

**“Preferred Supplier Program ”
O.G.C.A**

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Preferred Supplier Program

Current State 2006

- Too many vendors
- Too many purchase orders
- Relationships varied widely
- Decentralized purchasing with minimal corporate direction
- Financial challenges in prior years impacted cash flow and vendor relations

Preferred Supplier Program

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Getting Started

Define Objectives

- **Make your suppliers Strategic Partners**
- **Reduce your vendor base**
- **Choosing the correct Suppliers**
- **What's in it for them?**

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Developed Commodity Teams

1. **We formed Commodity Teams with knowledgeable users.**
2. **Each Team had a senior person as a Team Lead**
3. **Teams had meetings to decide what Suppliers would best make Preferred Supplier Status with Aecon.**
4. **Invited our chosen Preferred Suppliers to meet with Commodity Team members for initial discussions.**

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Next Steps

1. Commodity Teams reconvened to discuss what our potential Preferred Suppliers told us.
2. We invited them to come back and present proposals to us.
3. Lots of dialogue followed.
4. Preferred Suppliers Agreements were formed.

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Implementation in 2007

1. Implement a communications plan.
2. Define the "ground rules" around rebates and payment terms.
3. Regular Commodity Team meetings.
4. Regular Preferred Suppliers contact with Senior Management to build relationships.
5. Monthly Status report.

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Results to date

1. Vendor base reduction of 50%
2. Successful rebate program for 2007 and doubling in 2008.
3. Preferred Suppliers receiving significant business increases from Aecon.
4. Improved relationships have lead to better understanding requirements on both sides i.e. no Preferred Suppliers have been terminated.

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Future Benchmark State

1. More Vendor base reduction
2. Continuous Improvements in rebate programs for 2009 and beyond.
3. Preferred Suppliers continue receiving significant business increases from Aecon.
4. Improved relationships have lead to us to true Partnerships for continued success with our Preferred Suppliers.