (unable to supply all the markets). Furthermore there are many companies that compete based on the price only (mostly companies based in China or Southern America) and these companies are not considered relevant because of certain requirements set by Vodafone that need to be met. Because of above mentioned reasons the **market competition** is considered **rather medium** than high.

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[23] The Industry Handbook: The Retailing Industry. Investopedia [online]. [cit. 2015-04-11]. Available at: http://www.investopedia.com/features/industryhandbook/retail.asp

Threat of substitute products:

The design has been defined before the entire rollout has been kicked off, that is why the substitute products (or in other words possible replacement of current items) could be thought of in 2 respective ways. Firstly, competing supplier could offer better prices and condition while preserving quality which would most likely result in switching to this supplier. Secondly the substitute products (having different design or characteristics) would need to go through the entire approval process which at this stage of rollout is not very welcome – if this would be true, than certain store would look different compared to stores refitted at the beginning of the rollout and this would break one of the main visions of this project – to keep the stores consistent all over the world. We ranked the power of substitutes **medium** due to the fact that not all the players in the market are able to supply bespoke furniture according to Vodafone requirements (and in reality, it happens quite often that suppliers withdraw from the tender for this specific reason)

Porter's five forces can be interpreted in a different way as well – putting these forces on to a map with assigned numbers (with 0 being the lowest and 4 the highest) where one can easily analyze the market and the company's position. These five forces were mapped on the Figure 3.7.

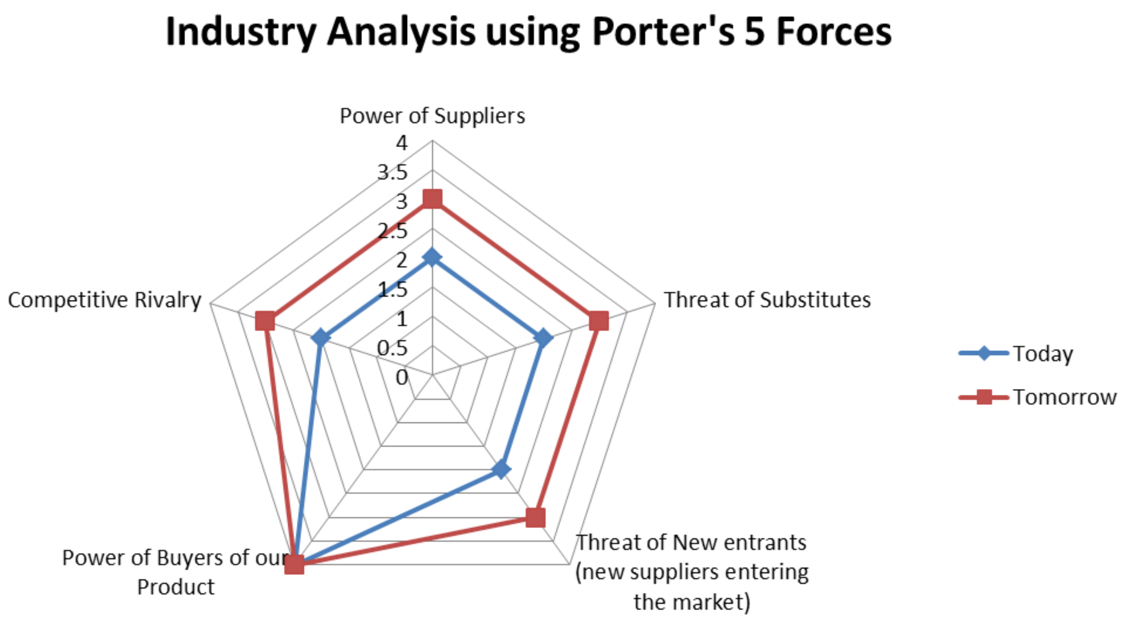

Figure 3.7 – Retail suppliers market – Mapping Porter's 5 Forces (data: combination of Vodafone internal and online research, own creation)

