

Success story

Creating a global procurement partnership

Procurement services, Enterprise Partnership

The business challenge

A customer was involved in a major merger. With the merger came the target of a 15% cost reduction across all business areas.

The customer urgently needed to integrate and streamline their administrative and support functions to provide more efficient services to a globally organisation and deliver on promised cost savings to investors.

The customer wanted to take a radical step in the management of their indirect procurement spend. On the one hand they realised they would face significant challenges and risks attempting to transition internally. On the other, they considered outsourcing would entail loss of operational control and could also expose the entire organisation to substantial risk should the procurement outsourcer underperform.

The requirement

The challenge for the procurement community was not only to contribute significantly to the re-structuring programme, but also to create a procurement capability that met the cost-saving and process improvement needs of the global business.

Why Xchanging was chosen

In contrast to in-house or outsourcing options, Xchanging offered the customer a third choice for driving the procurement function to be world-class in the form of an Enterprise Partnership (EP).

The EP offered guaranteed levels of procurement cost savings and the retention of strategic control. This would minimise the customer's exposure to risk. At the same time, through the injection of management expertise and capital, Xchanging's procurement team centralised and simplified the procurement processes.

In this way, Xchanging developed a service-orientated and entrepreneurial procurement function capable of unlocking hidden value.

The solution

Together, Xchanging and the customer created a world-class procurement EP. The customer realised all levers of financial benefit: capital upside, dividend and gain-share.

Xchanging's commercial mindset successfully brought the EP to market in order to capture third party revenue.

The value proposition Xchanging offered included:

- advanced sourcing and procurement skills
- verifiable, realised and sustained savings
- flexible commercial approach with the right balance of 'risk and reward'
- a permanent presence of dedicated resources, positioned as an extension of the customers business
- access to additional leading industry and category practitioners, who focus completely on non-core activity, bringing a depth of category, sub-category and process expertise
- fast track to savings delivery, freeing up value across the entire procurement organisation
- unparalleled visibility
- data analysis
- category-specific technology which was market-leading in releasing (trapped) value.

The benefit

The benefits for the customer against its business objectives were achieved by:

- gaining benefits of spend aggregation
 - Highly 'aggregate-able' categories were identified to obtain highest benefits from spend such as telecom, labour and office supplies
 - open-book, gain-sharing approach was made possible by robust cost baselining and indexing methodology
- enhanced category management and continuous improvement
 - for temporary labour, contractors and permanent hires, Xchanging deployed an on-demand Enhanced Resourcing Service (ERS) solution enabling it to act as a vendor neutral supplier
 - in the travel category, Xchanging used its travel booking tool to channel demand to the lowest logical fare following the customers various policies including mixed class travel for outbound and inbound, thereby achieved greater cost avoidance while maintaining compliance requirements
 - For learning and development, Xchanging managed all aspects of supply including delegate management, conference organisation and venue finding
- cost improvement and process efficiency
 - Xchanging's Enterprise Partnership model helped in achieving year-on-year continuous savings
 - Xchanging intermediated between the customer and the supply base to control and channel demand and to make it much easier for the consumer to secure fulfilment of their order

- o business units continued to be billed at mutually-agreed baseline costs, while the contracted savings directly impacted the bottom-line through annual rebates from suppliers, preventing savings leakage
- o process efficiency in labour and travel categories were driven by Xchanging providing technology-enabled solutions.

Since inception, the EP has become one of the largest indirect procurement providers in Europe. What had previously been a burdensome cost centre became a profit centre on a global scale thereby demonstrating the Xchanging motto: 'Xchanging Cost for Profit'.

During the term of the EP, various procurement categories were added as well as increasing geographic coverage. These additions helped increase the EP's shareholder value. Both the customer and Xchanging discussed a potential end to the EP. Realising a final lever of value for the customer, in 2007, the customer sold its shares in the partnership to Xchanging for over £45 million. The customer has since continued to use the services of Xchanging with 40 staff deployed to the customer.

About Xchanging's procurement services

Xchanging sources and manages £1.3 billion of indirect spend, on behalf of all its customers globally, across a full range of indirect categories including; administrative human resources (HR) and car fleet; IT and telecoms; maintenance, repairs and operations (MRO); marketing; professional services; property, facilities, workplace, and utilities; enhanced resourcing service; contract labour and recruitment; and travel.

Xchanging has a team of around 40 specialists of which 20 resourcing specialists handle the HR procurement, managing nearly £300 million of spend. Xchanging streamlines the hiring process, whilst ensuring candidate quality and service is maintained. The service includes: CV screening, agency management, pay rate benchmarking, candidate on-boarding, recruitment workflow, timesheet and billing management, agency helpdesk and supplier performance management.

Xchanging's global network of 150 high-calibre procurement professionals now cover countries including Australia, Belgium, France, Germany Netherlands, Spain, the UK and the USA.

About Xchanging

Xchanging is one of the largest and fastest growing business processors. With a wide range of multinational customers in 42 countries and employing over 8,000 people, we are a truly global company. Our aim is simply to provide business processing services better, cheaper and faster.

Contact us

For further information or to discuss how Xchanging can help, please contact our Group Sales team.

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