

DIRECT CORPORATE AGREEMENTS

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Michael L. Cerrone

Category Management Staff

Global Supply Chain Operations



AGENDA

- Direct Corporate Agreements – Overview
 - Definitions, Categories
- Direct Corporate Agreements – Process
 - Schedule, Bids, Awards
- Small Business Inclusion in Direct Corporate Agreements
 - Ways for Small Businesses to be solicited
- Direct Corporate Agreements – Supplier Expectations
 - Requirements, Quality Imperatives



DIRECT CORPORATE AGREEMENTS OVERVIEW & PROCESS

DIRECT CORPORATE AGREEMENTS – OVERVIEW

						
Segments	Direct Commodities	Indirect Commodities	IT & Telecommunications	Travel	Transportation	Corporate Services
Profile	<ul style="list-style-type: none"> • Electronics • Wire & Cable • Fasteners • Connectors 	<ul style="list-style-type: none"> • Facilities Services • Professional Services • Administrative Services 	<ul style="list-style-type: none"> • Hardware • Software • Services • Program • Infrastructure 	<ul style="list-style-type: none"> • Air • Hotel • Car • Agency 	<ul style="list-style-type: none"> • Small Packages • Air • Less Than Truckload • Household Goods 	<ul style="list-style-type: none"> • Enterprise Ops • EESH • Human Resources • Employee Programs

- Global Supply Chain Operations (GSCO) manages six different types of corporate agreements
- Each corporate agreement type is managed by a different group
- These slides will focus on Direct Corporate Agreements only

DIRECT CORPORATE AGREEMENTS – OVERVIEW

➤ Direct Corporate Agreements (CAs) include components or “piece parts”

- MILSPEC part numbers, commercial part numbers, vendor part numbers, LM drawings
- No major subcontract items, IT or services

➤ Part number specific

- Negotiated unit price, min buy qty, lead time, adders, terms and conditions, etc.
- No catalogs or discount off list price

➤ Firm-fixed pricing

- Suppliers must hold pricing the entire length of agreement
- No escalation clause or price adjustment mid-period of performance can be accepted



DIRECT CORPORATE AGREEMENTS – OVERVIEW

➤ **Based on forecasts provided by the Business Areas**

- Forecasts include part number, quantity and approved manufacturers by part number
- Forecast method varies by BA / site
- Forecast includes both competitive and non-competitive parts
- Forecast quantities are typically for 2 years
- Average project forecast includes 2,000 – 4,000 part numbers

➤ **Available for use by all business areas regardless of who forecast the part**

Goal is to combine & leverage requirements across all business areas to get the best price possible

- Key strategic suppliers (manufacturers and franchised/authorized distributors) are solicited with a focus on maximizing participation by small businesses

DIRECT CORPORATE AGREEMENTS – OVERVIEW

Category	CMT	CA
Capacitors & Resistors	✓	✓
Connectors	✓	✓
Fasteners	✓	✓
ICs / Semiconductors	✓	✓
Misc Electrical		✓
Misc Mechanical	✓	✓
Non-Metallics		✓
Wire & Cable		✓

- ❖ Projects are category-based
- ❖ CAs across 8 categories managed by 3 GSCO project leads
- ❖ Some categories have integrated Category Management Teams (CMTs)
 - CMTs are comprised of individuals in sourcing, quality and engineering from each of LM's four major BAs

DIRECT CORPORATE AGREEMENTS – PROCESS



Process Step	Description	Sample Schedule
KICK OFF	Project Manager kicks off project with LM team	February 6
FORECAST	Business areas prepare forecast	February 7 – March 3
REQUIREMENTS ANALYSIS	LM team reviews combined forecast; Team selects suppliers to solicit	March 23 – March 27
SOLICITATION	Project Manager issues RFP to suppliers	March 31
BIDS	Suppliers submit bids to Project Manager	May 11
BID ANALYSIS	LM team reviews bids from suppliers	May 18 – May 22
NEGOTIATIONS	LM team negotiates with suppliers (could be face-to-face or by phone)	June 15 – June 19
PRE-AWARD REVIEW	LM team reviews final bids to determine what to award; Project Manager prepares documentation	June 22 – July 31
AWARD	Project Manager issues agreements to suppliers	August 1