The outcome of the analysis is very positive for Vodafone and hence puts the company in a very favorable position when negotiating. The outcome can be summarized as following:

- Power of Suppliers rather **low**
- Threat of Substitutes is **medium**
- Threat of new entrants is **low**
- Power of Buyers is **high**
- Competitive Rivalry is **medium**

Based on the above outcomes the market is (quite) easily manageable. Vodafone (and other possible buyers) should have rather strong power when negotiating – requirements and T&Cs. The competition is solid and that is why a supplier can be easily substituted and the cost of it could be mitigated to minimum if proper actions and planning are put in place.

3.5.4. Risk Analysis

The importance of the Retail Rollout for Vodafone is high and that is why risk has to be analyzed and understood – which are the potential threats to the performance of project? Are they low, medium or even high? Identification and risk assessment are crucial part of evaluation of possible costs and benefits of different outcomes of the procurement project. The assessment includes various probabilities that a certain scenario will occur and the impact it may have on the project outcome. In general, the possible risks involve financial, technical, political and environmental problems. Once the risks are identified, there is a clear need to prepare internally for avoiding or mitigating them – creating a "what if" plan that is going to be useful once such a situation happens. In the end this should be shared with the entire stakeholder group (as shown in Figure 3.8a/b).

Risk of various threats has been studied and the results are presented in the table below.

Risk Title & Description	Effect	Probability (P)	Impact (I)	Criticality (P x I)
Quality				
not acceptable quality of product	rejection/delays	1	5	5
KPI	performance issues/delays	1	3	3
Technical				
production readiness	alternative solutions/delays	1	3	3
Logistics				
supplier footprint	access to VF markets	1	3	3
OTD	jeopardize store openings	1	5	5
Capacity				
level of stocks	smooth production	3	5	15
production capacity for mass rollout	extended lead times	1	5	5
Strategic				
position in the project	"monopoly"	3	3	9
Price and Cost				
not "out of shelf" product	difficult benchmark	3	3	9
Country risk				
global vs. local player	export/customs	1	3	3

Figure 3.8a – Retail suppliers market – Risk-probability analysis (own creation)

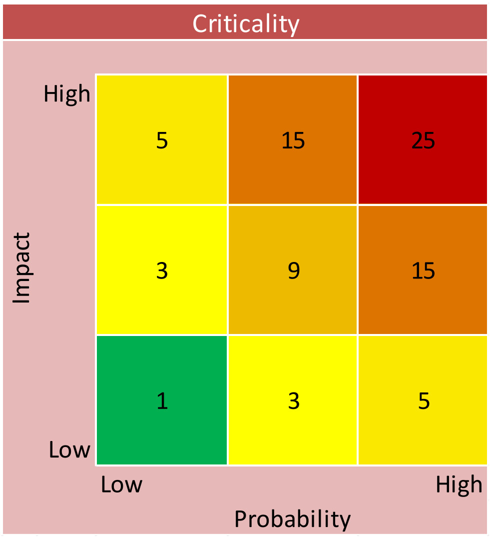

Figure 3.8b – Retail suppliers market – Risk-probability analysis: legend (own creation)

In terms of **Quality** issues we can focus on 2 possible risks. One of them might be the supplier delivering **poor quality of products** which may result in delaying store openings and/or warranty claims. For instance, there has been a situation where chairs that were delivered were faulty – this requires time to send it back as well as get short-term replacement of the chairs (which naturally costs money) for the store openings not to be delayed. The impact of delivering poor quality is very high however the chances are rather low and are mainly mitigated before the cooperation starts in the due diligence phase. In addition to this, the overall Key Performance

Indicators **(KPI) measure might be low** in case the supplier is performing low – whether the supplier is inflexible (in terms of ways of working), does not have a Vodafone key account management (this very much depends on the amount of business), responds to queries with delays or is not proactive. Impact of possible performance issues is low with probability being low as well – the products can still have very good quality but the cooperation might be less satisfying on B2B level.

