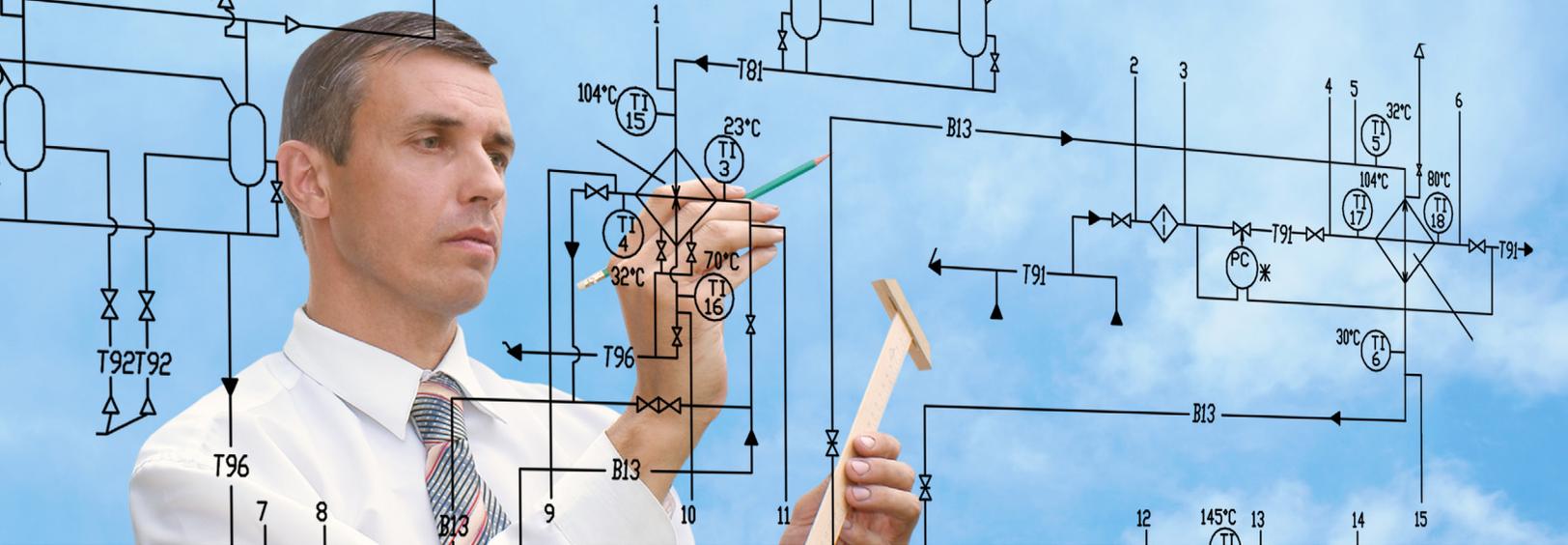




IMPROVING SAVINGS IN SPOT BUY FOR A LEADING GOLD MINING COMPANY THROUGH SPEND DATA ANALYSIS

Abstract

Infosys partnered with a leading gold mining company with mining sites spread across North America, South America, APAC and Africa, to help its procurement team achieve its savings target in the spot buy channel. The Infosys analytics team carried out spend data analysis on their spot buy spend to identify savings opportunity worth USD 3 million.



Doing more with less

In today's competitive environment where customers are always on the lookout for competitive prices, there is an added pressure on the procurement function to bring down the price of purchased products and services. This encourages buyers to apply new innovative ideas and utilize market research techniques to negotiate better with vendors. Spend analysis using analytical tools such as Tableau and Qlikview, and domain expertise in sourcing and procurement can aid procurement organizations to a great extent. This people + technology approach of analytics can uncover tremendous opportunities in the sourcing and procurement function. At Infosys, we are committed to working with our clients to identify causes of a problem or pain area and come up with our diagnostic solution approach to not only solve the current but also future problems.

Business context

Our client, a leading gold mining company, managed procurement through strategic sourcing and spot buy channels. While the procurement team achieved their savings target for strategic sourcing, they did not meet their target in the spot buy channel and sought our help to address this pain point.

Our analytics team worked with the client to analyze their spot buy spend data

from two regions – North America and Africa. The analysis revealed three typical challenges that buyers faced in spot buy transactions:

- Urgent requirements were a challenge as it required an order to be placed within 3 days from the receipt of the purchase requisition
- Limited time (1 day) was available to invite quotes for competitive
- Only incumbent vendors were being used for respective requirements.

Why spot buy analysis was necessary?

