Case Study



Energy & Utilities Category Management



Bottom Line

Customer
A pioneer in the city gas distribution (CGD) business in India

Challenge
Retention of suppliers was a concern due to low volumes and reactive procurement practices.

Customer

The client, a pioneer in the city gas distribution (CGD) business in India, was the first private player to have started supplying PNG (piped natural gas) and CNG (compressed natural gas).

Challenge

With gradual deregulation and the growing demand for natural gas, all CGD companies initiated aggressive expansion plans, leading to a supply-demand mismatch in corresponding supplier markets. Retention of suppliers became a concern due to low volumes and reactive procurement practices. The client engaged GEP to suggest best practices in category management that could address this challenge.

Approach

- GEP has strong category expertise that addresses a wide range of challenges related to category management – strategic sourcing, procure-to-pay, supplier relationship management, compliance, etc.
- As part of the initiative, GEP selected a few high spend categories across materials and services to implement the best practices in category management. Apart from this, GEP also conducted opportunity assessment to identify strategic and tactical opportunities to create value within the procurement function.
- By working closely with procurement functions and user groups, GEP identified the right strategies and tools that could address business imperatives tied to the categories selected (for example, overall lead time, non-pricing evaluation, supplier landscape assessment, TCO, etc.).
- GEP developed a comprehensive supplier landscape assessment framework and associated tools to help the client focus on suppliers that could grow into strategic partners. The framework was tested with a few incumbents and fine tuned.
- After analyzing the spend data, existing tender documents, TCO models and supplier evaluation templates, GEP suggested several improvements.
- GEP also identified strategic sourcing, supplier relationship management and procurement transformation as strategic opportunities of value creation within the procurement function.

Case Study



Bottom Line

Solution

GEP has strong category expertise that addresses a wide range of challenges related to category management – we selected a few high-spend categories across materials and services and implemented best practices.

Result

Supplier selection decisions showed a marked improvement and source-to-pay cycle times were reduced, resulting in additional 3 per cent savings.

Results

Improvements suggested to the overall strategic sourcing approach, tendering process and related tools could improve supplier selection decisions and reduce source-to-pay cycle times, resulting in additional 3 per cent savings.

The supplier landscape assessment framework is expected to help the client rationalize contractor base from nine to three.

Recommendation

When volumes are unattractive, it is critical to consolidate the spend, retain the right suppliers and focus on strategic relationships. Category management approach is essential for identifying and maintaining these relationships.

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