Technical risks are closely related to production because of the Retail nature (mostly buying products). Various technical risks include production delays (also taking into account possible strikes) or production readiness. This has a medium impact with low probability – in reality, most of Vodafone Retail suppliers meet their lead times very well with almost none delays.

Supplier footprint and Order-To-Delivery time both belong to **Logistics'** risks. Making sure that the supplier is able to efficiently supply all markets of Vodafone is a crucial point when assessing suppliers during the tender process. The most preferred is when the supplier is directly present at the market which decreases the level of risk. This preference is followed by having an appointed distributor in the local market which is more risky. Occasionally the supplier has no presence at all in the market. The level of this risk is medium with low chance because most of the Vodafone suppliers are global players with direct presence in almost all of Vodafone markets. Secondly, Order-To-Delivery is of high risk because of direct impact on the store openings and hence it can seriously affect the entire rollout. Due to careful planning and mutual cooperation with suppliers the chance of this happening is rather low.

Furthermore, in Supply-Chain related risks is the **lack of stock capacity** (e.g. not being able to supply markets in demand). This risk is very likely to happen and can have a very negative impact on the rollout. Careful delivery and production planning is therefore necessary and Vodafone supports its business partners with forecasts at least one quarter ahead, so that there is enough time to deliver goods within the agreed lead time. On top of this, suppliers are contractually required to hold a certain portion of stock (approx. 10% of the output) to cover warranty, wear & tear and short notice supply. Due to the size of the rollout, **lead times** might sometimes are necessarily to be extended to be able to supply all bespoke elements to the stores. Therefore the lead times have been agreed upon when signing the contracts and shall not be extended even when supplying orders slightly increased compared to original forecast. If the lead times are not kept as agreed, there is a high impact on the rollout but as said earlier the likelihood is rather low and in reality this scenario does not happen very often.

Vodafone's concept of the retail store is unique and includes only bespoke elements. This creates option for companies that are one-and-only suppliers of certain items to act as a **monopoly**. This might cause trouble when negotiating the contracts with such suppliers. This has been in the case in case of ceiling supplier when the chosen ceiling is produced and supplied only by one supplier globally (that is aware of it) and the contractual negotiations are a bit more different and tougher to manage. There is a medium chance of this happening and also medium impact on the rollout, this has happened but has been mitigated through careful negotiation.

Unique elements and existence of monopolies (or suppliers of patented products) bring us to another problem and risk. Because of all the iconic elements being unique it is very hard to **benchmark**. Often local markets approach VPC that they can source locally cheaper but the main problem is – usually there is no like-for-like comparison where all the design/H&S/commercial approvals need to be benchmarked and approved. Furthermore to this, in case of very unique products the pricing and cost engineering is very hard to be realized. Because of Vodafone Retail concept being unique the chances are medium and so is the impact.

As stated in the previous paragraph, often local OpCos challenge global prices with reasoning that it can be sourced locally cheaper. **Local sourcing** might be cheaper in certain cases even with lower volumes but local solution most likely will not fit all the requirements set by Vodafone Group Teams. On top of this using local supplier globally might lead to Customs and Tax complications. Local sourcing option does not create huge risk for the rollout and such and is usually solved internally within Vodafone hence the likelihood of affecting the rollout is low as well.

3.5.5. Sourcing

Sourcing (as mentioned in the previous chapter should not be thought of as only looking for sources or supplies) is an activity aiming to choose the right partner(s) for the certain project. Modern trends of sourcing focus mainly on decreasing the number of supplier base and building up partnerships with the remaining ones. That is why the ranking of supplier is important and helps to reach above mentioned goals. When Vodafone rates suppliers the goal is to be able to perform following:

- **Focus on quality** – being able to satisfy the needs of various stakeholders in the chain as well as act in line with all the legal requirements
- **Time** – rather than being able to deliver in the shortest time possible, being able to deliver on the specified date is more favourable
- **Costs** – being efficient (delivery, offering bulk discounts, …)

