



## HOW A FORTUNE 500 CPG GIANT TRANSFORMED ITS GLOBAL SOURCING AND PROCUREMENT OPERATIONS WITH GEP

### BUSINESS NEED

A multinational, Fortune 500 CPG company recognized the need for transforming its procurement organization at a global scale. Prior to the start of this project, the client had:

- Inconsistent procurement organization structure across regions
- Low process maturity and spend visibility, along with disparate processes and non-standard metrics for performance tracking
- Low visibility on costs, unstructured contract management data
- Contract manufacturing (CM) operations accounted for more than 1 billion dollars in spend; however, contract manufacturing relationships were not aligned with sourcing
- No established processes for supporting indirect material sourcing and supplier relationship management (SRM)

### APPROACH & SOLUTION

GEP recommended and implemented a three-pronged transformation approach that included:

- **Global External Supply Chain (ESC) Transformation:** GEP assessed the client's global ESC organization to determine savings opportunities and implemented strategies to realize these opportunities. GEP proposed and restructured the client's procurement organization into a center-led one with a global team driving SRM. GEP also helped the client achieve detailed cost visibility with complete BOM explosion and developed a total cost of ownership structure at an SKU level, for over 2500 SKUs.
- **Capital Transformation:** GEP recommended and implemented a future-state organization structure. The number of man-hours spent on sourcing activities was optimized and key performance metrics were established. In addition, source-to-contract improvements were made to IT and non-IT infrastructure.
- **Global Indirect Transformation:** Following a detailed examination of the client's current state of indirect procurement with global and regional organization charts, and cost information for different levels within the sourcing organization, GEP performed a gap analysis and recommended a future-state design. "Spend managed per FTE" was the primary metric for resizing the indirect sourcing organization. The levelling of roles and allocation of resources to the global center was based on category weightage.

## RESULTS

GEP helped the client shift to a center-led procurement model, optimize processes, improve spend visibility, and create significant savings and operational efficiencies. Key results include:



- ~\$50 million of incremental savings opportunities over 5 years through contract restructuring, change in purchasing models, rationalization, etc.
- Transition from a decentralized procurement team to a center-led global procurement team
- Doubling of spend under management — from 44 percent to 80 percent
- Improvement of gross margins from about 2 percent to almost 4 percent
- Increased compliance of P2P processes
- New processes and KPIs were established, enabling the organization to manage contract manufacturers effectively
- Updated contract structure to ensure better quality compliance and lower costs
- Enhanced cost visibility at an SKU level

GEP helps global enterprises operate more efficiently and effectively, gain competitive advantage, boost profitability, and maximize business and shareholder value.

Fresh thinking, innovative products, unrivaled domain and subject expertise, and smart, passionate people – this is how GEP creates and delivers unified business transformation solutions of unprecedented scale, power and effectiveness.

Named a Leader in the Gartner Magic Quadrant and Best Provider at the World Procurement Awards and EPIC Procurement Excellence Awards, GEP is frequently honored as an innovator and leader in source-to-pay procurement software by Gartner, Forrester, IDC, Procurement Leaders, Spend Matters, PayStream and Ardent Partners.

GEP is also ranked leader in managed procurement services (procurement outsourcing) by Everest Group, NelsonHall, IDC, ISG, HfS and IAOP. In addition, the primary research firm in the management consulting sector, ALM Intelligence, ranks GEP leader in procurement strategy and supply chain consulting.

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