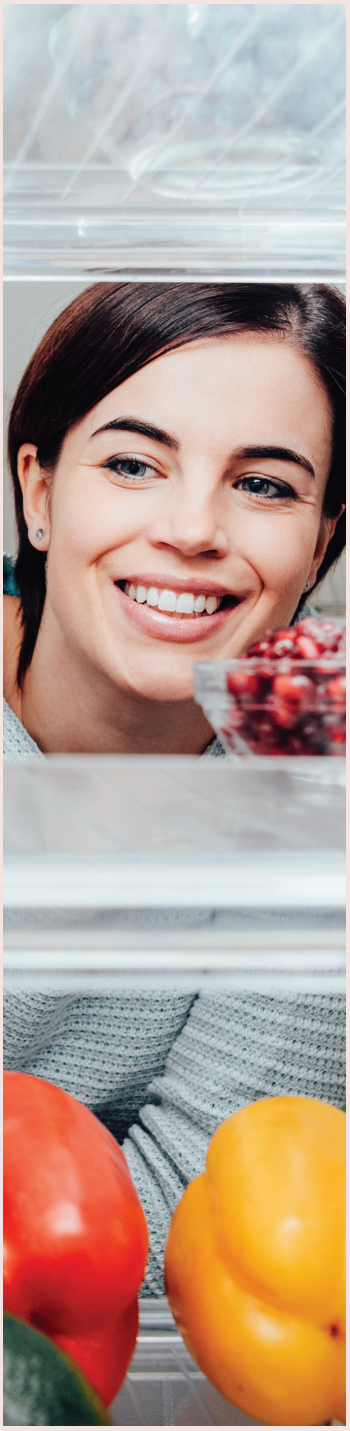
CASE STUDY



CONTROLLING THE EMISSIONS, AND COOLING DOWN THE PLANET

Abstract

One of the world's largest CPG companies had rolled out a new sustainable refrigeration policy for its over 550 factory sites globally, driven by climate change concerns. Responsible for implementing the mandate on a tight deadline, Alfred Gordon, the Global Engineering Manager, needed to replace or retrofit the company's refrigeration assets on a war footing. This case details how Infosys BPM's in-depth sourcing strengths helped Alfred achieve his sustainability milestones, while also potentially saving €45 Mn on budgeted project costs.

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Alfred Gordon is the Global Engineering Manager (Refrigeration) at one of the world's largest consumer goods companies. The company has a wide portfolio of products including food, energy drinks, ice creams, beverages, cleaning agents, beauty products, and personal care products. Not only was Alfred responsible for maintaining the company's refrigeration plants and chillers across all global sites, but he also had been thrown a challenge that would demand every bit of the resourcefulness he had been known for over the years.

Getting cold feet

Alfred's organisation is considered a pioneer when it comes to setting out on a long-term path towards carbon neutrality and other ESG metrics. Thus, during the signing of the Paris agreement on climate change, the organisation had pledged to become carbon-positive by 2030, which meant drastically reducing operational scope 1 and 2 of greenhouse gas emissions by 100%. In general, scope 1 and scope 2 refers to the greenhouse emissions which are controllable from the organisation's end. While scope 1 includes direct emissions from controlled sources, scope 2 covers indirect emissions from sources such as electricity, steam, heating, and cooling systems.

Breaking down its journey towards carbon neutrality by 2030, the company targeted a 70% reduction of emissions by 2025, investing generously on new technologies like hydrogen, increasing energy efficiency, and switching to renewable energy sources. Resultantly, consciousness regarding the adoption of sustainable practices within the organisation had grown by several folds over the past few years.

The change that meant the most to Alfred, however, was that the organisation had also made some stringent changes to their refrigerant policy. Alfred had to implement these changes across the over 550 global factory sites of the company, within a span of just 8 months.

Setting out towards a cooler world

Considering the scale of the change and the tight deadline for its implementation, Alfred knew he would need external support. He quickly thought of procurement experts at Infosys BPM, as they had been associated with the organisation since 2018, and Alfred was very well aware of their credibility and capabilities. He got in touch with the Capex Lead of Infosys BPM, Reena Sachdeva, who led a team that provided end-to-end services including category management, strategic sourcing, tail spend management, as well as fulfilment support.

