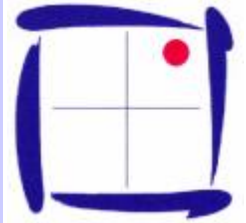


Case Study: Creating a Strategic Purchasing Culture and Demonstrating Actual Savings.



The Challenge

Hillfoot Steel is the UK's leading distributor of engineering steels, supplying a complex range of grades and sizes of steel to a diverse number of market segments. Hillfoot has an annual spend of £10 million, generally based on steel, but also including an array of other consumables and services such as stationery, processing, and telecoms.

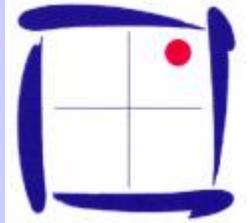
With a traditional, and sometimes, confrontational approach to purchasing, based on tactical not strategic imperatives, a new management team required a complete change of direction to drive through significant, and quantifiable, cost savings. Hence, the need was two fold. One to change an embedded culture; and two to demonstrate factual success.

The Solution – A Strategic Purchasing Model

We proposed a purchasing model using standard methodologies and software. Our approach also incorporated a high degree of employee involvement throughout the organisation to secure buy in.

The model needed to incorporate:

- Ø Analysis of current spend situation
- Ø Creation of a purchasing efficiency model, utilising excel spreadsheets
- Ø Market research to identify possible new sources
- Ø Process mapping of the departmental and adjacent processes
- Ø Partnering with selected vendors to create ongoing savings
- Ø Establishment of KPIs to measure partner performance
- Ø Benchmarking to maintain superior performance



What we delivered

We assisted Hillfoot in producing a simple purchasing model incorporating the entire company's annual spend on all products and services. Further analysis followed to create a purchasing efficiency model, clearly demonstrating the need for a strategic approach to purchasing.

Market research, utilising existing industry sources, the web, supplier contacts and traditional desk research, provided a greater understanding of possible sources of supply.

We applied our expertise in process mapping to interview staff, and for them to understand the efficiency drivers in the process. Using Microsoft software we translated staff activities into easily understandable visual formats and this enabled the staff to redesign the processes to deliver greater efficiencies.

We used our skills of communication, coupled with Hillfoot's own strong relationship building abilities, to create supplier partnerships. Where possible, spends were consolidated, and leverage applied, to gain cost benefits for the company, whilst offering volume, or margin, enhancement to the supplier.

KPIs were established to ensure that suppliers performance could be accurately measured, not in an anecdotal way but in an analytical way. These measures were intended to assist the partnering process, not to act as a stick to beat suppliers with.

We then tested the results from the model against Best-in-Class situations. This will ensure the delivery of continual improvements by the use of formal benchmarking techniques.

The Benefits

- **Annual steel purchasing costs have been reduced by over £500,000**
- **In other areas of spend large savings have been achieved e.g. telecoms 20% and stationery 10%**
- **The number of major steel suppliers has been reduced from ten to six with resultant process cost savings.**
- **The steps in the purchasing process are being reduced by 50% with a significant impact on employment costs**
- **The number of orders placed has fallen in a year by half, reducing transactional costs by 50 %**
- **A culture of improvement has been created at Hillfoot Steel**