

Enporion Case Study: Spend Analysis

Global multi-billion manufacturer identifies \$20M in savings opportunities using Enporion Spend Analysis services.

Challenge A large global electronics manufacturer needed to develop a comprehensive Global Spend Assessment of their indirect spend. The client was under pressure to gain immediate savings while realigning the supply chain organization structure for indirect categories.

- The client's existing decentralized procurement structure for indirect materials was inefficient.
- The client's financial analysis packages and reporting software could not easily be used to apply the detailed categorization structure needed to perform the analysis. A more sophisticated solution was needed for identifying indirect categories of spend and to cleanse and normalize the data across global plant locations and business units.
- There was limited information about the current commodity structure for indirect spend. It was also difficult to infer the subcategories of spend within the hierarchy structure. A more detailed category structure was needed for indirect spend.
- There were significant missed opportunities to aggregate spend and leverage pricing for vendors and suppliers of indirect services and materials. Company efforts to strategically source indirect categories lagged behind those for direct categories.



Approach Centralize indirect spend by mirroring the process in place for direct spend

The plan was to classify all spend into a detailed commodity structure, and then analyze indirect category spend. After the indirect spend was categorized, Enporion performed analyses and developed reports that helped the client prioritize, plan, and implement numerous sourcing initiatives within the supply chain organization and across multiple global plant locations. This approach enables the client to meet the objectives of identifying millions of dollars of savings through supplier aggregation as well as identifying which categories of indirect spend to centralize. Finally, the most effective mix of spend would be implemented to achieve hard dollar savings quickly.



Solution The solution was to use the Enporion Spend Analysis Tool and Enporion professional services

- Enporion requested 3 financial quarters of spend data from the client's Accounts Payable (A/P) system. The A/P data became the basis for the spend analysis category assessment and strategy development. The A/P data was loaded into Enporion's Spend Analysis Tool, and after data cleansing and normalizing, global spend was classified by company, plant site, and local currency.
- Enporion developed a detailed commodity structure, tailored to the client's industry, for indirect categories of spend, and then spend was mapped to the correct category based on a vendor names and item descriptions. Spend at plant sites was examined to separate into direct and indirect categories and to determine if those categories were to be managed centrally.
- Major indirect categories were identified and analyzed; these included Energy and Utilities, Construction, Facilities Maintenance, Contract Labor, Electronic Components, MRO, and more. Comprehensive spend profiles were developed for each category with information on spend

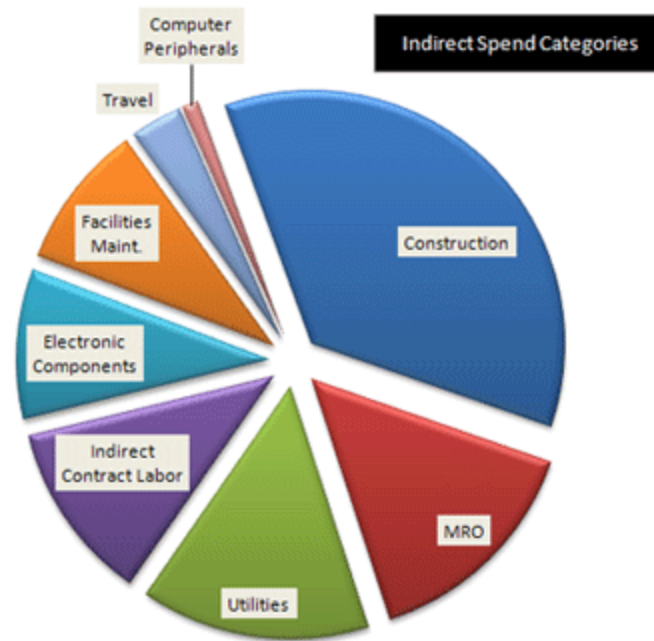
sub-categories, spend by different locations, and portions of spend sorted by supplier. With these reports and analyses, Enporion provided instrumental subject matter knowledge to develop the sourcing strategy for each indirect category.

- Using the Spend Analysis Tool, Enporion developed a customized market basket report. This market basket report allowed the client to quickly generate itemized spend and usage detail for each spend category and it significantly shortened strategic sourcing cycles.

End Result

\$20M annual savings opportunities discovered by spend analysis

- The client received detailed sourcing strategies to realize over \$20M in annual cost savings for indirect spend. The resulting Spend Assessment reports and detailed analyses became critical inputs to the client's domestic and global indirect spend sourcing strategy and supply chain initiatives.



- Enporion's work advanced the client's ability to align internal organizational responsibilities for indirect spend and implement a comprehensive indirect category sourcing strategy.
- For some indirect materials categories of spend, Enporion utilized the market basket report to obtain favorable supplier pricing, which was used to develop Enporion Sourced Agreements (ESA) for the client. ESAs are group sourcing agreements that leverage the buying power of many to substantially reduce costs to the buyer. Enporion has ESAs in many categories of spend, and they are easy to "join" and allow a company to start realizing savings right away.
- The client realized immediate savings and process efficiencies from the ESAs for categories such as Computer Peripherals, Office Supplies, and MRO. The analyses and savings identified led to a comprehensive MRO category sourcing effort and an inventory optimization initiative began.
- Illustrations of screen shots of spend analysis tool and custom reports:

Before

| Vendor Name | Invoice Qty | Invoice Amt | Count |
|-------------------------------------|-------------|-------------|-------|
| AG HEINZE INC | 20 | 82,760 | 17 |
| AGENT24 | 7,693 | 7,693 | 9 |
| AGILENT TECHNOLOGIES | 124 | 1,518,650 | 90 |
| AI INDUSTRIES | 39 | 106,735 | 38 |
| AIR DIMENSIONS INC | 16 | 1,965 | 5 |
| AIR FILTER SALES | 6,318 | 59,709 | 149 |
| AIR LIQUIDE | 4,737,963 | 5,363,560 | 48 |
| AIR LIQUIDE AMERICA SPECIALTY GASES | 0 | 850 | 6 |
| AIR LIQUIDE ELECTRONICS CHEMICALS & | 177,326,741 | 19,050,544 | 578 |
| AIR LIQUIDE ELECTRONICS TECHNOLOGY | 792 | 1,956,973 | 381 |
| AIR LIQUIDE ELECTRONICS US LP | 5,790 | 25,407 | 23 |

After

| Vendor Name | Invoice Qty | Invoice Amt | Count |
|-------------------------------------|-------------|-------------|-------|
| AG HEINZE INC | 20 | 82,760 | 17 |
| AGENT24 | 7,693 | 7,693 | 9 |
| AGILENT TECHNOLOGIES | 124 | 1,518,650 | 90 |
| AI INDUSTRIES | 39 | 106,735 | 38 |
| AIR DIMENSIONS INC | 16 | 1,965 | 5 |
| AIR FILTER SALES | 6,318 | 59,709 | 149 |
| AIR LIQUIDE- | 182,071,286 | 26,397,334 | 1,036 |
| AIR LIQUIDE | 4,737,963 | 5,363,560 | 48 |
| AIR LIQUIDE AMERICA SPECIALTY GASES | 0 | 850 | 6 |
| AIR LIQUIDE ELECTRONICS CHEMICALS & | 177,326,741 | 19,050,544 | 578 |
| AIR LIQUIDE ELECTRONICS TECHNOLOGY | 792 | 1,956,973 | 381 |
| AIR LIQUIDE ELECTRONICS US LP | 5,790 | 25,407 | 23 |
| AIR PRODUCTS AND CHEMICALS INC | 380,826 | 4,822,752 | 75 |
| AIR VAC | 6 | 156 | 1 |
| AIR-INSTRUMENTATION MAINTENANCE | 233 | 4,073 | 8 |
| AIR-VAC ENGINEERING CO., INC. | 1 | 850 | 1 |
| AIRECO SUPPLY | 29 | 2,958 | 5 |
| AIRGARD INC | 105 | 11,226 | 13 |
| AIRGAS DRY ICE | 246 | 218 | 20 |

Illustration 1: Before and after Optimization

Line Item Spend Report: Oct 2007- Apr 2008

Item # 10110625 UOM=LB
 Line Description: Plate: SAS16-70, 5/8" Thick

Vendors: 4
 Total Spend: \$588,315
 Total Units Ordered: 1,236,543
 Total # of POs: 20



| Vendor | Avg Net Unit Price | Total Units Ordered | Total Spend | Avg Order Qty | # POs |
|------------|--------------------|---------------------|-------------|---------------|-------|
| Supplier A | \$0.55 | 398,262 | \$216,408 | 44,251 | 6 |
| Supplier B | \$0.44 | 292,030 | \$128,493 | 73,007 | 3 |
| Supplier C | \$0.45 | 275,658 | \$124,046 | 55,132 | 5 |
| Supplier D | \$0.44 | 270,593 | \$119,368 | 45,099 | 6 |

| Vendor | Monthly Order Quantity | | | | | | |
|--------------|------------------------|----------------|----------------|----------|----------------|---------------|---------------|
| | 10-2007 | 11-2007 | 12-2007 | 1-2008 | 2-2008 | 3-2008 | 4-2008 |
| Supplier A | 24,508 | 24,504 | 49,006 | - | 300,244 | - | - |
| Supplier B | - | - | 292,030 | - | - | - | - |
| Supplier C | 38,285 | 53,600 | - | - | 38,286 | 76,572 | 68,915 |
| Supplier D | 97,023 | 173,570 | - | - | - | - | - |
| Total | 159,816 | 251,674 | 341,036 | - | 338,530 | 76,572 | 68,915 |

Net Unit Price Trend by Order Date

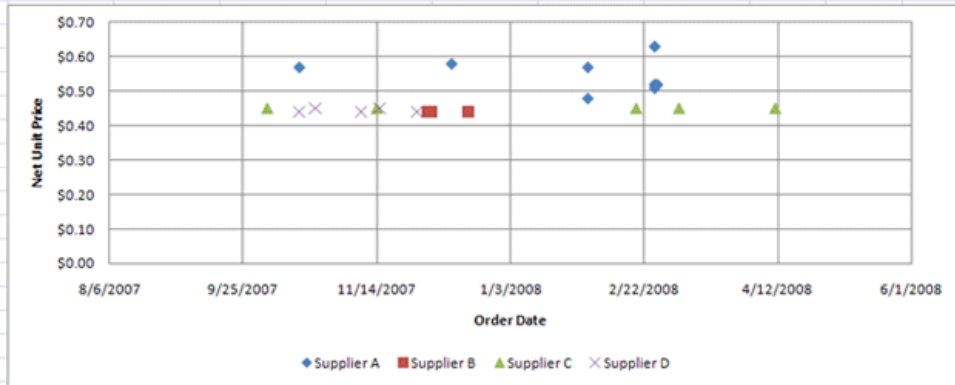


Illustration 2: Custom Reports