

We reduced the spend base of a Manufacturing major by 20%

About the client

A transnational manufacturing giant with specialization in making high power engines

Client situation

The client needed to reduce spend base in order to reduce costs and absorb the material price increase without increasing the prices of its products to the final customers

Our Solution

Our analytics solution had following elements for the spend base reduction

- **Pareto Analysis:** All the spends in all the verticals across geographies and business divisions were analyzed to prepare Pareto Analysis. Around 500,000 transactions were analyzed to prepare the Pareto chart
- **80:20 Analysis:** Pareto showed 80% of the expenses coming from 20% of the categories and vendors. Focus was turned to these 20% categories
- **Vendor Rationalization:** Vendors were rationalized for the categories that were prominent, but specific vendor volumes were low
- **Re-Negotiations:** Re-negotiations were done with bigger category vendors for the mass discounts, with volumes coming from rationalized vendors.
- **Low Cost Country Sourcing:** Some categories were explored to be sourced from low cost countries like China, India, Vietnam, Bangladesh and Thailand

Outcomes

- 20% reduction in the spend base with the efforts involving vendor rationalization, low cost country sourcing, and renegotiating contracts

