

Case Study: EquaTerra's Comprehensive Assessment Leads Consumer Goods Company on Global Supply Chain Sourcing Mission

Company Realises Enhanced Global Procurement Processes, Cost Savings and Improved Customer Service

At a Glance

Company Profile

The company is a European-based, multi-billion Euro global consumer goods company that manages a number of familiar food, household and personal care brands.

Services Featured

- Strategy
 - Service Delivery and Sourcing
 - Opportunity Analysis
 - Business Case
- Solution
 - Design
 - Supplier Selection
 - Negotiation and Contracting
- Implementation
 - Transition
 - Transformation
 - Change Management
 - Project Management
- Sourcing Governance

Business Processes Involved

- Supply Chain
 - Strategic Sourcing
 - Category Management and Strategy
 - Procurement Operations
 - Supplier Management
 - Accounts payable
- Information Technology (IT)

Executive Summary

A global consumer goods company, after undergoing an aggressive acquisition strategy and facing “street” pressure to improve profitability, had turned to outsourcing to help drive efficiency and unite its global operations. Shortly after a successful sourcing pilot program, the company turned to EquaTerra to help bring the pilot outsourcing initiatives to a broader set of global locations. EquaTerra provided the company with a detailed and objective assessment and later worked with the organisation’s executives to brainstorm, develop and coordinate a global sourcing solution that would unite the global company’s Supply Management processes. Overall, EquaTerra’s assistance with design and implementation of the company’s sourcing strategy enabled the company to enhance its global procurement processes and tools.

Business Challenge

The company was on an acquisition mission to build and complement its product mix. With hundreds of brands, thousands of employees and manufacturing sites on almost every continent, the company’s aggressive acquisition strategy began to take a toll. For example, the company had a supply chain that consisted of a fragmented infrastructure based on disparate systems and processes. At the same time, the organisation’s CEO faced “street analyst” pressure to improve profitability and stock price. Something needed to be done fast.

Company officials decided to expand the company’s strategic sourcing program into non-production (indirect) expense categories. To do this, the company launched a pilot initiative in its key markets with the assistance of a leading consultancy.

Having achieved reasonable success in the pilot phase, the company turned from identifying opportunities and negotiating deals to driving cost savings to the bottom line as quickly as possible and across a broader set of locations. Cost-to-achieve became a critical factor in constructing the requisite platform for achieving the company’s objectives and comprehensive business process outsourcing of the Supply Management function for indirect expense areas surfaced as a potential strategy.

As part of a larger effort to drive efficiency and unite its global operations, the company began an ongoing corporate management restructuring and implementation of standardised tools and processes. The company considered both

internal improvement and business process outsourcing strategies. Within indirect goods and services procurement, the potential scope included category management/strategy, strategic sourcing, procurement operations, supplier management, integration with accounts payable and all supporting technology. In-scope spending exceeded €8 billion per annum.

The organisation, unsatisfied with previously engaged sourcing advisors due to their lack of experience in supply chain and transformational outsourcing and continued delays as a result of an unstructured process, retained EquaTerra to objectively assess the company's ability to transform its worldwide non-production Supply Management function.

How We Helped

The company engaged EquaTerra to assess and identify potential benefits to a sourcing strategy of its procurement state. This led EquaTerra advisors through the following four stages:

- **The Opportunity Assessment stage:** In this stage, EquaTerra advisors assessed work completed to-date, focusing on gaps between current capabilities and the company's desired state. EquaTerra also evaluated management readiness and stakeholder requirements, gathered preliminary internal cost and savings data, built a preliminary business case, and opened a collaborative dialogue with service providers.
 - **The Marketplace Assessment stage:** At this stage, EquaTerra advisors leveraged our understanding of marketplace maturity and service provider capabilities to advise the company on which potential partners would be best suited for the task. The company was in discussions with two potential providers, soliciting structured proposals from both and advising management and stakeholders on their initial findings.
 - **The Supplier Selection stage:** EquaTerra advisors coordinated pre-negotiations with both providers and evaluated the rapidly evolving capabilities of each. From this information, the company was able to down-select to one service provider and then undertake the due-diligence process.
 - **The Negotiation and Contracting stage:** During the negotiation and contracting process, a combination of EquaTerra advisors and negotiations specialists solicited revised proposals and negotiations based on the requirements redefined during due diligence. Further, EquaTerra worked closely with BPO-expert external legal counsel to draft and negotiate the deal based on a phased, uncommitted rollout (a global master services agreement, regional master agreements and country implementation agreements were signed).
- Upon completion of the assessment and sourcing process, EquaTerra worked with the organisation's executives to brainstorm, develop and coordinate a global sourcing solution that would unite this global company's Supply Management processes. The end solution included:
- **Strategic Sourcing** – This included strategic supplier management, category management, supplier negotiations, demand management and contract administration.
 - **Procurement Operations** – This included improvements in customer services (utilising call centers for users and suppliers), assisted buying, tactical sourcing/spot buying, supplier maintenance, supplier relationship management and contract management.
 - **Procurement IT Operations and Infrastructure** – This included procurement application maintenance and support, procurement software licenses and maintenance, ongoing development and customisation and hosting.
 - **Management Reporting** – This included reporting design and refinement, data analysis and management information preparation.
 - **Change Management** – This included a mandate to change, transition plan, communication, end-user and supplier training and consultant support for transformation.
 - **Governance/Project Management** – This included business mandate, governance team, buying policy development and communication and Project Management Office (process, resource).