- **Human factor** – having dedicated account management, knowledge of the employees
- **Sustainability** – having minimal impact on the environment, being able to support Vodafone for long period without any negative effects

The goals of Vodafone's Retail Rollout are similar to general trends in sourcing. Firstly, the goal was to source iconic elements and general contractors globally with the focus on decreasing the supplier base. Reducing the supplier base is mainly true in case of suppliers of iconic elements; there was originally an aim to have one globally approved supplier if possible, so that the supplier base is reduced to minimum. Currently this approach has changed because of the recent happening in case of rollout suppliers – will be discussed later in this chapter. General contractors are appointed in each country and the aim was to have one general contractor per market, however some of the markets have exceptions due to the size and one general contractor would not be able manage it all (e.g. UK – 5 GCs, Spain – 3 GCs).

Hand in hand with reduction of supplier base the relationship with remaining suppliers are growing and they need to be managed well. In case of retail procurement, the supplier relationship management is done in cooperation between VPC and Retail delivery team. There is a need of very high cooperation because of these teams being located in different locations (VPC – Luxembourg, Retail delivery team – Paddington, London).

Before we touch on the value delivered by the sourcing activities within Vodafone, we will discuss and analyze the sourcing process in Vodafone and how it helps to achieve efficiency and savings.

Strategic sourcing process:

In order to get the best possible suppliers that are available in the market a thorough sourcing process has to be followed. The process has several stages and these will be discussed below:

1. **Identification of needs**

In the first stage of global sourcing the company needs to identify its needs and expectations from suppliers. Therefore it has to clearly specify the items it wants to purchase including all the services that should be inclusive in the price. The technical criteria should be defined as well. Possible delivery options should include both options – EXW (Ex Works) and DDP (Delivered Duty Paid). Sometimes certificates like

ISO are also required from the suppliers – suppliers need to comply with all the technical and technological requirements.

Very important variable when searching for a supplier is time – in other words how urgent is the supplier search. Urgent situation requires quick solutions and those are usually more costly. That is why the preparatory phase should not be neglected and should be given sufficient time frame.

2. **Supplier research**

Once the needs of the company are defined, the research for the possible suppliers may start. As mentioned earlier in this chapter this can be done either using primary or secondary data as well as knowledge sharing from various local markets and even different companies. If a supplier wants to be a business partner of Vodafone it needs to comply with some basic requirements. This is checked using questionnaire in the form of RFI (Request for Information) – includes Quality Management System, Annual Report, Sustainability and Development and General Management questions.

3. **Supplier proposals' assessment**

After the RFI, a list of suppliers who could be possible Vodafone business partners is created. Currently the aim is to reduce the number of listed suppliers – this is done usually through RFP or RFQ. After a tender participant list is created (shortlisted suppliers that fulfill the basic criteria after RFI); a tender is kicked off. Tender is (in most cases for Retail; sometimes an e-auction is also used) done in the form of RFP. After the tender documentation is sent to invited participants, the deadline is set allowing them to provide Vodafone with a complete proposal. After the deadline a second round of the tender usually takes place – an opportunity for the suppliers to improve their initial offers – also known as "Best and Final Offer". To this 2nd round not all the suppliers need to be invited. If it is clear from the 1st proposal that supplier does not meet the criteria (non-adjustable criteria – delivery, lead time, expertise). After the final proposals are received, they are evaluated firstly from the commercial side by VPC team.

4. **Product and ways of working check**

After the assessment has taken place and suppliers (usually 2-3) are chosen, they are invited to provide samples and meet in Paddington where the Design lab is located. These samples are then further studied by Group Design Team whether they fully follow the provided criteria and specification as well as the built quality and durability and in the end are evaluated. Sequentially Group Delivery team meets the shortlisted suppliers and engages with in order to evaluate them on the ways of working and check if the supplier is ready to support the rollout.

