

Enporion Case Study: Spend Analysis

Innovative Analysis of Inventory and Spend Data by Enporion Allows Two Merging Companies to Optimize MRO Strategy and Realize Merger Synergy Savings.

The return in year 1 is forecast to be 5 times the investment.

Challenge

To coordinate MRO category strategy and spend across two ERP systems and four business units' inventory and transaction data

A recently merged multi-national Fortune 500 company with two US subsidiaries and MRO category spend in four different business units was attempting to develop a coordinated post-merger sourcing strategy. The relevant MRO inventory data resided in different ERP systems (PeopleSoft and Oracle) and included different defined fields and levels of detail in the data. MRO data was classified under several different sub-category structures, and obtaining a consolidated report of the usage, item availability, and spend within each sub-category was extremely difficult. The expectation following the merger was that there would be a combined and coordinated category sourcing strategy resulting in significant savings to the merged company.



Illustration 1

For over 80,000 items in inventory, the client used tools such as Access and Excel to analyze the information and made little progress in combining and sorting through the vast amounts of data. The delay in completing this analysis was also postponing the realization of the anticipated benefits from the coordinated sourcing strategy.

Although inventory data residing in ERP systems can be sorted, linked, and analyzed for procurement or sourcing related efforts, many companies have admitted that it is difficult to get the right data fields exported and fully analyzed for a strategic sourcing effort. Additionally, many companies do not have the resources with the core competency to perform a detailed spend analysis. Other daunting challenges faced by the client were different naming conventions and incomplete data records which required filling-in gaps in information. The datasets also contained a large number of linked fields and manually linking these fields was very resource intensive and difficult.

Approach

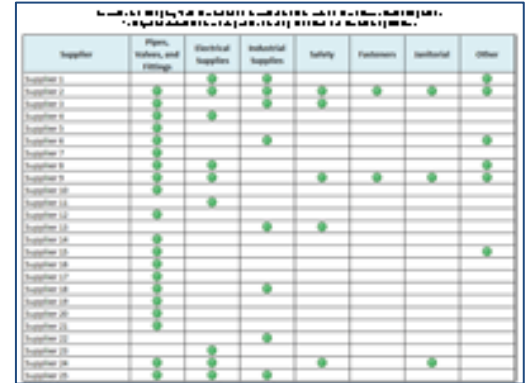
Standardize inventory data, then analyze spend

Enporion took an innovative approach to address the client's challenges. The strategy was to standardize all the inventory data first and create a new dataset within Enporion's Spend Tool that combined all the different data from different sources into a single dataset. Standardization efforts included extracting manufacturer and part number detail from item descriptions, as well as matching fields from different data sources that may have different names but contain the same data, etc. This single combined dataset would keep intact all the existing relationships and their inherent characteristics while also displaying unrelated/unique data within the same environment. Unique to Enporion's solution is that users can pull up different multi-dataset views concurrently for side-by-side comparisons. To this consolidated dataset, Enporion developed a unifying category/sub-category structure for MRO and then imported spend data from accounts payable to develop the usage and pricing information for the MRO category items.

Solution Create a unified category structure and link inventory and payables data

A new “Sourcing Category” structure was implemented within the Spend Tool for the consolidated dataset that linked and combined the various complete and incomplete category structures from the different sources of data. The strategy of standardizing inventory data across the business units and linking to actual spend data from the accounts payable system gave the client visibility of the items within a sub-category being held at each of its business units, the spend associated with that sub-category, and the prices paid to the suppliers by each business unit.

Enporion developed detailed category reports showing the items, suppliers, and manufacturers mapped to each category along with the prices paid and all the suppliers providing the same item or material. Detailed reports and analyses for identifying and pursuing savings opportunities were developed including items provided by only one manufacturer (sole-sourced) and items purchased directly from the manufacturer. Enporion delivered a reporting template to quickly leverage spend across the different business units by automatically creating market baskets for sub-categories of MRO spend. Armed with this information and analysis, the client is currently pursuing their coordinated sourcing strategy for MRO across the enterprise.



Supplier	Item, Material, and Pricing	Original Supplier	Industrial Supplier	Safety	Fasteners	Industrial	Other
Supplier 1							
Supplier 2							
Supplier 3							
Supplier 4							
Supplier 5							
Supplier 6							
Supplier 7							
Supplier 8							
Supplier 9							
Supplier 10							
Supplier 11							
Supplier 12							
Supplier 13							
Supplier 14							
Supplier 15							
Supplier 16							
Supplier 17							
Supplier 18							
Supplier 19							
Supplier 20							
Supplier 21							
Supplier 22							
Supplier 23							
Supplier 24							
Supplier 25							
Supplier 26							
Supplier 27							
Supplier 28							
Supplier 29							
Supplier 30							
Supplier 31							
Supplier 32							
Supplier 33							
Supplier 34							
Supplier 35							
Supplier 36							
Supplier 37							
Supplier 38							
Supplier 39							
Supplier 40							
Supplier 41							
Supplier 42							
Supplier 43							
Supplier 44							
Supplier 45							
Supplier 46							
Supplier 47							
Supplier 48							
Supplier 49							
Supplier 50							

Illustration 2

End Result Harmonized dataset allows realization of merger synergies

The result of Enporion’s work was a complete harmonization of the different inventory and transaction data sources to give the client a comprehensive dataset containing all their procurement-related data in one place with all the fields correctly linked, and spend mapped to a unified commodity structure.

