

The Wincup Group, LLC

Client Project Summary

Semiconductor Manufacturer

Background:

This multi million dollar international company was a privately held producer of components for one very large well-known microchip producer in the U.S. They had acquired four companies in the U.S. and were looking for an immediate payback on their investment. In particular they were looking for guidance on how to take advantage of their new combined organization and to reduce the direct and indirect material and services purchased costs.

Challenge/Situation:

Each acquired company had its own purchasing operation; however, the materials and services purchased were very similar. The parent company was looking for quick hits and savings from consolidating the purchase requirements and implementing best practices in purchasing.

Solution:

We prepared a commodity segmentation of the most recent twelve months of purchase history in collaboration with a team of purchasing representatives from the four companies, identified commodity targets and accompanying savings estimates, and assisted them by developing and assisting in the implementation of supply strategies to achieve the targeted savings.

Benefits:

As a direct result of this purchased cost savings project, the parent company recognized \$9.9 million in annual savings on its purchased costs. The knowledge transferred to the purchasing groups was recognized as assisting them in developing further purchase cost reduction projects.

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Client Project Summary

Food Producer

Background:

This company was a \$100 million international producer and marketer of their product line. They were family owned and had seen their growth level off as their product line matured. They were looking for ways to increase profits by reducing current expenses.

Challenge/Situation:

This company had no formal purchasing process or organization. Their purchase expenditures annually were approximately 60% of their annual sales. They were implementing several new initiatives with the intent of reducing expenses. Change was a difficult issue for the company.

Solutions:

We developed a multi phase project to, first, identify purchased cost savings opportunities and, second, using company resources in a collaborative effort, we developed six commodity teams to develop supply strategies and implement a game plan for achieving each of the identified team savings targets. We also introduced best practices in purchasing to assist each team in achieving their targets.

Benefits:

As a result of this project, the commodity teams identified over \$1.3 million in annual purchase cost savings opportunities for each team to pursue using the supply strategies we had assisted them in developing. It was noted that the savings targets identified by the commodity teams exceeded the original savings targets from our initial assessment.

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Drilling Company in the Oil and Gas Industry

Background:

This company is a publicly held, leading provider of contract oil and gas land drilling services in the U.S. with sales of approximately \$250 million. We were asked by the CFO “what should we do about our purchasing operation?”

Challenge/Situation:

The present purchasing lead role was retiring and no succession plan had been developed. In addition, the CFO felt there was more that the purchasing operation could contribute to the company. There was also a significant concern about the accuracy of several inventories in the field. He was also concerned that there were no purchasing policies and operating procedures in place to minimize business risks for the company.

Solutions:

We prepared an assessment of the company’s requisition to pay business processes, an assessment of their current buying practices compared to best practices in purchasing, a commodity segmentation of their most recent purchase history to identify potential purchase cost savings opportunities, and a phased program plan to getting more benefits from their purchasing program. We also assisted the company by developing a profile for a purchasing/materials management lead role and in finding candidates in the marketplace to fit those requirements. We also temporarily managed the purchasing operation until a suitable candidate could be identified and hired.

Benefits:

As a result of this project, a purchasing/materials management leader was hired and transitioned into the new role in the company. A list of recommendations was provided for rebuilding the purchasing program. One of those recommendations identified between \$3 and 6 million in annual purchased cost savings. Additionally, recommendations were made to implement a procurement card program and to develop purchasing policies and operating procedures.

The client asked us to do a follow up project to develop the purchasing policies and operating procedures as well as several other inventory management process procedures and update their authorities delegation. The company has indicated a willingness to implement more of the recommendations in the near future.

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Chemical Company

Background:

This company was a specialty chemical division in a large international chemical company with chemical and pharmaceutical interests around the world. The international parent had a global purchasing group while the local division had its own purchasing groups. The division had a purchasing operations improvement program underway that was focused on improving operations and on reducing purchased expenditures.

Challenge/Situation:

The global project manager identified the priorities to be as follows: first, to assess opportunities for improving four major existing supply contracts; second, to review the present buying practices in use by the buying staff and compare them to best practices in purchasing; third, to identify training needs for the purchasing staff; and, fourth, to identify any process savings opportunities. There was a window of opportunity for the division so that we had to design a project plan to meet their specific time requirements.

Solutions:

We prepared a project plan with specific deliverables and milestones for the project manager as well as on-going status reports. An assessment was prepared to provide stakeholder and key user perceptions of the purchasing operation, requisition to pay business processes in use, an assessment of their current purchasing policies and operating procedures, and a commodity segmentation of their previous year's purchases with a focus on identifying potential purchased cost savings. During the project we were asked to address a number of specific purchasing related needs by the global project manager.

Benefits:

The commodity segmentation and analysis identified over \$3.5 million in annual purchased cost savings that could be achieved if different purchasing practices were employed. A complete set of purchasing policies and operating procedures were provided to the division as well as a Subcontractor Agreement draft for use with subcontractor's who were going to enter the division's premises. An operational assessment was provided and we have been asked if we would prepare of presentation of these findings, conclusions and recommendations for senior management in the near future.