5. **Final selection**

Proper supplier assessment is one of the key goals for the procurement team in order to ensure that the quality and customer experience is met. In general, companies aim to minimalize possible faults when choosing suppliers from the very beginning, if possible the company aims to mitigate any faults that could possibly happen.

After all of the above steps have been completed the teams are ready to meet, discuss and agree on the way forward – which supplier(s) to choose. This is done in cooperation between all involved teams using weighed matrix. If a team is not involved in certain area (for instance – VPC team does not assess the design part) then this team is left out of assessing this concrete area. The matrix is Retail specific and contains 38 items that are classified in 5 areas (each of the areas having different weight). The areas of ranking are following[24]:

General

In this area various criteria are studied and evaluated; whether the company has experience with similar projects and if it is able to cover the footprint of Vodafone markets. Furthermore the importance of the business opportunity to the supplier, in general due to the risk exposure, companies according to EIPM should not favor businesses that make more than 15% of the turnover of the supplier. Vodafone prefers if the supplier has a dedicated team to support the business as well as operational flexibility plan in place (in case of raw material shortages or disasters). The weighting of this area ranges from 10-20% depending on the scope of RFP.

Sustainability

Sustainability assessment relates to all the activities of the suppliers that lead to decreasing CO_2 emissions as well as using renewable energy in the production process. This area also deals with the product sustainability supported by eco-declarations, whether the product is RoHS[25] compliant. The supplier is also ranked on how it deals with waste, recycling and what recycling facilities it uses. In regards to

[24] Vodafone Retail Ranking Matrix (Vodafone Internal)

[25] DIRECTIVE 2011/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL: on the restriction of the use of certain hazardous substances in electrical and electronic equipment. 2011.

paints and chemicals used in the production process, what is their Volatile Organic Content – Vodafone aims to use colors that use 0g of VOC/liter. Last part of the sustainability assessment deals with Vodafone Health and Safety Absolute Rules[26] – whether the supplier confirms to comply with them. The weight of this area ranges from 15-20%.

Company

Supplier in overall and mainly its expertise in the sector are assessed here. On top of that all the provided references are taken into account with focus on the ability to support mass roll-out and ongoing maintenance. If the supplier is holder of any ISO 9001/14001 audit, this is assessed here too. Lastly, the financial situation (turnover, account statements, annual reports) are assessed in the company part of the matrix. This area makes 10% of the final grade.

Proposal & Commercials

In this section the entire commercial proposal is reviewed and assessed – what is the Total Cost of Ownership and the transparency of the costs provided, whether the supplier has proposed a robust delivery plan. Additionally if the supplier has agreed to proposed payment terms (or Supply-Chain Financing which is done in cooperation with one of the major banks) or has based its proposal on different payment terms. The comments to the template of the Vodafone Procurement Agreement are assessed in this area also. As a part of the RFP standard Vodafone requirements (Business principles, E-sourcing requirements, Specification requirements and Payment terms) are shared and whether the supplier has or has not agreed is assessed in the Commercials too. The commercials area has the highest weight – ranging from 50% to 60% in the overall assessment.

Delivery to R&D Lab in Paddington

This area is very product specific and focuses on the product itself as well as with the services that come included. One of the services assessed is the on-time delivery – whether the goods have been delivered on time and in good condition. Packaging is another area where differences might be spotted among various suppliers and hence why is part of the assessment. Quality of samples and the compliance with the

[26] VODAFONE. Health and Safety - Our approach [online]. 2013 [cit. 2015-04-12]. Available at: http://www.vodafone.com/content/sustainability/operating_responsibly/health_and_safety.html

provided specification is assessed in this area as well. Depending on the importance of the project this area has a weight of 10-15%.

The entire process is done by VPC and therefore VPC announces the results of the RFP. The final negotiation also takes place in VPC in Luxembourg.