In his earlier interactions with Reena, Alfred had come to know about how Infosys — being a carbon neutral organisation itself — had been supporting many of its clients to scale their sustainability journeys. Alfred discussed with Reena how he could best leverage Infosys' large sustainability practice and multiple service and technology offerings to achieve his formidable ESG targets. He recognised that Reena's sourcing and procurement teams could be a major enablers for meeting his goals, given their understanding of the business context as well as proximity to the company's supplier network.

Approach summary

- Constitution of regional core teams
- Creation of asset repository
- Analysis of suppliers' capability/footprint matrix
- Commercial feasibility studies of retrofits vs replacements
- Global, regional, and local RFP processes

As soon as she was briefed, Reena constituted regional core teams, with representation of category managers from across each region to provide visibility into the length and breadth of the projects. With their help, she then charted out the three main challenges needing to be resolved:

- Managing the huge scale of the operation, spread out in over 550 sites across more than 80 countries
- Lack of visibility into the exact quantum of requirements, as no central data was maintained on the assets/chillers. This caused indiscriminate buying in the past which meant there was no benchmarking of costs to rely on
- Lack of a standard solution due to multiple capacity variations in the company's refrigerant equipment needs and a diverse supplier base. As these demands were scattered across the globe, there was no single supplier who could both comply to all the norms of the new refrigerant policy as well as provide the diverse equipment needed, ranging from low capacity refrigeration systems of less than 50 tons of refrigeration to those needed in sub-zero temperature zones.

To deal with Alfred's challenges, Reena directed her teams to apply a category management approach backed by sustainable practices. Towards this, she deployed a dedicated team of SMEs who would help in activities such as market intelligence, creating suppliers' capability and footprint matrix, and others.

This quick reaction team began collating the exact quantum of the requirement and computing the whole life cost of all the refrigerant assets, to create an exhaustive asset repository. The repository helped them to identify the assets that were nearing end-of-life and to examine the feasibility of their refurbishment with minimal upgradation as against completely replacing them.

Once the Infosys BPM team identified the assets to be replaced or refurbished, they next analysed the suppliers' capability/ footprint matrix. This analysis revealed ready solutions as well as solutions that needed to be customised to comply with the change in policy. During the task, as the team was also looking at optimising the asset base alongside, it conducted commercial feasibility studies based on the total cost of ownership concept, focusing on the costs of retrofits versus replacements.

Based on all the gathered market intelligence, the team then segmented Alfred's requirement into two buckets. Apart from the details of the geographies the solutions were available in, the first bucket classified ready solutions from suppliers and the second bucket contained solutions which the suppliers would need to modify. The categorisation also bifurcated the assets which were earlier identified as suitable, either for retrofits or complete replacement.

Reena's team then moved on to conduct an end-to-end sourcing activity across all the geographies by floating global, regional, and local RFPs to identify the suitable suppliers and award them contracts. During this process, the team also contacted the sources of the refrigerants suppliers and manufacturers who were supplying these refrigerants to the service providers to understand their strengths and weaknesses and to benchmark costs. Then, the team selected potentially strong suppliers, based on global and regional demand consolidation equations, and got them contractually onboarded to provide customised solutions within the tight deadlines.

Cooler summers ahead

The in-depth sourcing strength of Reena's teams, their strategy, and relentless execution efforts ensured 100% compliance of the company's global refrigerant policy for nearly 30% of its factory sites across over 80 countries, within the stipulated timeframe of 18 months.

Alfred was also impressed with how the team had applied demand consolidation and other sound sourcing practices — such as whole life costing, optimum utilisation plan for existing investments, and effective project management — all of which helped to achieve 30% savings to the tune of potential €45 Mn, on the total budgeted project cost.

Key benefits

- Potential €45 Mn savings against the budget
- 100% policy compliance for 30% of sites
- Ozone depletion potential reduced to zero
- Global warming potential reduced to below 5

Most importantly, the project helped to reduce the factories' ozone depletion potential (ODP) to zero and global warming potential (GWP) to less than 5, across more than 500 facilities globally. Going forward, Reena and her teams remain committed to proactively using procurement as a key to collaborate with Alfred on more such initiatives, as the company continues its journey towards 2030.

**Names have been altered to preserve the identities of the people involved.*

For more information, contact infosysbpm@infosys.com

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