

Delivered additional profit of US\$ 9.1 million through Procurement Optimization

BUSINESS CASE

Organization Trends:

- The organization has seen sales grow at a Compounded Annual Growth Rate (CAGR) of 41% over the last 8 years
- This has resulted in continued growth of the organization across regions
- The management consciously encouraged decentralization of procurement activities to enable fast-track decision making

CHALLENGE

What is the Challenge

- Decentralized procurement has resulted in lack of standardization of material and rates where possible
- Differing Minimum Order Quantities from various vendors resulted in variation in inventory across regions
- Smaller order quantities meant lower leverage in negotiation

Where is the Challenge

- Across the organization

When is the challenge

- 2016

IMPACT

What is the impact

- Increased cost of procurement of products and services
- Variation in the application of best practices across the regions

TARGET

What is the Target

- An analysis showed that the cost of procurement can be brought down by at least by 3% through Procurement Optimization
- Contract renegotiation where applicable
- Quick-wins to be generated in less than 3 calendar months

OUTCOMES

Increased Profits

- Saved US\$ 9.1 Million in the course of 12 months through Procurement Optimization

Outcomes related to Speed, Quality, Safety:

- Setting up of effective Service Level Agreements enabled better tracking and delivery of products and services against Speed, Quality and Safety
- Penalty and Benefit clauses added to contracts
- Initiated Vendor Benchmarking that enabled a healthy competition between the vendors not only on cost, but also other factors like quality, speed and safety

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