

COST REDUCTION REPROCUREMENT CASE STUDY

Delivered 23% freight spend savings following pricing analysis and purchase process improvement, offering 6x ROI plus improved price transparency.



The Client:

A leading multinational educational publishing group, providing learning content and services to global clients.

The Challenge:

The client's European region comprised multiple business units operating at a national level, each creating content for textbooks and educational material manufactured through third party suppliers located in multiple European locations. Purchase Orders (POs) issued to suppliers included a requirement to deliver a breakdown of a total order quantity to multiple European distribution centres.

The road freight cost element relating to each PO issued represented 5-10% of the total cost and approximately €2m of spend buried within the total "delivered" manufacturing pricing model.

The challenge was to:

- ▲ identify the freight spend as a discrete element within existing pricing agreements;
- ▲ aggregate the freight spend and leverage pricing for this element through nominated road freight suppliers; and
- ▲ retain the process simplicity of one PO/Invoice covering the manufacturing and freight elements whilst achieving improved cost transparency.

Our Approach:

We engaged with the stakeholders, which in turn led us to engage directly with the manufacturing suppliers. We requested that they provide a break-down of existing pricing in order to separate road freight elements.

They were also asked to nominate a preferred road freight supplier for consideration in a subsequent competitive tender.

A detailed analysis of pricing and volumes formed the basis of a requirements document used in a Pan European tender exercise. Volumes were grouped into baskets determined by geographical origin to enable logistical and process efficiency.

A critical requirement for tender respondents was a willingness to:

- ▲ agree transparent pricing with the relevant manufacturers, as well as, with the client;
- ▲ contract directly with the manufacturing supplier on the back of being the clients approved supplier, i.e. sharing pricing with a non-contracted entity.

Written by Simon Muir



Outcomes:

- ▲ 23% reduction in road freight cost.
- ▲ Freight pricing transparency achieved to enable more effective freight spend management.
- ▲ Manufacturing pricing transparency achieved across multiple suppliers enabling subsequent spend leveraging.
- ▲ Purchase order and invoice processing process simplicity retained.