



CASE STUDY

Getting it right: The art and science of buying



How Infosys helped a pharma major tap an unseen opportunity, rationalizing the supplier base by 95%, leading to 45% in projected savings in the office supplies category

Abstract

Upfront, office supplies seem like a fairly simple spend category to handle. Yet it is something that every business purchases and some, like our client – one of the largest pharmaceutical companies in the world – spend millions of dollars on. True, it's a category rife with challenges, - but if handled better - can also be a source of massive savings, as in our client's case – whereby a 95% reduction in the supplier base is leading up to a whopping 45% in savings

Infosys
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Going the extra mile

As a long-standing partner of a global pharma major, we assist its procurement function in managing an annual spend of more than GBP 13 billion across direct and indirect goods and services and across multiple categories. We provide a wide array of services including e-Sourcing, catalog opportunity identification, tail spend management and more. As a part of category management, we provide category support services backed by analytics and market intelligence to help identify category performance improvement opportunities. In one category – office supplies – we identified a significant opportunity to streamline the supplier base, driving the best possible value for each pound spent.

The office supplies category faced several challenges – from a large number of stock keeping units (SKUs) to a highly fragmented supplier base – as the procurement function procured office

supplies for 12 sites across five countries in Europe. We commenced the sourcing exercise by conducting a deep dive analysis of the spend category- which revealed that a massive 17,000 SKUs were supplied by 20 suppliers with a spend of around GBP 2.5 million. Clearly, there was excessive supplier fragmentation, a problem further magnified by poor and disconnected spend visibility across various business units, signaling a huge rationalization opportunity waiting to be tapped.

Stronger together: A joint approach to managing the category

Our thorough analysis convinced the company to undertake a category rationalization project with Infosys holistically driving the program, with buy-in and support from the client project sponsors. We adopted a partnership

approach and created a joint team to strategize and implement a sourcing plan for this category. This team comprised category managers and other key members of the client category teams across business units and regions and members from our sourcing, analytics, market intelligence and eRFx teams. The joint team had a clear mandate to:

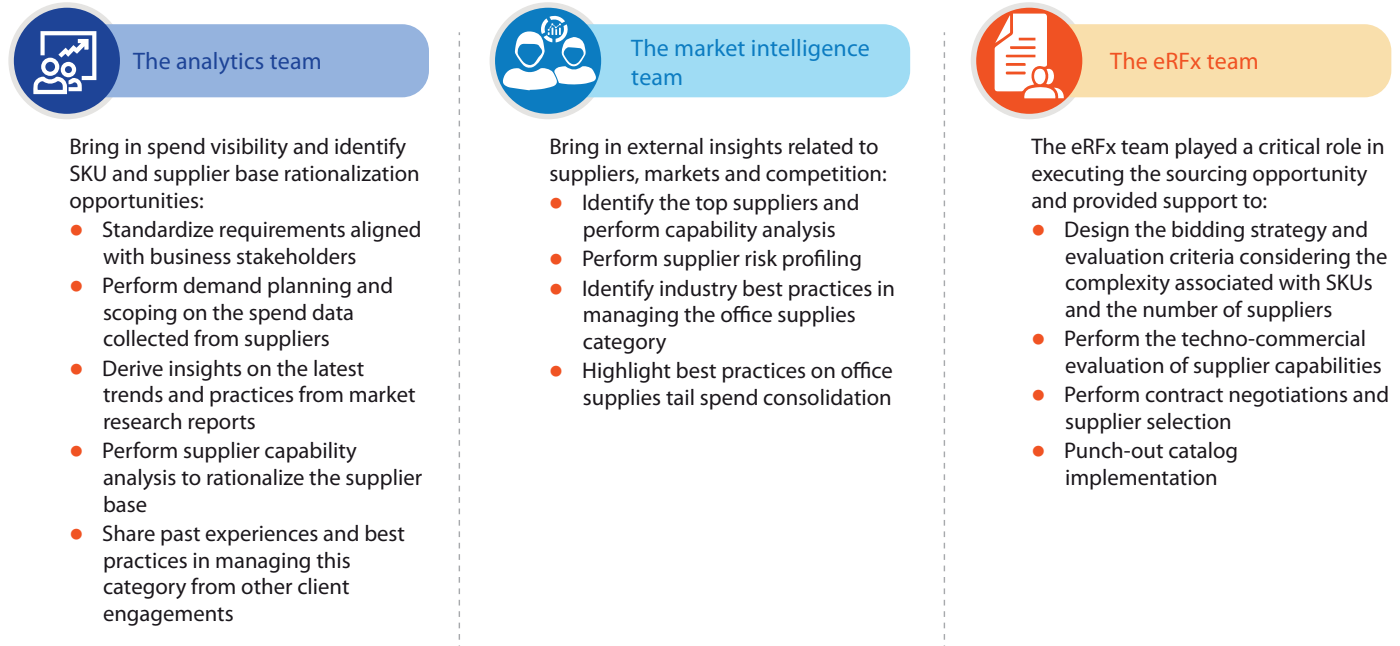
- **Drive spend visibility** by collating and consolidating data from different BUs and analyzing them.
- **Rationalize and streamline SKUs and suppliers** across business units and geographies by leveraging Infosys's best-in-class supplier base rationalization (SBR) framework.
- **Consolidate spend** to the best-fit suppliers with presence across Europe.

A well-defined SBR Framework

The Infosys SBR framework is segmented into three phases:

- Supplier classification using Kraljic+ Portfolio model
- Supplier optimization recommendation based on supplier classification, capability / risk evaluation and industry best practices benchmarks
- Approval from the client category team and execution support

To execute the tasks as defined by the framework, the joint team drew a plan of action and reorganized to work on the different parts.



The Infosys team also stepped in to build and implement two robust post-implementation controls necessary to sustain the rationalization program:

- Process optimization and YoY volume rebate
 - Continuous process improvement by introducing low-cost SKUs
 - Submission of month-on-month spend reports built into the contractual supplier KPIs
 - Process improvement and tracking of volume discount rebates on the submitted invoices
- Zero leakage through usage of catalogs
 - Awareness programs to ensure every transaction flows through catalogs
 - Deployed a requisition intervention team to educate non-catalog requestors

Massive rationalization and savings

The program enabled a massive **45%** savings on the projected spend for the first year. The SKU rationalization initiative cut down the SKUs by **30%**. But the largest impact was in supplier reduction. The supplier base was reduced by **95%** – from 20 to 2 across Europe. In addition, our joint effort brought in four major process changes: rate card in contract, standardized punch-out cards, controls to avoid leakages, and continuous process improvement.

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