

Supply chain disintermediation helped a performance materials company which has pioneered technologies in the ceramics, electronics, glass and pigments market reduce its direct materials costs by \$24 million

When our client's CFO and CEO wanted to see measurable savings in direct materials procurement, they called on Maine Pointe's experience to make it happen

The results

As a direct result of the strategic analysis of the supply chain environment, Maine Pointe and our client's newly created Cross Functional teams implemented a global optimal sourcing model. This improved access to low cost country producers and direct-to-source raw material providers without a compromise on quality.

- Realized annual savings in excess of \$24 million
- 10% reduction of cost on impactable spend
- Improved savings visibility and procurement performance
- Enhanced sales team's ability to improve margins and pricing flexibility
- ROI of 7:1

This story is for Executives who:

1. Are concerned their business does not have full control of its direct materials spend.
2. Want to reduce costs and position their company as best value provider.
3. Want to take their Procurement function to a higher level of maturity.

The challenge

Our client's senior management acknowledged that their procurement function was not delivering to certain expectations and tasked Maine Pointe with helping to elevate them to high maturity and save \$18 million in the process.

The performance materials company's in-house procurement team often reported that they were making savings but the CFO was not able to see them coming through on the company's P&L. Maine Pointe's first step was to analyze where savings could be made and to deliver measurable, sustainable results, which would allow our client's procurement team to strengthen their position as a world-class procurement organization.



Helping our client take more control of their direct materials spend

Maine Pointe examined our client's data to identify where they were spending and who their high value suppliers were before putting into place a solution which included:



- Supply chain disintermediation, bypassing tier 1 and tier 2 suppliers and dealing directly with producers wherever feasible
- Implementing and training the procurement and extended team in strategic sourcing category management
- Enabling the procurement and extended team to develop a repeatable strategic sourcing process for all commodity and direct material categories
- Introducing a PMOS (Procurement Management Operations System), which reviewed all procurement procedures step by step, identifying best practice, resolving gaps, and eliminating redundant procedures
- Introducing new metrics to monetize procurement initiatives and delivery of a sustainable process which provides the CFO with ongoing performance metrics

The cornerstone of Maine Pointe's solution was to train, mentor and work with our client's already professional internal team to operationalize further step changes in performance.

Breaking the supplier stranglehold

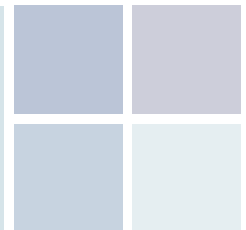
The increased optionality that Maine Pointe has introduced has significantly strengthened our client's negotiating position, turning the tables on several of their most intractable chemical suppliers. These suppliers had previously demonstrated an entitled approach to supplying materials to our client, going so far as to threaten the client's supply flow and even withholding shipments when any attempt was made to negotiate a better price. This left our client fearful of challenging non-competitive pricing and causing any further upset. As a result of Maine Pointe's initiative to increase optionality and address poor supplier behavior, this situation has completely reversed. The now anxious suppliers are eager to offer competitive prices and are actively petitioning our client on what they need to do to be "rewarded" with some future volume; a major win for our client.

Post Engagement Sustainability

Maine Pointe identified a number of additional opportunities for savings, which, post engagement, our client's upskilled procurement team has been able to close on. In addition, the PMOS, that we developed has continued to deliver incremental savings.

Lessons Learned for Other Executives

- It is possible to get greater value from your existing supplier base
- You can generate significant savings through supply chain disintermediation
- You can leverage savings made on direct procurement to become a higher value provider



Want to **improve visibility** of your cost base and enhance the maturity of your procurement function?

Want to find out more about how Maine Pointe can help you **make significant savings** on your direct materials spend?

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

Email: hello@mainepointe.com to arrange a call.

Maine Pointe is a results-driven, implementation focused consulting firm that is trusted by many chief executives around the world to deliver sustainable, significant value and compelling economic returns for their businesses. We achieve this through transforming the global supply chain into a competitive weapon and accelerating business value through performance improvements in both EBITDA and Cash.

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