Enporion’s analyses and reports are being used in the development of the domestic and global sourcing strategy for specific MRO categories and to generate the merger synergies (both cost savings and process efficiencies) that were envisioned for the merged companies’ MRO procurement operations. The anticipated ROI for this effort based on the savings in year one is expected to well exceed five times the investment.



Illustration 3

Illustrations 1, 2, and 3

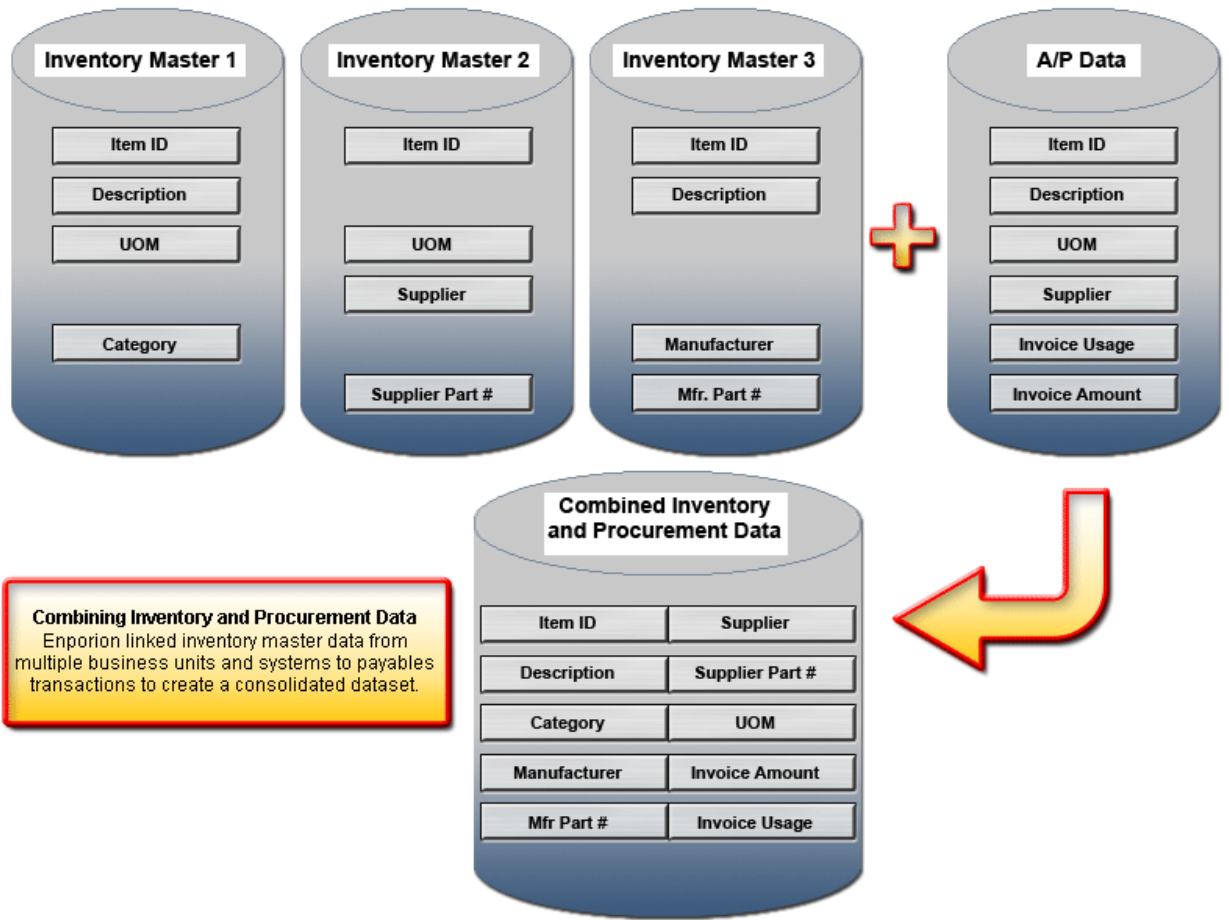


Illustration 1: Coordinating MRO category strategy and spend across two ERP systems and four business units' inventory and transaction data.

Supplier and Category Table demonstrates suppliers that can provide items for multiple categories.
 This type of report aids in making better sourcing decisions and contract negotiation.

