



Industrial Vehicle Manufacturer Improves Cash Flow Via Asset Management & Procurement Services

Highlights



- Performed full diagnostic review of client's operations and applicable business processes
- Developed comprehensive parts and procedures database
- Developed sourcing strategies, identified suppliers and facilitated supplier business reviews
- Reduced annual indirect spend by more than \$40 million
- Achieved sourcing savings of more than 21%
- Achieved an ROI of 200-300% for every dollar allocated to the Asset Recovery Program

The Challenge: A Fortune 500 international manufacturer of industrial vehicles was looking to improve its cash flow and reduce operating costs while still maintaining the steady growth it had seen in recent years. The company was looking to not only to drive tangible bottom line savings, but also to streamline key processes and improve institutional knowledge of employees. The challenge was to find a more efficient way to manage a growing network of 1,000+ vendors without having to redirect resources and impact their daily core manufacturing and customer service operations.

The Approach: A three-phased approach was initiated that aimed to quickly deliver value through a streamlined vendor management strategy, starting with strategic sourcing & asset recovery:

Phase I - Assessment & Analysis

- Spinnaker performed a full diagnostic review of the manufacturer's operations and applicable business processes which included an expenditure analysis, order-to-pay process analysis, vendor contract analysis, compliance (both internal & external) analysis, parts & inventory optimization analysis, and an analysis of the overall procurement process and systems utilized.
- A detailed report highlighting the difference between the clients "current state"

- Spinnaker developed a comprehensive parts and procurement database that contained sourcing analysis information such as pricing, part numbers, specifications, and alternate vendors for the sourcing categories selected by the client.

Phase II – Strategic Sourcing, Supplier Rationalization & Supplier Relationship Management

- Using the data found in the diagnostic review in Phase I, Spinnaker was able to set parameters that served as the foundation for the supplier rationalization, supplier management and strategic sourcing functions for several key sourcing categories as directed by the client.
- Activities included developing sourcing strategies, alternate supplier identification, conducting sourcing events, facilitating supplier business reviews, etc.

Phase III – Asset Reclamation Program (ARP)

- The client's surplus or obsolete inventory was estimated to be in the millions of dollars and was spread over multiple locations. Spinnaker identified and cataloged the inventory, coordinated with the client's suppliers to develop re-distribution, 'buy-back', & scrap programs to recover as much of the material value as possible.
- Spinnaker then instituted protocols to avoid repeat situations, which provided the client the ability to roll the ARP out to other sites around the country.

The Results:

- Spinnaker was able to identify and categorize nearly \$900 million of addressable indirect spend.
 - The client gained additional leverage and negotiated more favorable contracts with vendors thru bulk discounts and promises of future business.
 - Increased supplier visibility enabled the consolidation of suppliers, which in turn made it possible to initiate improved supplier compliance processes and eased the supplier management burden as the pool was reduced.
- Spinnaker delivered significant cost savings and an immediate improvement to the client's bottom line in year one.
 - Reduced annual indirect spend by more than \$40 million on non-production materials and services.
- Achieved sourcing savings of more than 21% on categories under management.
 - Achieved an ROI of 200-300% for every dollar allocated to the Asset Recovery Program.
 - Millions of dollars were saved or recovered through the disposition of scrap/surplus materials – turning operating cost into cash.

About Spinnaker: Spinnaker is a supply chain services company that helps clients grow, manage risk, reduce costs, and improve customer service by developing world-class supply chain capabilities. Our services help clients develop the right supply chain strategy for their business challenges and implement the process and technology solutions to improve Demand/Supply Planning, Procurement and Sourcing, Logistics and Warehousing, and Reverse Logistics business performance. Spinnaker offers a unique service delivery model that combines the strength of deeply experienced management and technology consultants with a seasoned team of business process outsourcing (BPO) and 3rd-party logistics (3PL) professionals. Founded in 2002, Spinnaker has offices in Boston, Columbus, Denver, Houston, Memphis, Pittsburgh, London, and Singapore.

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