

## Curtailing rising 3<sup>rd</sup> party contractor costs in a limited supplier marketplace

How a \$50 billion energy company took control of its ground logistics contracts saving \$6.4 million in just a few months

### The results

Maine Pointe's multi-faceted solution provided our client, with the tools they needed to gain control of their ground transportation. As a direct result, our client was able to make significant and sustainable cost savings:

- Transport costs reduced by \$6.4 million (ROI 3.4:1)
- Annualized savings over the next 12 months \$20.8 million (ROI 14:1)
- Removed 34 vehicles due to low utilization, almost one-third of the yellow bus fleet
- Implemented a fuel control program giving unprecedented visibility into fuel use and driving usage down by 43% (seasonally adjusted)
- Eliminated surplus and underutilized vehicles – reduced negative economic and environmental impacts

In addition, greater visibility enabled this client to target waste and strengthened their negotiating position with the contractor.

### This story is for executives who:

1. Are concerned about the rising costs of their ground transportation
2. Feel that they are in a captive situation with their contractors / suppliers
3. Want to effectively monitor and improve ground transportation costs and service levels

### The challenge

This company is one of Canada's largest integrated energy companies. Their ground transportation services are delivered through a contractor, which is one of the main bus operators in the region. At the start of 2011 our client and the contractor entered into a new 10-year cost-plus contract, which rewarded inefficiencies and contained no incentives for improvement. With costs due to escalate by a staggering \$1bn over the 10 years and a consistently poor level of service, our client lacked the organizational capability to proactively manage their transport provider. That was when this client asked Maine Pointe to help them achieve the capability.

## Helping regain control of ground transportation

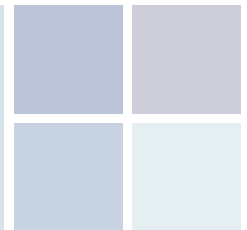
Maine Pointe quickly established that our client did not have robust processes in place to effectively monitor and review service levels and costs for the 300 vehicles (around 45% of the contractors fleet) they were utilizing. Maine Pointe deployed a multi-faceted solution to give them better control and visibility. Our solution included:



- Designing and implementing a Management Operation System to better manage service and costs
- Building a Master Scheduling Tool for the optimization of routes, schedules and vehicles
- Conducting a Focus and Alignment process to establish better organizational capability to manage transport providers
- Creating a monthly recurring balanced scorecard for senior leadership
- Optimizing the number of vehicles
- Finding and beginning to eliminate issues with the contract through a joint resolution process
- Enhancing competition in the region and providing optionality through an additional supplier

### Lessons learned for other executives

- You can introduce optionality in a perceived captive situation
- It is possible to curtail rising 3rd party costs
- You can achieve a high level of service, reduce costs and align ground transportation with sustainability objectives



Want to **know the true costs** of your ground transportation?

Want to find out more about how Maine Pointe's Management Operating Systems can help you **gain control** of your ground transportation costs?

Talk it through in a no obligation phone call or meeting with one of our executive advisors.

Email: [info@mainepointe.com](mailto:info@mainepointe.com) to arrange a call.

### About Maine Pointe

Maine Pointe is an operational implementation focused consulting firm that accelerates measurable performance improvements in both EBITDA and cash flow for chief executives and private equity firms around the world. As specialists in procurement, logistics and operations, Maine Pointe is uniquely positioned to accelerate measurable improvement across the buy-make-move-fulfill supply chain to deliver the greatest value to customers and investors at the lowest cost to business through Total Value Optimization™.

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