DIRECT CORPORATE AGREEMENTS – PROCESS

➤ Negotiations (Virtual or F2F)

- Suppliers given the chance to adjust pricing based on LM targets
- Feedback files provided throughout negotiations to suppliers
 - Indicates whether supplier is winning the part
 - Provides information on favorability of pricing & competitiveness in relation to other suppliers
 - Gives direction on min buy qty adjustments

➤ Evaluation Criteria

- Awards are evaluated on the following key criteria:
 - Unit Price
 - Minimum Order Quantity vs. Forecast
 - Lead Time
- Additional criteria include:
 - Quality & Delivery Performance
 - Performance by Part Number / Part Series



DIRECT CORPORATE AGREEMENTS – PROCESS

➤ Awards

- Awards are at the part number level
 - Multiple suppliers are awarded agreements for each project
 - Projects are not “winner take all”
- Forecasting BAs make final decision on awards
- Typically delete some parts after reviewing final bids
 - Pricing not found fair and reasonable
 - Minimum buy quantities too excessive or not in line with forecast
 - Extreme price increase compared to historical buys

➤ Pricing Agreements (PAs)

- Awards are issued as Pricing Agreements to winning suppliers
- Buyers use PAs to generate purchase orders for material as needed
- Majority of parts on pricing agreement are set to “Auto PO” out of buyer queues (RMS & MFC only)



SMALL BUSINESS INCLUSION IN DIRECT CORPORATE AGREEMENTS

SMALL BUSINESS INCLUSION IN DIRECT CORP. AGREEMENTS

How does a small business get solicited for a corporate agreement project?

1. Must be approved to bid on a significant portion of parts on the project

Manufacturers

- Solicited based on the number of parts on the BA-provided forecast in which they were listed as approved sources
- Cannot solicit manufacturers that were not previously approved by the program forecasting the part
- Forecast could include 100-200 approved manufacturers

Distributors

- Must be Franchised / Authorized to provide parts by many manufacturers listed as approved sources
- Must procure directly from the manufacturers & have a contract to buy, stock and sell products
- Distributors must provide full manufacturer flow-through warranty
- A distributor that is not franchised / authorized per this definition is considered an independent distributor (broker)
- LMAP requirement to provide legal protection and protect against counterfeit products

SMALL BUSINESS INCLUSION IN DIRECT CORP. AGREEMENTS

Commodity	Description	Manufacturers Typically on Forecast *
Connectors	Connectors, adapters, backshells, contacts, banana jack, banana plug, receptacle, socket, terminal block, terminal lug, connector cover, dust cap	Airborn, Amphenol, Cinch, Conesys, Corsair, Cristek, G&H, Glenair, ITT, Positronic, Souriau, Tyco/TE
IC/Discrete	Integrated circuits and discretes, amplifiers, ASIC, DRAM, EEPROM, FPGA, Gate Arrays, Linear Arrays, Microcircuit, MOSFET, PROM, semiconductor, diode, optocoupler, photosensor, rectifier, thyristor, zener diode	Analog Devices, Cypress, Data Device, Integrated Device Technology, International Rectifier, Linear Tech, Microsemi, National Semi, ON Semi, Semtech, Texas Instruments, Xilinx
Resistors / Capacitors	Passive components; resistors and capacitors of various tolerances and failure rates	AVX, Bourns, Kemet, International Resistive, Mini-Systems, Novacap, Presidio, State of the Art, Vishay
Wire/Cable	All types of electrical wire and cable; Includes braid, boots, tubing and sleeving. *Does <u>not</u> include cable assemblies.	Alpha Wire, Belden, Carlisle, Continental Cordate, Federal-Mogul, Harbour, Judd Wire, Panduit, Sumitomo, Tyco/TE
Miscellaneous Electrical	Various electrical items not included in above including relays, switches, fuses, circuit breakers, meters, sensors, lights, LEDs, indicators, actuators, air filters, lamps	Cooper Bussmann, DRI Relays, Eaton, Honeywell, Leach, Sensata, Tyco/TE, Teledyne
Fasteners and Miscellaneous Mechanical	All types of mechanical fasteners, including rivets, Hi-Loks, nuts, bolts, washers, screws, inserts, lock washers; Various mechanical items including hoses, springs, brackets, bushings, nameplates, expansion joints, clamps, fittings, flanges, grommets *Does <u>not</u> include sheet metal, simple or complex machining	3-V Fastener, Anillo, Arconic, B & B Specialties, Click Bond, Designed Metal Connections, Fastener Technology, Hydraflow, Kirkhill-TA, MAC Fasteners, Moeller, RGH, Saturn Fasteners, SPS Technologies, Umpco

