

# WHITE PAPER

## Effective Waste Services Procurement Strategy: *The Key to Creating Wealth from Waste*



– Giovanni Valentini

### Abstract

Procurement departments, facing increasing pressure on their savings targets, are looking for benefits opportunities beyond the strategic categories moving into the realm of “secondary” categories, traditionally left unmanaged, leaving on the table (or in the bin!) readily achievable savings opportunities.

This paper identifies 5 key strategies that category managers should consider to tackle the waste management category and unlock double digits reduction of waste management costs while ensuring compliancy to Occupational Health and Safety (OH&S) regulation and improving corporate sustainability, thus making their company a better social citizen.

## Introduction

The waste management category is frequently overlooked, leaving significant, easily achievable savings opportunities on the table.

Here we outline 5 key strategies your organisation can use to realise greater value and achieve a double digit order reduction in your waste management category spend:

1. Break-out your costs
2. Know your waste
3. Choose your suppliers - local vs national?
4. Match your equipment to your needs
5. Recycle and educate

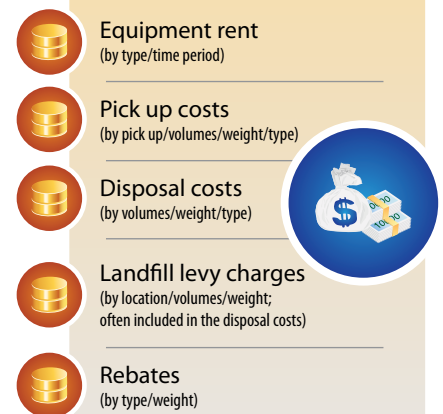


## The 5 Strategies to tackle the waste management category

### 1. Break-out your costs

Waste management companies frequently charge a “bundled fee” for their services, allowing them to hide costs and rebates. These bundled fees can make it difficult to understand what about your operations is driving your costs and can be near impossible to benchmark.

By breaking down the different cost components and making them clearly identifiable on invoices and reports, you will gain the transparency needed to benchmark the rates applied vs “best in the market”, “should cost” rates or across units. Having visibility into the typical waste fees below will enable you to better understand where the opportunities are.

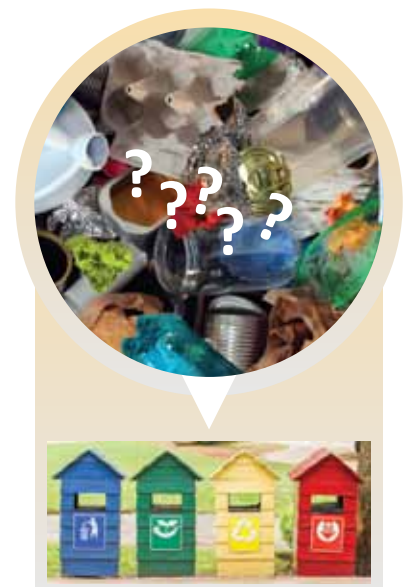


### 2. Know your waste

Waste management services are a volume and location driven category, therefore the knowledge of your waste (by type, volumes/weight, location) is critical to optimise the service and right-size your equipment.

In fact, a too high pick-up frequency will result in bins picked up half empty and higher than necessary costs, one too low will result in waste overflow and negative Health & Safety (H&S) implications. Furthermore, did we mention the opportunity to negotiate volume discounts?

Therefore, ensure that your waste management provider is sophisticated enough to create detailed periodic data reports, for example by using “in-cabin management systems” and software generated documentation; if these are not available from your provider, be prepared to periodically spend some time on-site and manually monitor and document the required information.



### 3. Choose your suppliers - local vs national?

Similarly to other industries in Australia, the market of waste management services consists of a handful of tier 1 and 2 national or state players and a very large number of small local providers; in fact, the four largest companies operating in the solid waste collection industry are estimated to account for less than 40% industry revenue in 2014-15 and generally face high level of competition on a local basis from smaller players.<sup>(1)</sup>

The choice of a local versus national supplier should take into consideration a number of factors, such as:

- lower overheads versus lower economies of scale
- ability to generate accurate, timely, standardised reports
- ability to comply with complex regulations and certifications

- account management complexity
- investments on equipment and technology

Which ones of these elements are more important for your organisation?

### 4. Match your equipment to your needs

The choice of “fit for purpose” equipment greatly influences the service level required to meet your needs and as a consequence the total final cost paid; without control, you may end up paying too much for a sub-optimal service or having equipment sitting underutilised in the yard.

For example, smaller bins will require more frequent pick-ups while larger bins will incur a more expensive rent; or the use of a waste compactor may drastically reduce the number of pick-ups, justifying its higher rental cost.

