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## **Educational Testing Service Advances to High Performance by Outsourcing its Supply Chain Operations**

Founded in 1947, Princeton, New Jersey-based Educational Testing Service (ETS) was established to develop, administer and score tests for its sole client, the College Board. While the College Board is still its biggest customer, nonprofit ETS in recent decades has extended its influence beyond the Scholastic Assessment Test (SAT), Advanced Placement (AP) and Graduate Record Examinations (GRE) by serving the testing needs of corporations, government organizations and educational consortia. With the overall objective of becoming a high-performance business, ETS wanted to intensify the pace of its push into new markets. The company set an aggressive five-to-ten-year revenue growth plan that involved expanding the scope and breadth of its existing market relationships and also developing a more global client base.

- Consulting • Technology • Outsourcing

## Business challenge

ETS faced a major hurdle as it embarked on this ambitious strategy. The company prints and sends out millions of tests to thousands of locations. All of those tests are then graded, the test books securely stored and the scores reported to institutions—and the scores must also be readily accessible to be distributed to schools at the request of test takers. In all, ETS annually administers more than 50 million tests, shipping 260 million items and 53 million score reports. Like any company operating at such a scale, ETS's continuing success rests on its ability to maintain a reliable and efficient supply chain. The company realized that it needed to significantly improve that supply chain if it hoped to penetrate new markets. Efficient and effective supply chain operations would provide ETS with the agility to more easily leverage new opportunities to grow and increase revenues and advance its mission—as well as reap significant savings. The need for leading-edge supply chain operations was emphasized by new CEO Kurt Landgraf, whose years in the corporate sector had taught him the benefits of solid supply chain capabilities. He knew that such capabilities would be critical to ETS's pursuit of high performance. Accenture research has validated the point. The Accenture High Performance Business research analyzing the traits of high-performance businesses has identified supply chain operations as one of five key areas in which leading companies achieve mastery. High-performance businesses recognize that innovative supply chain strategies and operating models can enhance shareholder value and competitive differentiation. They thus execute supply chain initiatives selectively using common processes and technologies to achieve uncommon results.

## How Accenture helped

Landgraf realized that ETS needed a trusted third-party to help it create the new supply chain model and manage it with optimal efficiency while the company focused on its core competencies of test development and psychometrics research and development. The company chose Accenture based on its strong track record in business process outsourcing (BPO)—skills that help nonprofits develop models of operations that yield new process efficiencies—and also for its strategic consulting and other professional services capabilities. It was also important that Accenture had alliance relationships with leading companies providing logistics and supply chain services.

Additionally, ETS's senior management had positive experiences working with Accenture in the past at previous organizations and knew it could deliver the solutions that would help move ETS forward on the path to high performance. Moreover, Accenture was committed to service level agreements, and was willing to share the risk and reward of outsourced supply chain operations management through a gain-share deal. Under this deal, Accenture would share in cost savings above those defined in service level agreements but face penalties if service level agreements were not met.

ETS was also impressed with Accenture's thorough analysis of the company's operations and its ability to clearly identify critical gaps in the company's non-core operational capabilities. Accenture used the Accenture Supply Chain Performance Assessment (SCPA) tool, which leverages the unmatched experience of Accenture and leading-edge technology to pinpoint areas of opportunity for supply chain

improvement, enabling companies to gain insights into all areas of supply chain and understand the impact of such initiatives as vendor-managed inventory, outsourcing and e-procurement.

The analysis confirmed ETS's own views. On the basis of this analysis and everything Accenture brought to the table, ETS signed a five-year, \$142 million custom business process outsourcing contract with Accenture to transform and manage all aspects of the company's global supply chain.

Accenture Custom BPO Services provided an outsourcing supply chain solution designed specifically to meet ETS' business needs. The solution is helping ETS consolidate and simplify its supply chain processes, logistics and infrastructure to improve overall operational efficiency. Accenture leveraged both custom and off-the-shelf software for functions like forecasting, inventory planning, production planning and scheduling, warehouse and transportation, and shipment tracking. The processes are handled by a PeopleSoft ERP package with customized serial number tracking software that Accenture manages. Accenture had proposed the outsourcing solution when ETS expressed concern that it would not be able to transform and improve key areas of its supply chain quickly enough to support its growth strategy. Entering into an outsourcing agreement provided ETS with a way to free scarce resources to focus on the organization's core mission and strategies for the future.

