

VALUE OPTIMISER

EPI
International

The intelligent approach to
Cost and Efficiency Optimisation



The Problem

Organisations in the private and public sectors strive to reduce the cost of goods and services purchased and strategic sourcing is widely used to achieve that aim.

But strategic sourcing is not consistently used across all areas of spend. The focus is usually on items that are core to a business such as raw material, labour and plant and equipment. Far less attention is given to non-core areas such as marketing print, professional services, logistics, utilities, telecommunications, office and production consumables.

Our experience proves that this is a missed opportunity because using strategic sourcing in core and non-core areas can deliver significant cost savings.

What we do

Best practices in sourcing have advanced in recent years as technology has enabled collaborative supplier management, on-line auctions, e-sourcing, better costing and comparative benchmarking.

Value Optimiser contains these features and more and it helps you strike the right balance between lowest cost and best overall value for money.

The real power with CEO Planner is that it also identifies opportunities to initiate Value or Process Optimiser projects to improve efficiency, eliminate waste and drive down costs.

How it works

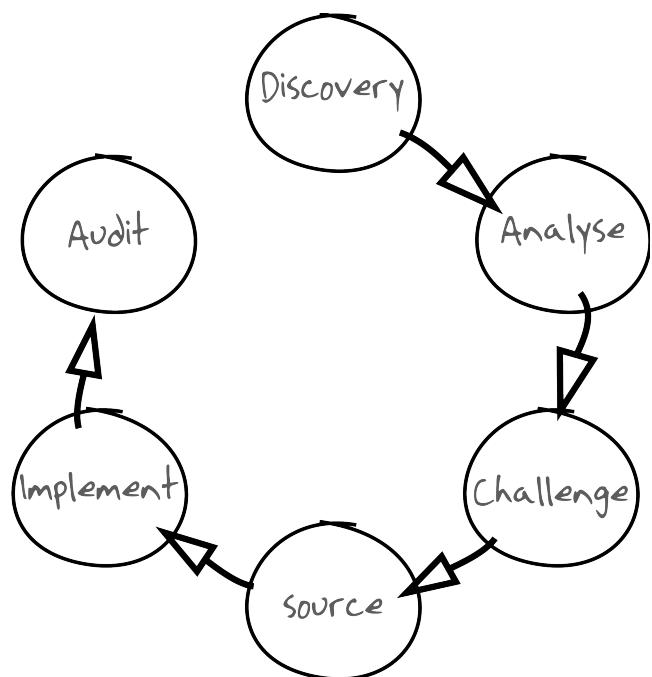
There are six stages to a typical Value Optimiser project as shown here.

1. Discovery

This is where you get a top level understanding of the spend category or

process under review to identify issues and challenges. This includes looking at the following;

- ▶ Spend in the Category.
- ▶ Current suppliers being used.
- ▶ Current spend by suppliers.
- ▶ Contract review to understand currently agreed terms.
- ▶ Invoices for a minimum of ideally the last 12 months.



2. Analyse

This is a deep forensic analysis that looks at key aspects that influence the purchase such as demand drivers, levels of authorisation, business process, volume and contract terms.

By using this data to build a supply chain and order to process map you now have a complete profile of consumption to accompany the cost profile developed in Discovery. You now have all the data you need to challenge the status quo.

3. Challenge

When a candidate category or product has been identified, you then challenge the whole process through a 360 degree review.



This is a holistic review that considers many different factors such as alternate stocking and distribution policies, product specifications, pricing structures and supplier rationalisation and new technologies. The objective is to consider different ideas and explore various ways to reduce costs.

This is supplemented through the Knowledgebase in CEOportal which contains information about 100 core overhead processes, including an overview to the process area, product and service descriptions, and all the factors which can affect cost.

A 360 degree review comprises the following key areas;

Specification and Design

This considers how alternative product designs or specifications can be used or existing ones modified to affect price. The aim is to make sure the design or specification is appropriate to needs. Over specification is common and it can mean paying far more for an item that is of a higher specification than needed. For example, something as simple as switching from high quality paper to something thinner for general office printing can generate huge savings.