Once the supplier is chosen, there is a great amount support and focus given in regards to the first orders. Firstly, if the supplier is new to Vodafone all the systems and processes are unknown – for mutual benefit Vodafone is very supportive. Secondly, the quality of products is checked whether the product meets the original requirements as well as the quality of the samples provided. If there are any quality issues later on, this is thoroughly checked and solved in cooperation between Vodafone and the supplier.

Figure 3.9 shows the basic scheme of a sample sourcing process.

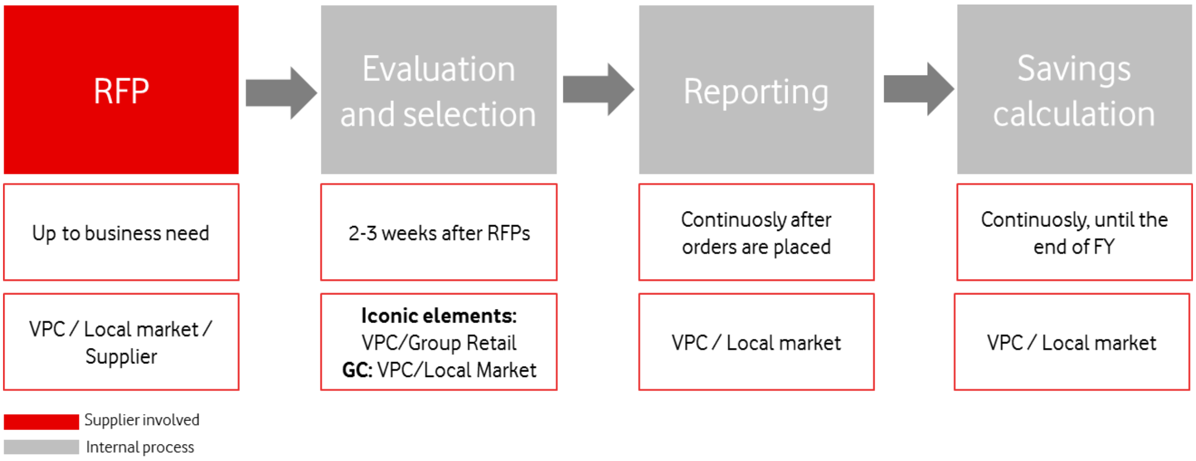

Figure 3.9 – Sourcing Process (own creation)

Sourcing: Case example of furniture supplier

Furniture is probably the most visible elements for a customer when he enters the store. On top of this it makes the biggest portion of spend from all the iconic elements. As mentioned earlier, previously the furniture was produced locally (sometimes the furniture was produced by more than 1 vendor in 1 country) with no clear global design. In the rollout this has changed and as an outcome there is a globally approved furniture supplier. After the sourcing process was done, Vodafone has appointed a global supplier for furniture – HMY. HMY supplies the entire Vodafone footprint (except of 3 countries – to be discussed later). HMY has production facilities in Spain and Turkey.

Apart from internal KPIs Vodafone also runs an evaluation of its suppliers on a quarterly basis. This is done on a jointly basis between Group, VPC and Local Markets. On an annual basis the best performing supplier is chosen and given an award. As a proof of very successful cooperation between Vodafone and HMY, HMY has been awarded a Supplier of the year by Vodafone[27].

Furniture was the only iconic element that had a backup supplier from the very beginning. Czech company Story Design has been appointed a 2nd supplier of the furniture – fully supplying three markets (geographically close to the country of origin – Czech Republic, Hungary and Malta). Italy is the only market that is supplied by local supplier for several reasons: Italy was the first market to refit the footprint in full (global supplier was in the process of negotiation), price- and quality wise local producer was competitive to the later appointed HMY.

The map of the markets that are supplied by all the above mentioned furniture suppliers can be found in the Figure 3.10.