Supplier	Pipes, Valves, and Fittings	Electrical Supplies	Industrial Supplies	Safety	Fasteners	Janitorial	Other
Supplier 1		●	●				●
Supplier 2	●	●	●	●	●	●	●
Supplier 3	●		●	●			
Supplier 4	●	●					
Supplier 5	●						
Supplier 6	●		●				●
Supplier 7	●						
Supplier 8	●	●					●
Supplier 9	●	●		●	●	●	●
Supplier 10	●						
Supplier 11		●					
Supplier 12	●						
Supplier 13			●	●			
Supplier 14	●						
Supplier 15	●						●
Supplier 16	●						
Supplier 17	●						
Supplier 18	●		●				
Supplier 19	●						
Supplier 20	●						
Supplier 21	●						
Supplier 22			●				
Supplier 23		●					
Supplier 24	●	●		●		●	
Supplier 25	●	●	●				

Illustration 2: Sample Supplier and Category Table demonstrates suppliers that can provide items for multiple categories. This type of report aids in making better sourcing decisions and contract negotiation.

Sample Category Spend Profile Report

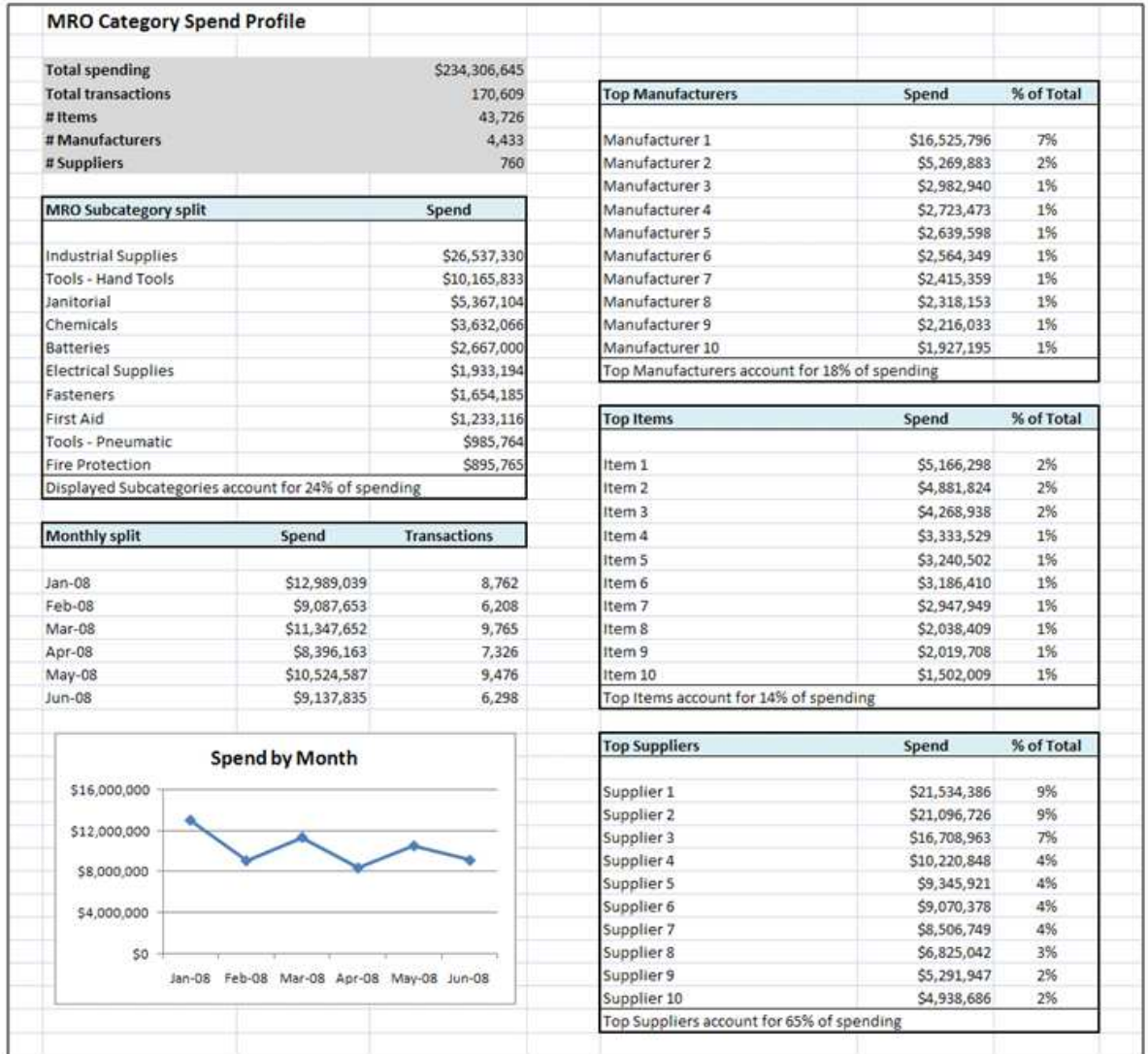


Illustration 3: Sample Category Spend Profile Report