Under the terms of the arrangement, Accenture Custom BPO Services assumed responsibility for supply chain activities spanning publishing, printing, forecasting, inventory and production planning, distribution and logistics—including tracking and shipping of tests and test-related

materials globally. This means that once ETS develops a test, it is Accenture's responsibility to format and print the tests and manage materials, planning, inventory, fulfillment and warehousing operations. ETS manages test administration, while Accenture is responsible for collecting, processing and accounting for tests and for capturing test data. In overseeing the complete supply chain, Accenture annually manages an average of more than 50 print manufacturing suppliers for the production of more than 159 million individually printed products, fulfills more than 300,000 orders and processes some 11 million outbound mailings.

### High performance delivered

Choosing Accenture to help it transform and manage its supply chain operations has enabled ETS to significantly improve the control, accuracy and integrity of its operations. These improvements are helping ETS win new business in target markets. Since the start of the outsourcing arrangement, ETS has experienced an improved client win rate, boosting global sales to more than \$100 million. Today, ETS is also benefiting from guaranteed service levels for the first time in its history, thus gaining a consistent level of reliability and a predictable cost structure for the operation of its supply chain.

The new closed-loop tracking system enables full visibility of tests throughout ETS's global supply chain. The company has also succeeded in lowering print costs by 16 percent (consequently achieving \$3.8 million in savings) and transportation costs by 24 percent (resulting in \$4 million in savings). In addition, ETS has experienced improvements in workforce effectiveness, including a 25 percent increase in warehouse productivity.

Meanwhile, ETS is achieving more than 99.5 percent accuracy in key service level agreement operational areas. These results reflect how Accenture's dedicated focus on routine aspects of nonprofits' operations yield both cost reductions and service improvements. By improving ETS's supply chain operations through outsourcing, the company also benefits from greater transparency and accountability of its supply chain operations than before, as well as from new rigor established through the benchmarking and performance management capabilities that Accenture brings.

The transformation of supply chain operations and the outsourcing arrangement has been so successful for ETS that the company chose to extend the agreement for an additional three years (through 2012). "Our partnership with Accenture has been a key factor in our exceptionally efficient supply-chain processes," notes Scott Weaver, Senior Vice President of Production and Delivery. "Accenture has worked in tandem with ETS to ensure operational quality, which directly benefits our customers. We wanted this shared commitment to excellence to continue."

Additionally, with the later acquisition of Prometric, a global leader in technology-enabled testing and assessment services, ETS chose to outsource the management of the financial operations of this new company to Accenture. ETS has also turned to Accenture to assist with its website development, new product development and channel expansion activities. ETS's success mirrors that of other Accenture clients in the media and entertainment industry, where Accenture has helped companies achieve operational efficiencies and seize new opportunities. Accenture's media and entertainment industry clients capitalize on emerging business

models and capture new sources of revenue. Also, Accenture collaborates with publishing, printing and portals companies to help them achieve high performance by focusing on their core capabilities and reducing cost while improving effectiveness through outsourcing.

Accenture High Performance Business research has shown that high-performance businesses are supply chain masters that develop an end-to-end integrated operating model, make strategic in-source versus outsource decisions in designing their operating models, and effectively execute against defined goals and metrics. With Accenture's help, ETS has been able to demonstrate each of these important characteristics, which are helping the company move closer to becoming a high-performance business. CEO Landgraf told Supply & Demand Chain Executive magazine: "By working with Accenture to manage our supply chain functions, we can place even more focus on our core mission of advancing quality and equity in education through fair and valid testing."

## **About Media & Entertainment**

Accenture helps entertainment, broadcast, publishing, printing and portal companies adapt to the realities of the digital evolution and capitalize on new opportunities to improve business performance. Its dedicated professionals provide media and entertainment companies with a distinctive combination of business and technology consulting, systems integration and outsourcing capabilities. Accenture has worked with 19 of the 20 largest media and entertainment companies in the world.

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## **About Accenture**

Accenture is a global management consulting, technology services and outsourcing company. Combining unparalleled experience, comprehensive capabilities across all industries and business functions, and extensive research on the world's most successful companies, Accenture collaborates with clients to help them become high-performance businesses and governments. With more than 186,000 people serving clients in over 120 countries, the company generated net revenues of US\$23.39 billion for the fiscal year ended Aug. 31, 2008. Its home page is [www.accenture.com](http://www.accenture.com).

## **About Accenture Nonprofit**

Beyond our commitment to our clients is our dedication to improving the way the world works and lives. To learn more about how Accenture can help your nonprofit organization connect its vision to its practice to improve outcomes and lives, contact [nonprofitgroup@accenture.com](mailto:nonprofitgroup@accenture.com) or visit [www.accenture.com/nonprofit](http://www.accenture.com/nonprofit).