Therefore, understand your needs and collaborate with your supplier to identify the required equipment and service levels.

Too many bins? Not enough? Could you use one large skip bin instead of many smaller ones?



### 5. Recycle and educate

Most Australian states constantly increase their disposal levies to encourage recycling by penalising landfill disposal.

In other words, the more an organisation is able to recycle, the higher the savings opportunities through:

- Avoiding paying landfill levies
- Obtaining rebates (or free services) for recyclable waste

benefits for the environment and an overall improved brand perception.

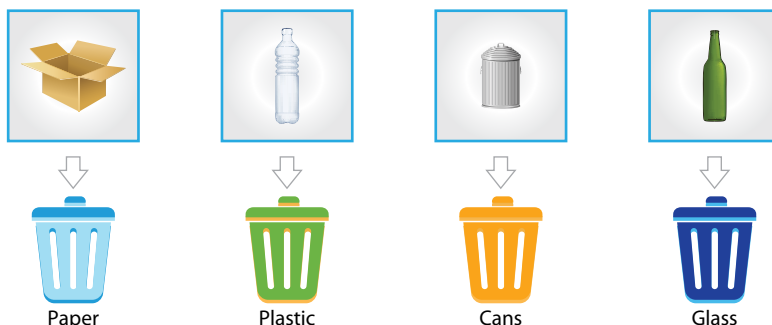
However, to get these rebates it is critical that the recyclables are properly sorted in dedicated bins to avoid mixing them with the general waste headed to the landfill.

To drive the correct recycling behavior, educate your teams about the segregation process and enable them with simple tools like:

- Signage systems (colour coded bins, labels and instructions, coloured pathways)
- Education programmes (on-line education, tool box meetings, brochures)
- Knowledge sharing (best practices, on site waste champion)

Obviously getting a AUD 50 per ton rebate or a free service for your PET plastic collection, instead of paying a AUD 200 per ton landfill levy is a good way to reduce your company's waste costs!

Furthermore, recycling will help reducing the carbon footprint of your organisation while improving its sustainability, with



#### References:

1. Caroline Finch; IBISWorld Industry Report D2911 “Solid Waste Collection Services in Australia”; December 2014

## Case Studies

Infosys Portland undertook several waste management procurement reviews for some of Australia's leading organisations identifying average savings of 10% to 15%; some of the key examples are described in the following table:

Industry	Engagement Type	Services Provided by Infosys Portland	Addressable Annual Spend (\$M)	Benefits (%)
Food & Beverage Client	Strategic Sourcing	Conducted market analysis to identify suitable number of suppliers; executed Request for Proposal to 7 suppliers consisting of both national and regional suppliers; based on a rigorous selection criteria initiated negotiation with three shortlisted suppliers; the proposed multiple source supply model identified savings ranging between 17-27% across 10+ production sites	\$4.2M	17 - 27%
Oil & Gas Client	Strategic Sourcing and Category Management	Assisted client to address the existing concerns in the relationship with incumbent supplier and to improve internal compliance which was lacking. Major site was undergoing a significant conversion which meant several uncertainties around new waste streams, quantities, and timing which were addressed via incumbent negotiations. Provided risk, benefit and safety assessment in order to support decision on radioactive waste management strategy	\$4.9M	~12%
Manufacturing & Distribution Client	Direct Negotiations	Quantified potential savings through detailed benchmarking analysis and a comprehensive review of the current specifications. Executed direct negotiations with the incumbent supplier to realise the identified opportunities	\$0.5M	~12%

## Conclusion

Waste management services is a frequently overlooked category, where both low transparency of fees and lack of understanding of the waste generated, drive sub-optimal practices resulting in higher costs.

Availability of granular data is a significant challenge when identifying the optimal strategies to address potential opportunities. Data gathering and reporting can be a complex and time consuming activity, so ideally preferred suppliers should have the ability to generate accurate and timely reports. In the absence of available reporting data, alternative but less preferred methods to collect the required information include frequent periodic inspections on numbers and types of equipment used, how full or utilised they appear, frequency of pick-ups etc. documented by on-site personnel across waste types.

Sizeable savings are achievable by category managers that can successfully implement some of the key strategies outlined above to reduce costs and improve recycling behaviours.

## About the Author



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Giovanni has 7 years' experience in delivering consulting services to national and multinational clients across public and private sector, resources, construction, food & beverage industries. He is an Engagement Manager at Infosys Portland and holds a Master in Business Administration by Macquarie Graduate School of Management (Sydney, Australia) and a Master in Mechanical Engineering by Politecnico di Milano (Milan, Italy).

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