The company's current process had certain loopholes. Buyers were not analyzing the historical buying pattern to build a strategy to negotiate with vendors. As an example, they preferred to buy from one specific supplier for one category, which did not lead to any saving.

In addition, buyers were not assigned to specific categories per their expertise in the category. Therefore, a category management approach, an essential component for any purchasing organization, was missing.

Challenges

We initiated a spot buy analysis to dive deeper into the problem. As the data was not in the standardized format, our team cleansed, normalized and standardized it before analyzing it. Our team faced four major challenges during the analysis:

- **Spend data not categorized**

Item classification in the spend data was missing. Approximately 50 K line items of spend data had to be classified based on the mining industry taxonomies. Automation of the process was not feasible as there was no product coding available for a majority of the items.

- **Spend data and saving data were not linked**

While the savings data was available PO number-wise, it needed to be mapped with the spend data. Merging both these data sets was a difficult task as the spend data was available as individual line item-wise while the saving data was available PO number-wise.

- **Discussion with individual buyers**

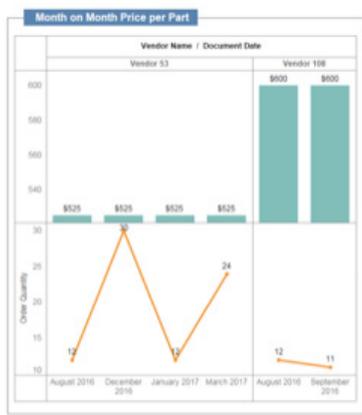
We discussed 'high spend with no saving' cases with individual buyers to understand their challenge in achieving savings. We prepared various reason buckets based on the discussion. This was a manual and time-consuming activity.

- **Price variance cases validation**

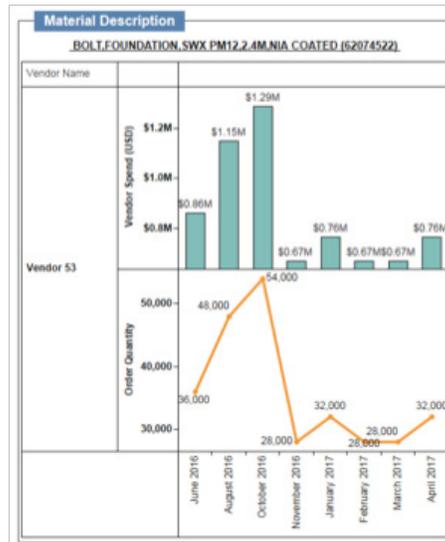
Our analysis found various price variance cases which needed to be validated by the respective buyer to understand if the Incoterm for each case is same or not.

Our solution and approach

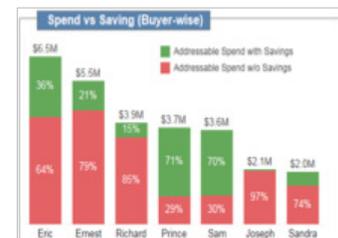
Our team cleaned, classified and transformed the spend data obtained from various data sources using text mining algorithms to create a single source of truth for analysis. This was complemented with individual buyer feedback with reasons for no savings cases. Insights derived from this information were then showcased using interactive visual dashboards in Tableau.



Price variance analysis
(Variance in price of same item purchased from different vendors and same vendor)



Sourcing opportunity analysis
(Various recurring purchases made without contract and with high spend)



Category management approach
(Recommend to align buyers to specific categories based on their expertise)

The insights generated included:

- Price variance analysis**

To understand the variance in price of the same product from different vendors and the variance in price of the same product from same vendor throughout year.

- Category management approach**

Our team's interaction with buyers revealed that although buyers had acquired expertise in certain categories, they were buying across all categories. Hence, our team recommended utilizing the buyer's skills in specific categories based on their expertise.

Our team reviewed category-wise savings to devise a negotiation strategy around the fact that if a vendor provides savings on few products in

a certain category but not on other items in the same category. This insight was uncovered only through item classification done by the team

- Missed sourcing opportunities**

Our team created a Tableau dashboard for recurring purchases with high spend throughout the year but which was not under contract.

This analysis revealed that there were various untapped sourcing opportunities which were missed last year and could have been a part of the sourcing event for discounted purchasing (this could lead to a 2% savings on spend).





Benefits realized

Spot buy analysis yielded significant tangible and intangible benefits, including:

- Uncovered a saving opportunity of USD 3 million over an addressable spend of USD 100 million for the North America and Africa regions.
- Classified spend data available for a whole one year so it can be utilized to apply the category management approach for all vendors.
- Buyers can now be assigned to specific categories based on their expertise. This will fetch significant savings in the next financial year.

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