

Cost Savings

Manpower & Global Pharmaceutical Company Managed Service Program

Business Issue:

For more than six years, Manpower has provided a Managed Service Program (MSP) solution to a global pharmaceutical firm headquartered in the Midwest with an average annual spend of \$145 million and more than 100 suppliers. As the client's program provider and advisor, we are charged to report annually on cost avoidance through the contingent labor program.

Manpower Solution:

Today, a mix of on-site representatives and field offices support this program. As the managed service provider, Manpower provides "one-stop shopping" for all program needs, resulting in reduced client resources spent on order or staffing management activities. Currently, Manpower provides approximately 3,000 associates for our client, and fills an average of 2,000 orders per year.

Our program has saved the client three full-time equivalent employees (FTEs) by consolidating administrative tasks. Since the beginning of this program, Manpower has generated the following client-audited cost avoidance results:

Year	Total Savings	Savings as % of Total Spend
2002	\$10.7 MM	7%*
2003	\$20.2 MM	14%
2004	\$19.0 MM	13%
2005	\$14.3 MM	11%
2006	\$15.2 MM	11%
2007	\$16.8 MM	14%

* Program not fully online in 2002

Results Analysis:

Manpower achieved the year-over-year cost avoidance results through a structured program, designed in collaboration with the client. Because the company did not consider "soft" savings such as process efficiency or turnover reduction a true cost savings, program stakeholders designed the following process for delivering savings in each contract year.

Year One (startup) – Manpower invoices the client at the incumbent rates to establish a baseline and provides a rebate for the difference between those and Manpower's rates.

Year Two – The client sets their budgets with the incumbent rates, and Manpower invoices at our negotiated rates, showing a cost savings to the client's P/L statement.

Subsequent Contract Years – Cost avoidance is measured by taking the current year's spend using baseline (Year One) rates and subtracting the current year's spend using Manpower negotiated rates.

Manpower also used other methods to contribute to cost avoidance:

- Targeted Supplier Reduction
- Change in Program Terms (Markup reduction for any business in which Manpower receives 24 hours head start on fill)



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