

CASE STUDY

Driving better value through a rationalised supply chain, reducing cost of operation and effort in management, whilst improving efficiency, bottom line and tender success.

The Client:

A UK-wide £150 million turnover family owned construction business delivering better value commercial civil engineering and building services with a heavy dependency on a diverse supply chain for products and services.

The Challenge:

Due to organic growth, reacting to urgent demand, and changes in resource and strategy, the client had an element of local spend, and sporadic procurement. This had resulted in an extensive supplier base and a significant amount of uncontrolled, undocumented spend.

The client was under pressure to take greater control, have better visibility, and reduce costs across all departments, whilst not dropping quality and ideally winning more work.

Our Approach:

Using our data assessment tool, Augmentas carried out an analysis of the spend data available – procurement data was limited in value or quality. Using this, we quickly understood the entire spend profile, what was being spent with whom and for how much, what variation of prices were accepted, and how broad the supply base had grown.

Trialling a new approach to supply chain management, Augmentas, using the data output, commenced a supplier rationalisation process, prioritising the 80:20 elements including key suppliers and high-risk services. From this analysis we designed and implemented a wide commercial strategy using revised procurement techniques and routes, aggregation, consolidation and more, in order to reduce the supplier database from >20,000 to c. 300.



The natural benefits of managing a much more focused supply chain allowed greater integration of the best suppliers reducing costs through better knowledge of how products and services can be used. This increased both bottom line and win rates in bidding.

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Outcomes:

- ▲ **Reduced supplier base** from >20k to c. 300.
- ▲ **Reduced waste** in design and delivery.
- ▲ **Improved bottom line** margins from **2% to 9%**.
- ▲ **Reduction in cost** per transaction.
- ▲ **Reduced disputes invoices (>50%).**
- ▲ **Reduced tender writing time** (c.25%).
- ▲ **Reduction in number** of transactions.
- ▲ **Improved supplier relationships.**
- ▲ **Increased business development** through cross recommendation across supply chain.
- ▲ **Economies of Scale** achieved through aggregation (c.8%).
- ▲ **Improved tender success** from **1:10 to 1:4.**