

Case Study

Utility Organisation

Utility organisation exceeds £750,000 savings target with KnowledgeBus

The Challenge

The KnowledgeBus team was approached by a large utility business with an ambitious target - to save £750,000 on IT product purchases over five years. To achieve this goal, the procurement team set up a framework and agreed on contracts with five separate suppliers, all of which had agreed to limit the maximum margin they would charge above the trade cost to 2.1%.

The team's problem was that it needed a system that could effectively check if suppliers were sticking to the agreements in their contracts. They required a solution to monitor and validate the daily trade price and conduct a historical spend analysis.

The head of procurement said: "We are aware there are a lot of sliding variables used by suppliers to inflate 'cost', such as overheads, omission of vendor rebates and free delivery. So, we had drawn up a tight definition of what 'cost' was to prevent this from happening.

"What we didn't have, though, was a way of managing and policing purchases to check that what the suppliers were telling us was 'cost' was right."

The Solution

The utility company sought access to KnowledgeBus, a CIPS process-accredited online application that automates the benchmarking of purchases against daily trade guide prices and stock levels on over 150,000 'live' products from over 2,500 manufacturers.

Users can input supplier product lists or conduct spot checks to see what margin their supplier is proposing. A range of spend analysis tools also helps users identify, track and forecast market developments for more strategic procurement.

KnowledgeBus empowers IT buyers with market knowledge to rapidly negotiate better deals with preferred suppliers to unlock more from budgets. It saves users time consistently achieving the best value.

"With KnowledgeBus, we were able to show we were doing a good job."



Since deploying KnowledgeBus, the procurement team has been able to provide evidence that it is now on track to exceed its saving target of £750,000. The team has also successfully policed IT suppliers, and when it discovered one reseller was charging margins above the agreed limits, it was quickly able to act.

Policing Contracts

Following the acquisition of one supplier by a larger firm, the procurement team decided to analyse and check that the new owners were respecting the margin agreement. Since the take-over, margins have risen to 15% on all purchases.

"When we contacted them about this, it was clear they were unaware of the contract in place. As a direct result of using KnowledgeBus, we were able to get the excess fees paid back to us and stop the issue right there and then," said the head of procurement.

"There are many benefits to KnowledgeBus: you can carry out spot checks on prices; get immediate access to your purchase history; track price fluctuations of frequently purchased items; or automate requests for quotes. However, the most useful for us is the ability to analyse supplier performance accurately."



Saving

KnowledgeBus has not only provided a system that allows the utility company to police its supplier contracts, but it has also given the procurement team the means to demonstrate whether we are making savings.

"It is one thing doing a good job, and it's another thing to be seen as doing a good job. We can now predict where we will be with our saving target and show where we are currently. As a result, we have proven that we are exceeding our savings target," the head of procurement said.

Intelligence

The intelligence provided by KnowledgeBus also proved particularly helpful for the utility company when it needed to carry out a £9 mil. desktop refresh across various sites. Access to the spend analysis tool enabled the organisation to make considerable savings.

"During the desktop refresh, the one part of the project which was a qualified success was the large procurement of commodity hardware and software. The intelligence and control we could exert with KnowledgeBus were key to achieving impressive savings."

We also discovered with KnowledgeBus that on bigger orders, like 300 desktop computers, for example, some suppliers were actually coming in below our 2.1% maximum margin. We weren't aware of this gross inconsistency before," said the head of procurement.

"On the inexpensive items, such as mice and cables, margins were between 10% and 50% - which made for a few interesting conversations!"

The UK's only fully Certified IT Price Benchmarking Solution – Find out more at www.knowledgebus.co.uk

