



UPS Supply Chain SolutionsSM

case study

Manufacturer Leverages Buying Power to Gain Savings

A Fortune 200 company that designs and manufactures engineering products and systems for customers around the world launched a strategic sourcing initiative to improve its internal operations and bottom line. The company brought in UPS Supply Chain Solutions’ consulting services team to help manage complex segments of the project.

Client Challenge

The client is a conglomeration of hundreds of business units worldwide, producing products that benefit the automotive and construction industries along with many others. An underlying philosophy of decentralization gives individual business units autonomy in their day-to-day operations.

The client wanted to maintain this entrepreneurial atmosphere while also leveraging its overall buying power. As a result, they launched a strategic sourcing initiative to negotiate long-term partnerships with key suppliers on a company-wide basis. The diversity and number of business units added to the complexity of the initiative, especially in two key areas: materials needed to run the manufacturing plants (referred to as maintenance, repair and operating supplies, or MROs), and the packaging used to ship the manufactured products to customers.

The client called on UPS Supply Chain Solutions to manage these two areas of the strategic sourcing initiative. The team offered specialized knowledge of packaging and MROs as well as access to advanced IT systems to quickly capture and consolidate high volumes of data.

Our Solution

UPS Supply Chain Solutions first identified 22 domestic business units—representing 100 locations and 50 percent of total costs for packaging and MROs—to begin rolling out the initiative.

Previously, the business units dealt with more than 100 packaging suppliers that represented a wide range of pricing for similar products. Through their supplier/vendor rationalization process, UPS Supply Chain Solutions narrowed down the list of suppliers to 10 preferred suppliers.

Diversified Industrial Goods Manufacturer

GEOGRAPHIC AREA SERVED
United States

CHALLENGE
Reduce costs for packaging as well as maintenance, repair and operating supplies (MROs) without disrupting productivity among hundreds of diverse manufacturing plants.

SOLUTION
Consolidated suppliers to leverage buying power and create opportunities for value-added benefits, while also streamlining the internal business process.

- RESULTS**
- Significantly reduced indirect spending
 - Simplified ordering and billing processes
 - Improved supplier relationships
 - Laid foundation for standardization of components

UPS Supply Chain Solutions worked closely with the individual business units to provide specialized knowledge of packaging and MROs as well as access to advanced IT systems to quickly capture, consolidate and process high volumes of data.

By directing significant business to these preferred suppliers, the company was able to negotiate terms to reduce its upfront packaging costs. The suppliers also agreed to give the company an additional five percent reduction in costs per year and free shipping.

The MROs component was more complex. The 22 business units used more than 1,000 suppliers to supply approximately 50,000 different items—from adhesives to hydraulics and hand tools. UPS Supply Chain Solutions helped the company single out 15 suppliers for preferred partnerships. Drawing on their knowledge of the commodities and the marketplace, UPS Supply Chain Solutions helped the company develop proposals to negotiate mutually beneficial long-term relationships with these suppliers.

Internal communications were critical to the success of the initiative. UPS Supply Chain Solutions worked closely with representatives from the individual business units to involve them in the process, fine-tune channels of communication and lay the groundwork for a smooth rollout. As a result, none of the business units have lost production or a customer because of an inability to get materials or commodities.

The company estimates that the involvement of UPS Supply Chain Solutions sped up the launch of the strategic sourcing initiative by 18 months. And overall savings are exceeding the best estimates of the original proposals.

The company is now exploring other ways to tap into the specialized knowledge and services of UPS Supply Chain Solutions.

For more information please contact us
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