



HATCHING GOLD WITH EVERY SAVING OPPORTUNITY, POWERED BY ANALYTICS

Abstract

Erika Miller, the Director for Strategic Spend at one of the world's largest mining companies, was on a mission to derive savings on key spends. For this, she needed visibility into the impact of market price fluctuations on commodity input costs. She leveraged Infosys BPM's analytics-driven visualisation model which helped her implement more efficient contracting strategies, while identifying savings opportunities worth \$2 Mn.



Low visibility, missed opportunities

Erika Miller stepped out of a tensed meeting with the CPO at one of the world's largest mining companies. As the Director for Strategic Spend, she reported to him and was responsible for managing the company's strategic spend on gold and other metal mining operations spread globally. In addition to these spends, the company also had a robust exploration and project pipeline spanning five continents.

In the meeting, the CPO had been telling her that he needed her help to improve the bottom line for the upcoming quarters, towards which she needed to devise more efficient contracting strategies for greater savings on key spends.

Erika began thinking hard on how she could optimise her spends on critical mining input materials and machinery. Raw material prices in the international

market were constantly fluctuating and she lacked visibility into how these market changes affected the input costs, especially within her key strategic categories. She realised that because of this lack of visibility, her contracting strategy was not in conjunction with market dynamics, and this had led to many lost opportunities to procure at lower costs. This made her situation very tricky.

Mining for insights

Erika decided that she needed to leverage analytics for insights into the seemingly chaotic commodity market fluctuations. She was aware of her organisation's long-term partnership with Infosys BPM, and their expertise in data analytics. She quickly contacted Infosys BPM's procurement transformation specialist Jacob Harris, to bring in the necessary experience and expertise. The scope of the engagement covered several procure-to-pay processes,

and she began closely collaborating with Jacob and his team.

Jacob's transformation approach involved four main stages. First, his team conducted a cost breakdown of Erika's key strategic categories to identify the individual cost contributions of raw materials and commodities.

Next, Infosys BPM analytics experts created a robust data model to map the identified

raw materials and commodities against their respective market indices. This model helped to plot the corresponding increases/decreases in the final prices of the commodity inputs. Finally, Jacob's team leveraged a visualisation tool to map the data model against Erika's key categories and so obtain insights on market movements and their impact on input cost.

Approach summary



Erika, though, had some concerns about the accuracy of the category linkages with their respective raw materials and commodities, and discussed these with Jacob. Because many of the mining input materials were customised specifically for the company's requirements, her sourcing teams were not sufficiently confident about the breakdowns of the raw materials prepared by Jacob's team. To mitigate these concerns, Jacob conducted deep dive workshops with the business stakeholders, leveraging market intelligence to gain agreement on the indices to be referred by the model for the raw material breakdowns.



Capitalising opportunities

The spend analysis performed by Jacob's team and the visualisation dashboard they created, went a long way in helping Erika predict the impact of market fluctuations on her spends in key categories and materials. Thus, when Erika had another

review meeting with her CPO, she reported how she was now able to better plan inventory levels and identify medium, long-term contracting opportunities with suppliers.

Erika was also happy to share that the model had helped her to identify a \$1.4 Million saving opportunity based on price variance, and an additional \$600k savings opportunity based on a contracting and outline agreement route.

Key benefits



\$1.4 Mn price variance savings



\$600k contracting savings



Long-term supplier contracting



Erika walked out of the review meeting sporting a wide smile. The CPO had greatly appreciated her success with positively impacting the company's bottom-line through more effective contracting strategies. What's more, she had secured his approval to expand the scope of Jacob's analytics project to include not only several additional P2P processes but also parts of accounts payable processes as well. The coming quarters were sure to yield much more savings and many more accolades.

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

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