

THE CHALLENGE

Our client is a multi-national heavy equipment manufacturer with large distribution operations throughout Australia.

- The business was working with 4 different suppliers of batteries (for heavy equipment) and battery chargers.
- Lead prices, a major cost component of batteries, had been moving higher over the previous 12 months and battery prices were increasing steadily to levels not previously seen.
- Our client felt the level of service received from one of the main suppliers was declining over time, and wanted to address that.
- Given that batteries are a major cost component for the client, Adroit was asked to review the batteries category to secure, through a strategic sourcing exercise, future supply at competitive pricing, with one or two preferred suppliers only.



OUR APPROACH

- We ran a spend analysis process to uncover detailed consumption patterns and analysed historical non-contracted purchases.
- In close partnership with our client's in-house expert who worked on the technical specifications, we applied our strategic sourcing methodology to establish their requirements, benchmark their prices, analyse the supply market and define the best go-to-market approach to achieve the desired outcomes.
- We established a panel of two preferred suppliers, with contracted pricing agreed on, as well as an agreement that quarterly pricing reviews tied to key cost drivers would also be held, so that the client could benefit from anticipated downward movements in prices.
- A cost-driver review mechanism between the client and supplier(s) was developed to ensure that the risk to the client was reduced.
- We also ensured that we conducted a compliance audit every quarter to identify incorrect charging – which benefitted the supplier (in cases of undercharging) as well as our client.

CLIENT BENEFITS

- We negotiated favourable rates that were locked in during a period of high price volatility where other suppliers were increasing prices on a regular basis.
- 3% savings on batteries and 6% savings on battery chargers were achieved on large annual spends.
- As commodity prices started to drop, we were able to negotiate pricing to reflect these changes, with little time lag from the time of the price change.
- The development of a strong working relationship between client and the preferred suppliers have seen them working closely together to build new business.
- A comprehensive Service Level Agreement with defined and visible KPIs was implemented, and a more structured performance management system is now in place.