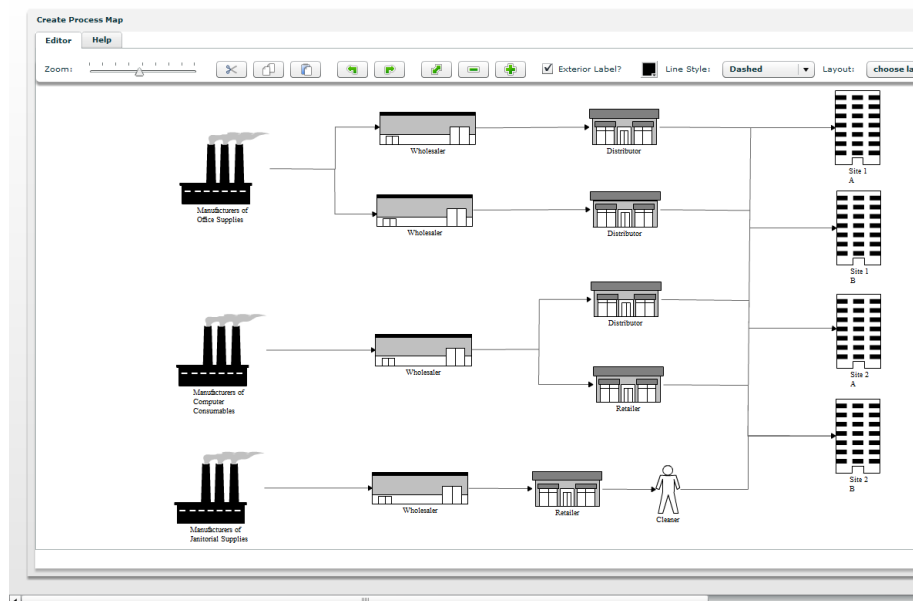
Price/Tariff

Look at current structure to ensure it is appropriate and matches the requirement. Consider alternate structures that could reduce costs.

Supply Chain

Is the current supply chain the most effective and cost efficient?

Investigate how changes could be made such as delivery and consumption rationalisation to reduce costs and improve efficiency. If multiple suppliers are used, this could be consolidated to negotiate better terms with one or two companies.



Technology

Review current technologies to identify any which are outdated with a high cost of maintenance. Maybe they can be replaced by an alternative with a lower cost of ownership? An example would be replacing old laser printers with new inkjet printers that print on both sides of a page. The ink and consumables cost less and money is also saved by using less paper. Simple but financially effective.

Income Sharing

Ideas to generate and share revenue by partnering with a supplier or selling a waste product that can be used as part of another product.

As part of the process you can also schedule an online Collaborative Strategic Review and invite people you think could contribute ideas such as current and potential suppliers, colleagues from any part of the enterprise and customers. Their contribution can be encouraged through email, telephone and face to face contact and keep communications open and make sure the ideas keep flowing.

4. Source

After a 360 degree review has been completed, analyse ideas, formulate a plan and talk to suppliers. Use Value Optimiser to manage the sourcing cycle and automatically generate Requests for Proposal and Tender documents based on criteria you specify.

Easily manage and compare all responses to get clear visibility of various offers and use the Balanced Scorecard to drive best value outcomes. And finally, use Reverse Auctions as a tool to drive out additional savings to achieve the absolute best value for money.

5. Implement

Improvements have been made and now new arrangements must be implemented to achieve the benefits identified. The aim is to ensure that new processes are adopted and there is a smooth transition to new sources of supply.

6. Audit

Measurement is crucial in any CEO process and the final stage ensures conformance to the terms you have negotiated by setting alerts to review performance at defined time intervals.



Benefits

Reduces sourcing costs by between 9 and 26 % on average by;

- ▶ Simplifying the sourcing process to reduce the time it takes to manage.
- ▶ Using proven solutions identified in the Knowledgebase and Community Collaboration through CEOportal.
- ▶ Driving out additional savings through Reverse Auctions.

Provides security and compliance with best practices and policies and procedures through a complete audit trail.

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