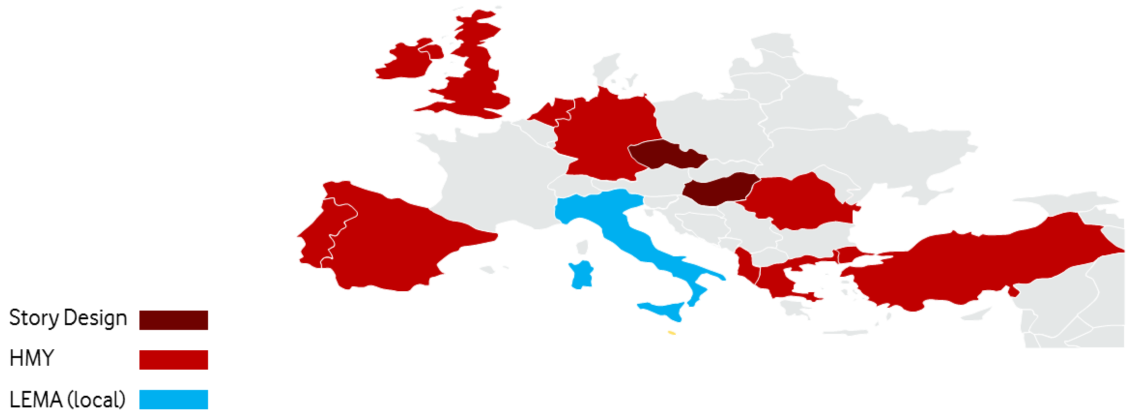

Figure 3.10 – Vodafone Europe footprint – Furniture suppliers (own creation)

Retail Vendor governance:

As mentioned earlier, the reduction of the supplier base has resulted in closer cooperation with the suppliers which allows Vodafone to be in touch with global vendors on a regular basis – in this way the knowledge, plans and forecasts can be

[27] HMY GROUP. VODAFONE AWARDS HMY BEST SUPPLIER OF THE YEAR 2014 [online]. 2015 [cit. 2015-04-07]. Available at: http://www.hmy-group.com/vodafone-awards-hmy-best-supplier-of-the-year-2014-.html

shared and also the suppliers can share their concerns and possible efficiencies. This is done through various channels:

- Weekly vendor review
- Weekly 1:1 with Vendor Account Manager
- Quarterly formal KPI ratings review
- Due Diligence visit to factory and facility annually
- Market visits as required

Majority of the suppliers are ranked on a quarterly basis via KPIs (ranking on scale 1 – 5; with 1 being very poor and 5 being very good). If the supplier performs well in longer term, the KPI review happens twice a year (constant rating of at least 4.5). KPI assessment is divided into 2 basic parts:

- Project Deployment
- Overall Management and General Cooperation

The KPI process is composed of 5 steps that are illustrated in a circle in Figure 3.11

Figure 3.11 – KPI Process (Vodafone Internal, own creation)

Overall the performance of global vendors is very good ranging between 4-4.5 on the KPI scores with only a few vendors performing below this range. If a certain vendor performs lower than 4 in longer term a thorough coordination and a strategic plan is put in place in order to improve the performance of a vendor. The score might be influenced due to various performance issues.

Vodafone always aims to develop its suppliers which leads to optimization of the vendor relationships. The aim is to develop the supplier no matter what the rating of the KPI is – whether it was very good or rather worse performance. This is very essential for big companies to succeed in their vendor relationship – create individual vendor development plans. With the key suppliers (where all the global retail vendors belong) the aim is to create improvement projects that lead to removal or mitigation of previous weaknesses – it may be costs lowering programs or performance increase plans. If a supplier performs badly in long term and does not have the aim to improve, then most likely this supplier will be replaced in a possible re-tender (new RFP).

Once a development plan is in place, it needs not only to be applied in the right way but also to be checked and controlled. Based on this company can continuously improve its cost position and the performance of its suppliers which overall should lead into adding economic value for Vodafone.

The strategy of the supplier development aims to thoroughly study the assessment of the supplier and the current business Vodafone has with each supplier. There are 2 major factors that are taken into consideration – alternative suppliers and the risk coming from keeping the business with the current supplier.

