



SUPPLIER – CUSTOMER COLLABORATION: BSKYB AND UNIPART TECHNOLOGY LOGISTICS

Introduction

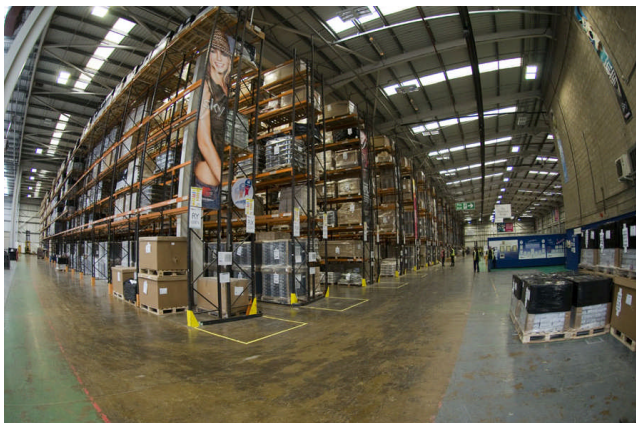
This Executive Briefing follows a presentation given at the Cranfield KAM Best Practice Research Club on Thursday 2nd December by Thomas Luther. Thomas is the Unipart Technology Logistics (UTL) Account Director managing their important and highly collaborative relationship with customer BSKyB (Sky). Unipart recruited him from his previous role as Head of Logistics at Nokia in January 2010. Already, Thomas is critical to the relationship between UTL and Sky and, although he works for UTL, he is fully funded by Sky.

Thomas, who describes himself as a 'collaboholic', says that he has a passion to transform commodities to services. As well as full P&L responsibility for the BSKyB account he has an active operational team of 600+ people reporting in to him. In addition he manages a number of UTL suppliers on behalf of Sky.

From Outsourcing to True Collaboration

One way of thinking about collaboration is as a form of outsourcing, where the supplier takes over a section of the customer's value chain and manages it on their behalf. Frequently, customers seek outsourcing partners to manage or to remove a particular problem, often relating to supply issues or operational issues. The outsourcing provider is brought in to provide a particular expertise or a solution for that process or problem.

However, outsourcing is often KPI-driven and 'done blindly'. In transactional modes, the driver is for the supplier to do as many transactions as possible, to maximise their take from the outsourcing relationship – so their focus is not necessarily on cost improvement. Rather, it is on operating the process as efficiently as possible under the current paradigm. As the relationship moves from outsourcing towards collaboration, the focus shifts away from win/lose towards win/win. This may require a different way of working and, of course, different metrics.



This is what has happened in the relationship between UTL and Sky. The relationship began in 2004 as a typical outsourcing relationship. At first, UTL handled warehousing and logistics for Sky but the relationship has deepened rapidly with UTL providing more and more services to its customer. Soon it was providing fulfilment and then Sky Van Kitting sourcing components, managing all of Sky's field recycling, repairing defective Set top boxes, implementing a new field and warehouse management system and quality checking for BSKyB suppliers.

About the Partners

The Supplier:

The Unipart Group employs more than 8,000 people worldwide and has an annual turnover of more than £1billion. It is a leading third party logistics provider and consultant in operational excellence, operating across a range of market sectors, including automotive, leisure, marine, manufacturing, mobile telecoms, rail, retail and technology. Its logistics service has been described by Ford as 'better than world class'.

Part of Unipart Logistics, a leading technology logistics, repair and service provider, UTL offers a unique breadth of services, providing forward and reverse logistics, repair and bespoke value add solutions to the technology sector customers including Vodafone, Three, Virgin Mobile, RIM and Apple. UTL's 'supply chain intelligence' shares best practice and feedback across a customer's business, enabling synergies, efficiencies and cost reduction.



UTL provides a culture of relentless continuous improvement, underpinned by a philosophy (The Unipart Way) that consistently drives down both cost and waste, while retaining flexibility and agility. Its goal is to achieve a partnership in which it becomes an extension of the customer's organisation, working together to lower costs and exceed customer and staff expectations.

UTL has re-invented the mission statement and as part of its long term strategic planning, the UTL Operating Committee has given real thought to 'what it does' and 'how it does it', to develop two statements that clearly articulate to customers, potential customers and employees what the essence that differentiates UTL is;

The *what* of the company is:

"Using innovation to service the technology industry globally"

How it does it is through:

"Brilliant people who start at the extra mile to continuously improve our customers' futures."

Unipart is differentiated by its people, who are encouraged to adopt a 'can do' approach. The company places a lot of emphasis on learning and innovation, with a culture based on the 'Unipart Way':

"Philosophy of Working

The Unipart Way is much more than a technique or initiative. It is a philosophy of working that is underpinned by a set of integrated tools, each of which can be mastered over time by people at every level of an organisation. It is also dynamic; new developments that come from innovation and the "doing" in the day-to-day business are captured, codified and shared through best practice knowledge management systems.

At the heart of The Unipart Way are business principles that provide the framework for people to understand our company's values and to advance their personal knowledge, skill and ability as far as their ambitions will take them."

Source: <http://www.unipart.co.uk/wps/wcm/connect/unipart/unipartgroup/home/unipartway/unipart+way>

This attitude of continuous improvement, service excellence and customer focus affects how UTL engages and communicates with Sky and has made it a highly successful supplier and collaborator.

The Customer:

Sky provides a comprehensive multichannel, multi-platform television service to more than 10 million homes throughout the UK and Ireland with its wide portfolio of channels. Sky 1 combines UK production and US offerings; Sky Living offers innovative entertainment formats; Sky Atlantic is the UK home of HBO and other ground-breaking original commissions, Sky Arts is the UK's only dedicated arts channel brand; Sky Sports is still raising the bar in sports broadcasting; Sky News remains a pioneer in television news; and Sky Movies is leading the way in High Definition and on-demand. Sky also works with dozens of other broadcasters on the satellite platform, online and on mobile.