- Some manufacturers prefer to sell through distribution and do not wish to be solicited directly
- Distributor would need to be franchised for a few of these OEMs in order to be solicited on a particular commodity's project

SMALL BUSINESS INCLUSION IN DIRECT CORP. AGREEMENTS

How does a small business get solicited for a corporate agreement project?

2. *Must have history of doing business with Lockheed Martin*

- Approved in our P2P procurement system? (2 Factor Authentication)
- Some corporate agreement awards contain thousands of parts @ high quantities
 - Has the supplier demonstrated that they can handle CA volume?

3. *Buyers should nominate suppliers during project's source selection meeting*

- Detail which OEMs supplier can bid
- Communicate the supplier's proven track record to other BAs
- Score card – Quality and Delivery
- On average, solicit 10-20 suppliers (manufacturers and franchised/authorized distributors) for each project
- Focus on maximizing small business participation / utilization

SMALL BUSINESS INCLUSION IN DIRECT CORP. AGREEMENTS

How does a small business get solicited for a corporate agreement project?

4. *Supplier must agree to terms of the corporate agreement*

- Will supplier provide firm fixed pricing for the entire length of the period of performance?
- Does supplier certify that they are an authorized / franchised distributor per our definition?
- Does the supplier accept our Corp Docs and Ts and Cs?

5. Supplier must provide competitive pricing

- Many suppliers have earned inclusion in corporate agreement projects only to win a handful or no parts
- Awards are based on “Best Evaluated Offer” at the part level and must be competitive

DIRECT CORPORATE AGREEMENTS SUPPLIER EXPECTATIONS

DIRECT CORPORATE AGREEMENTS – SUPPLIER EXPECTATIONS

➤ **Franchised / Authorized Requirements**

- Distributor must be a Franchised Distributor as defined in SAE Aerospace Standard AS5553 for ALL parts they bid
- Non-franchised bids will be excluded & deleted
- LM reserves the right to disqualify a supplier from competition for submitting multiple non-franchised bids
- Parts provided under an Authorized Reseller, Broker, or Independent Distributor relationship are not valid for LM enterprise agreement bids

➤ **Quality & Delivery Imperatives**

- LM businesses require suppliers who are awarded a PA to maintain 100% quality & delivery ratings
- LM reserves the right to discontinue agreements if quality and / or delivery performance drops to an unacceptable level

DIRECT CORPORATE AGREEMENTS – SUPPLIER EXPECTATIONS

➤ **DFARS**

- All DFARS must either be flowed down from the manufacturer to their subtiers or up from distributors to manufacturers
- If any OEM refuses to accept flow-downs from a distributor, the distributor must notify LM

➤ **All Suppliers are expected to hold pricing throughout the length of the PA**

- Includes manufacturers holding pricing for any parts awarded through distribution
- If a supplier requests deletion of multiple items, LM may delete the entire PA
- Supplier is expected to hold pricing for entire period of performance even when the purchase qty exceeds the contract forecast

➤ **When issues pop-up, make sure you notify your LM POC promptly and follow the correct procedure (SDLs, GIDEPs, etc.)**

➤ **Distributors are to act as the primary interface in the resolution of issues with the OEM**

SUMMARY

- Best ways for small businesses to get solicited on Direct Corporate Agreement projects:
 - ✓ Be approved to bid on substantial number of parts on the project
 - ✓ Build history of doing business with Lockheed Martin
 - ✓ Cultivate relationships with business area buyers
 - ✓ Agree to the terms of our corporate agreements
 - ✓ Provide competitive pricing

- Expectations for Direct Corporate Agreement suppliers:
 - ✓ Must be franchised / authorized for all parts in which bid is submitted (Distributors only)
 - ✓ Maintain high quality & delivery ratings
 - ✓ Hold pricing throughout entire agreement period of performance
 - ✓ Notify LM quickly when problems arise

SUMMARY



Questions or Comments?



BACK-UP SLIDES