

PROJECT OVERVIEW

CHALLENGES:

- 2 divisions — luxury hotels and economy chain
- Pre-merger integration effort
- Executives announced to investors that merger synergy savings were expected from purchasing effort
- Chain 1 had not bid out major spend categories in more than 10 years
- Chain 2 had centralized contracting with decentralized purchasing transactions

OBJECTIVES:

- Address commodity initiatives to capture savings
- Redesign purchasing organization
- Develop new tools to support strategic sourcing approach

OUR SOLUTION

ASSIGNMENT STRUCTURE:

- 6 waves over a 12 months period

ANALYSES APPLIED:

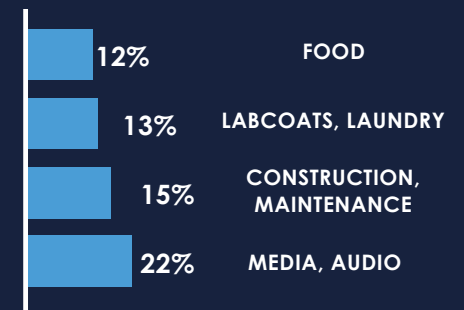
- Each commodity was evaluated to identify best approach:
 - Accelerated sourcing
 - Renegotiation and rebid
 - Full strategic sourcing approach
- Commodities were prioritized
 - To maximize early savings
 - To initiate synergies between the 2 chains
- Process phase, and designed appropriate solutions
- Purchasing organization redesigned by function and business
- Extensive use of target costing during negotiations

APPROACH / TOOLS:

- Detailed diagnostic
 - Used commodity segmentation strategy to organize sourcing activities
- TCO savings driven by consolidation, rationalization, and standardization
- Demand management
- Workshops with key vendors

RESULTS

% SAVINGS ON TARGETED COMMODITIES



ADDITIONAL BENEFITS:

- New purchasing philosophy built around proven processes driven by sound business practices
- Identified and implemented an integrated purchasing organization responsible for managing total enterprise wide spend
- Defined new order-to-payment tools