Sky is now leading the UK into high definition television with Sky+ HD, has launched Europe's first 3DTV channel, Sky 3D, and is rolling out Sky Anytime+, its internet delivered video on demand service. The company is also the UK's fastest-growing broadband and home phone provider.



Sky shares with UTL a passion for innovation and improvement:

"We strive to be the best for our customers and our people, and to make a positive contribution to life in the UK and Ireland. That is the best way for our business to achieve sustainable success. We're always looking for ways to improve"

Source: http://corporate.sky.com/about_sky/what_we_do/our_mission.htm

Perhaps it is this shared commitment to do things better that makes the relationship between UTL and Sky so successful.

The scope of the collaboration

The current scope of the relationship is very wide, running from pre-sales through repair to post-sales and recycling:

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|-------------------------|---------------------------------|--|
| Pre-sales | {
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{ | <ul style="list-style-type: none"> • Technical evaluation of Set top boxes including continuous R&D support • Support to Design of more reliable and serviceable boxes • Component purchasing for Sky • Logistics |
| Pre-Sales & Pre- Repair | {
{
{
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{ | <ul style="list-style-type: none"> • Inventory management • Independent quality checking • Van kitting • Late customisation of Sky boxes and potential for assembly to order • Pick-up/drop off points (400) for Sky engineers • Repair avoidance: Demand driven repair, collecting data from the field; joint technical forum to discuss repair volumes, technical improvements and future planning |
| Post Sales | {
{
{
{ | <ul style="list-style-type: none"> • Set top box repairs • Reuse, Rework, Resell, Recycle <ul style="list-style-type: none"> ○ Currently recycling 98% of field returns ○ Set-top boxes are 100% recycled |

Both sides invest in the relationship. All UTL/Sky people are encouraged to spend a day out with Sky engineers installing set-top boxes, so they really understand the business; and Sky engineers regularly visit the UTL operations to see and discuss the challenges in the field. This heavy investment of time and commitment really pays off, in that UTL people understand the importance of what they do for their key account and Sky engineers are engaged in the operation and realise the effort that UTL puts in.

How the Relationship Works in Practice: Goals, Metrics and Management

Both sides call this a partnership because there is a shared vision of where they want to go. The shared goal is simple: to exceed Sky customers' expectations.

In pursuit of this goal, UTL is constantly driving down Sky's supply chain costs. This would have the effect of reducing UTL's revenues in a cost-plus world, so the partners have introduced a cost-plus model with a benefit sharing element.



If UTL reduces Sky's supply chain costs it (UTL) will benefit financially through benefits sharing but, importantly, it also builds trust in the long-term relationship.

An example of benefit sharing is recycling. UTL manages all of Sky's recycling and has achieved very high recycling figures (see previous section). The net effect is that recycling has moved from being a cost to being a revenue. This revenue is benefit-shared.

The mindset that underpins the relationship is about mutual benefit.

Rather than asking themselves "what's in it for me?", they find they are always asking one another the question, "What's in it for we?". Benefit sharing is reviewed between the partners regularly and is generally shared equally; sometimes, in fact, UTL will benefit more than Sky on certain improvements.

Another aspect of the relationship that is important in making it work is the openness and trust between the partners. A core value is truthfulness. If something goes wrong, UTL tells Sky immediately. UTL has open book with Sky and has access in turn to some commercially confidential information from Sky. As a trusted supplier, UTL takes part in some of Sky's own strategic forums.

Clearly, the right governance structure supports the strength and success of this relationship. There are annual senior exec reviews between the companies, discussing what has been done and what will be done in the future. Progress towards their shared vision is reviewed quarterly by a joint senior board; there are also shared KPIs, monthly joint management reviews and more frequent operational meetings. This is supported by shared reporting and intelligence; there are also daily telephone calls between the two partners at a tactical level.

In addition, there is a shared planning aspect to this relationship, as is often found in the best interdependent or integrated key account relationships. UTL and Sky plan ahead together on a 3 to 5 year horizon and, where necessary, they share the investment in new methods and new ways of working. For UTL, this investment represents their commitment to long term partnerships.

Results of the Collaboration



The partnership between UTL and Sky is hugely successful. The senior executives of Sky see the relationship as a great example of how it should work with its suppliers. The partnership has grown year on year. In 2004 the relationship was supporting 1300 engineers in the field; today UTL is providing a far wider range of services and support to some 2500 engineers, so both the scale and the scope of the relationship has expanded. Moreover, UTL

now manages performance reviews and performance improvement for many of Sky's other vendors.

So, this is a successful end-to-end collaboration that delivers benefits to both parties. It is also a culturally successful relationship, where the partners see themselves as having shifted from 'a team of great performers' to 'a great performing team'. The relationship between UTL and Sky used to be outsourcing but now they talk about insourcing – moving into the customer's supply chain and managing large parts of it.

Where Next for this Relationship?



It might seem that there is little more to do in such a successful relationship, but that is far from the case. UTL has plans to work still more closely with Sky in the future, moving towards an ever more integrated partnership ensuring end-to-end innovation, performance and quality.

Moreover, on the back of the model, it is important, where applicable, that UTL now moves to similar models with its own suppliers, many of whom it manages on behalf of Sky. In fact, a quarter of the UTL P&L with Sky is outsourced; the coming months and years will see

positive changes in the way that these Tier 2 relationships operate.

**Thomas Luther, B SkyB/Unipart & Professor Lynette Ryals
Cranfield School of Management, February 2011**

Information and photos courtesy of B SkyB & Unipart