Overall can Vodafone lead to 4 key strategic decisions regarding the suppliers and their development plans:

1. **Supplier with a development plan**

The overall situation is very positive – there is no need to take any actions. The development plan is put in place in order for the supplier to reach again very positive results in the next round.

2. **Supplier self-optimization**

This strategy is the most dominant one, occurring most frequently. The development goals are put in place – based on possible areas of optimization (delivery, price, quality, sustainability…). This should lead to the reduction of future issues that may arise from this vendor relationship. It is essential for the plan to have concrete goals and fulfillment dates – in this way the development can be tracked. This plan is usually used in case of not urgent/not very serious improvement plans.

3. **Active development**

In certain projects (in Retail this is very common) active participation of Vodafone on the vendor development is required. Both parties aim to define development projects, workshops or seminars that could help to reach the goals set. Usually this strategy is used in case of more important projects and urgent issues. The important reason for choosing the active strategy is the amount of business the company has in place with the supplier – whether the supplier is a strategic partner for Vodafone. On top of this there might be other very serious reasons that might influence the decision making – the company might have been influenced by the current economic situation or Vodafone might see a huge potential in this supplier in the future. In general direct proportion can be found in these relationships: the higher the potential of the supplier, the higher the involvement of the company can be expected.

4. Phasing out a supplier

As mentioned earlier, if the supplier consistently received bad rating from the stakeholders and is not willing to adapt to the development plans then there is no other way for Vodafone than to decrease the amount of business it has in place with that certain company. In order for the supplier to be fully replaced there is a need to find a new supplier which sometimes takes longer. In case of termination of the contract, legal department needs to be involved as well.

Conclusion

The main focus of this thesis was to change the general perception of procurement as sourcing-limited activities based on analysis of a very well-functioning and advanced procurement organization within Vodafone Group. Vodafone has understood that in order to get a competitive advantage in the market it has to be innovative and that is where the idea to set up global procurement came from. The scope of Vodafone procurement activities is (due to the nature of the business and Vodafone's approach to outsourcing many services) very broad. Considering this fact Retail category was chosen as a single category to be analyzed.

Since the entire Retail in Vodafone is undergoing a global transformation this category has been involved globally in procurement activities since the retail rollout has been kicked off. First 2 chapters are rather non-retail specific with the first one being purely theoretical, defining the scope firstly of supply chain and then moving on to procurement and its subcategories. Second chapter introduced Vodafone Group as a company, its development (mergers & acquisitions) and structure and then focuses on the position of supply chain within Vodafone. Third and fourth chapters are more practical. The third chapter introduced the retail in Vodafone, the plans of the global transformation and the unified design approach as well as the procurement strategy of this concept. The last, fourth, chapter deals with the success of the global procurement approach and in the second part comes up with ideas that could help this very successful program to be further improved.

As mentioned a couple of times in this paper the main condition of properly functioning procurement is the proper organization and stakeholder management within and outside of the company. Vendor relationship management is becoming one of the main focus points of procurement because it brings mutual benefits for all involved parties.

One of the key goals of this thesis as noted in the introduction of this work was the hope for this thesis not only to be a collection of theoretical information but to bring many practical examples from real business life and possibly to serve as a guide on how to do procurement globally. I believe that this goal was fulfilled and this work can serve as a guide on how to do global procurement successfully.

I find it important to mention that it is not necessary to excel in the sourcing activities, neither to have the right processes of building trust and relationship with suppliers in place. I would even dare to say that following all the modern approaches in procurement does not necessarily bring success. It is the ability to see more and react quicker than the others, do things in a different way, not to be scared of experimenting and to break old stereotypes; these are all the actions the companies should bet on in order to succeed in current day era.

Creating new trends is tightly connected with an amount of courage and responsibility. Therefore I am looking forward to the upcoming approaches of the procurement in general as well as new projects within the Vodafone Procurement Company and the entire supply chain!

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