



STEPPING ON THE GAS

Abstract

Maintenance, Repair and Operations (MRO) is a niche category that requires understanding of various spend categories. In most cases, unsatisfactory supplier relationships can significantly slow down cost savings journeys. In the particular case in point, Infosys BPM helped a leading automobile manufacturer organize a fresh sourcing event for critical industrial gas supplies, that eventually delivered close to 40% hard savings and another 45% in soft savings, amounting close to £85k.

The client is among the world's largest automobile manufacturers. Headquartered in Japan, each year it sells close to 30 million automobiles, motorcycles, engines, and power products across the world.

Infosys BPM has been working with multiple clients on MRO category front and has delivered saving across multiple commodities and sub category areas. Infosys BPM supports the company with its sourcing and procurement requirements in Europe across various categories including capex, IT, marketing, logistics, and MRO. Through proactively partnering with client stakeholders, Infosys BPM teams have helped the client achieve several cost optimizations, risk moderation, supplier performance, and compliance goals.



A noxious situation

Industrial gases such as nitrogen, hydrogen, argon, and other rare gases are critical supplies playing an important role in the automobile industry. They are used in metal fabrication, to prepare float glass, to fill car safety airbags, and in other production processes. Any delivery disruptions or quality issues in these gases have the potential to cause expensive production delays or even bring production lines to a complete halt. Despite this, the client's supplier for gases denied timely communications and transparency, and their supply quality was not satisfactory either. Thus, when the client tasked Infosys BPM with settling the

supply and invoicing issues, the Infosys BPM category manager took notice of the high costs and continuous production at risk and worked to resolve the challenges with the supplier.

The strategy began with assembling a team that studied the challenges in detail and discovered that several departments in the client organization were individually procuring their industrial gas requirements from the supplier. With no holistic view, company management lacked visibility in terms of the total stocks held. Further, there were many empty gas container cylinders that remained uncollected by the

supplier and were incurring rental costs. Drilling down into the issues, the team also discovered a mismatch in expectations. On the one hand the organization expected timely delivery of its requirements, but on the other hand the supplier reported issues such as unpaid invoices.

Next, the team conducted a root cause analysis and identified that the supplier was not providing a breakdown of costs in its invoices. Thus, the client lacked visibility into the cost structure of the ordered gases, and the situation was compounded by the supplier being reluctant to provide detailed data when requested.

Gearing up for a new journey

To get a realistic view, the Infosys BPM category manager used a hands-on approach, collecting all the available data in terms of purchase orders and invoices from the various stakeholders involved, as well as reports from the supplier. Then, using these data points, and supported by an Infosys BPM offshore team, they conducted a detailed evaluation, walking the entire site to complete a stock check analysis with all the departments. Subsequently, the team identified that since the supplier's inventory holdings had not been checked for 15 years, it was charging the client for additional gas cylinders in excess of the actual holdings. To rectify the situation, the team worked with the client stakeholders to organize a fresh sourcing event. Using research

conducted by Infosys BPM marketing intelligence experts, the team identified three alternative suppliers and issued fresh RFQs to them as well as to the incumbent supplier.

Infosys BPM managed the entire sourcing process including hosting site visits, introducing the new suppliers to the various departments, and setting up meetings to discuss opportunities for cost optimization and improvements in service levels. The team primarily worked on three areas of support – identifying the best model for rental and delivery, the best pricing model, as well as other savings opportunities such as through changing gas mixtures and concentrations. Resultantly, apart from obtaining clarity on break down of costs from the finalized

supplier, Infosys also obtained two months of free rental that added further cost savings. The team also ensured that the product delivered would be of the desired quality through utilizing the services of the internal quality analysis team. Additionally, Infosys BPM was able to negotiate with the incumbent supplier to remove their existing gas cylinders without imposing any charges on the client.

Throughout, the Infosys BPM team was mindful of keeping the key stakeholders closely involved in the process to ensure buy-in for the supplier change and a smooth transition. The client also agreed to create and implement a new catalogue for industrial gas purchases and limit any additional last-minute orders to save on rental charges.



High octane outcomes

While there were a few teething problems with the new supplier, such as the regulators on their cylinders being different, the team ensured that the supplier provided new regulators free of charge and similarly resolved the other issues at the earliest.

Once the new supplier settled in, the team's efforts helped the client record a stunning 39% cost reduction to the

tune of £39.5k over the baseline spend of which 6% was due to change of mixture concentration, 15% due to the pricing model change, 12% as an RFQ outcome, and an additional 5% due to 2 months of free rental. The improvement of invoicing processes resulted in another additional soft savings of 45% of worth £45k. In addition, all client stakeholders appreciated the distinct improvement in the quality levels of the service provided by

the supplier.

While the project has helped the client cross a significant milestone towards improving overall MRO spend, the Infosys BPM team continues to proactively seek out opportunities to further rationalize spends through improved operations by creating efficiencies and reducing non-core activities to ascertain that the business requirements are met.

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