Results

As a result of this sourcing engagement, the company signed a master services agreement, as well as multiple regional master agreements and country implementation agreements, with the selected service provider. EquaTerra deployed a combination of advisors and subject matter experts – including a Financial Architect, Negotiations Specialist and Governance Specialist – during the final solutioning, negotiations and contracting phase, working closely with BPO-expert external legal counsel.

The final, pre-contract business case prepared for senior management by EquaTerra suggested a greater than 40 percent improvement, on an NPV basis, over an internal “make” scenario, which materially exceeded the CFO’s established hurdle rate for project investments. This was achieved by a combination of greater cost savings and a more rapid achievement of these results across a 5-10 year timeframe – so much so that the benefits were able to offset a significant “cost-to-achieve” in the early years, which was due to the substantial “up-skilling” involved.

In North America alone, a carefully planned solution, linked to separate Accounts Payable BPO programs, has since been delivered on-time and on-budget and cost savings have exceeded targets by more than 10 percent. Customer satisfaction with the Supply Management function is at a historical high. Due to these early successes, adoption of the platform in other regions has progressed ahead of schedule, with considerable support from the joint governance team and steering group.

EquaTerra’s assistance with design and implementation of the company’s global sourcing strategy for procurement BPO enabled the company to considerably enhance its global procurement processes and tools and to achieve marked improvement in bottom-line results, while managing risk and minimising time-to-implement at a fair cost.

Advisor Insights

As with any client engagement, EquaTerra was able to identify some key learnings specific to a sourcing strategy of this nature.

First, sustained management support for change/improvement is essential for any major transformation. This buy-in is especially true in the case of this indirect procurement BPO initiative, given that it “touched” most employees, many of whom followed disparate processes by business unit and location, etc. These differences were further complicated by the fact that this company had grown through acquisition of individual businesses and brands in a number of countries and had not standardised procurement processes across these businesses. Management support was truly tested, but ensured success of the overall initiative.

Second, a phased rollout of change management was critical. The company was simultaneously undertaking a number of major initiatives during rollout of its procurement platform. Consequently, a great deal of effort was put into sequencing regions (and locations within each) so as to allow for sufficient focus on staff training, change management and, as appropriate, modifications in the solution to reflect on-the-ground realities.

Finally, selecting a service provider with a culture, philosophy and appetite for risk well-suited to partnering with the company drove significant bottom-line improvements that were otherwise unachievable. In addition to outsourcing serving as a catalyst for behavior change, the selected service provider was able and willing to take significant responsibility for driving change across the organisation and cost savings to the bottom line.

About EquaTerra

EquaTerra sourcing advisors help clients achieve sustainable value in their IT and business processes. Our advisors average more than 20 years of industry experience and have supported over 2000 transformation and outsourcing projects across more than 60 countries. Supporting clients throughout the Americas, Europe, Middle East, Africa and Asia Pacific, we have deep functional knowledge in Finance and Accounting, HR, IT, Procurement and other critical business processes. EquaTerra helps clients achieve significant cost savings and process improvement with internal transformation, shared services and outsourcing solutions.

www.equaterra.com

Contact Us

If you would like to know more about EquaTerra please contact us.

BeLux
Pegasuslaan 51831
Diegem (Brussels), Belgium
Tel: +32 (0)2 709 29 32
infobelux@equaterra.com

China
Level 31, Jin Mao Tower, 88 Shi Ji Avenue
Pudong, Shanghai 200120, China
Tel: +86 (0)21 28909093
infochina@equaterra.com

Finland (Baltics and Russia)
Mannerheimintie 12b, 5th Floor
FIN-00100 Helsinki, Finland
Tel: +358 (0)9 2516 6368
infofinland@equaterra.com

Germany
Herriotstrasse 1
60528 Frankfurt, Germany
Tel: +49 (0)69 67733423
infogermany@equaterra.com

India
Level 4, Rectangle No.1,
Commercial Complex D4, Saket,
New Delhi 110017, India
Tel: +91 (0)11 4051 4227
infoindia@equaterra.com

The Netherlands
Postbus 75090
1070 AB Amsterdam, Netherlands
Tel: +31 (0)88 002 2900
infoNL@equaterra.com

Sweden (Nordic HQ)
Strandvägen 7a
114 56 Stockholm, Sweden
Tel: +46 (0)8 662 30 67
infonordics@equaterra.com

United Kingdom
150 Minories, London EC3N 1LS
United Kingdom
Tel: +44 (0)845 838 7500
infoUK@equaterra.com

Americas
Three Riverway, Suite 1660
Houston, TX 77056
United States of America
Tel: +1 713 470 9812
infoamericas@equaterra.com