



Driving 5% savings in the light of a 25% increase in commodity prices

Same quality product and improved optionality for offshore contract manufacturing

The results

Working in close partnership with our client, and in the light of a 25% increase in raw materials, Maine Pointe's strategic procurement experts delivered the following results:

- Achieved \$9.7M annualized savings, representing 12% of total material spend
- Implemented a Procurement Management Operating System to ensure the ongoing sustainability of engagement benefits
- Realized a 6:1 ROI
- Improved EBITDA by 25%

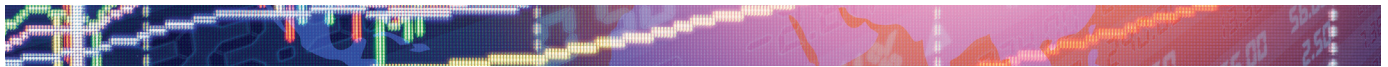
This story is for executives who want to:

1. Mitigate margin erosion due to increasing commodity prices
2. Drive contract manufacturing savings and improve global supplier optionality
3. Drive sustainable procurement savings over time

The challenge

This client, a leading designer, marketer and manufacturer of indoor and outdoor cooking appliances for customers internationally, sources all of its finished goods in China. The company had been family-owned for more than 40 years before seeking investment from a private equity partner to provide aid in achieving their goal for growth through acquisition.

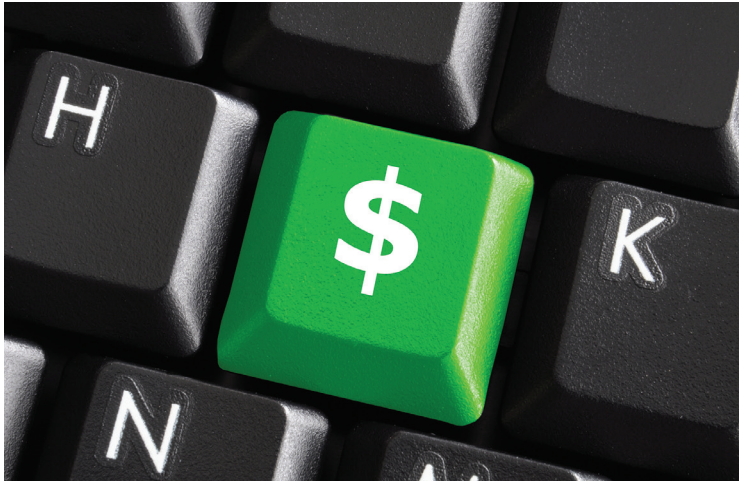
With 100% of their manufacturing in China, the company was under threat from rising commodity costs. In addition, procurement was finding it difficult to negotiate lower costs from its three main suppliers. To overcome this, the PE firm and company CEO brought in Maine Pointe's procurement experts to help create new optionality, expand their supplier relationships and reduce overall procurement costs.



Achieving savings in a strong, values-based culture

Our analysis showed that the client's procurement organization performed mostly tactical functions and lacked formal negotiating training. In addition, the company was reluctant to change suppliers due to the high cost of change and lack of additional approved suppliers. As a result, they had not qualified a major new supplier for several years. It was also extremely important to the client that their strong values and the trust they had established with suppliers were in no way compromised.

Maine Pointe identified a number of potential savings across multiple products. To help realize these savings we:

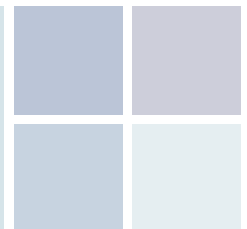


- Introduced our 6-Step Strategic Sourcing Process and trained and mentored the cross-functional team responsible for driving implementation
- Launched a strategic sourcing event consisting of multiple request for proposals and an intense amount of supplier conditioning
- Identified multiple qualified, competitive new Chinese suppliers
- Leveraged incumbent suppliers to negotiate lower prices by reducing the number of primary suppliers, as well as introducing multiple new smaller suppliers
- Prepared and led multiple strategic face-to-face negotiations with new and incumbent suppliers in China accompanied by the client's domestic and China sourcing teams

The optionality we introduced means that the client has a broader supply base to leverage as they grow, resulting in improved competitiveness. In addition, the competitive environment we have helped to create will protect our client's savings in the coming years.

Lessons learned for other executives

- Rising commodity prices in China are a threat that can be eliminated or reduced
- Even with a very small group of incumbents, leadership alignment can be deployed for competitive advantage
- Significant incumbent supplier conditioning and cost savings can be achieved in a strong, values-based culture while maintaining mutual respect and loyalties



Is your business at risk from rising commodity prices in China?

Want to find out how Maine Pointe's industry and practice experts can help your organization mitigate the risk and achieve the triple effect of cash, cost and growth?

Talk it through in a no obligation phone call or meeting with one of our executives.

Email info@mainepointe.com to arrange a call

About Maine Pointe

Maine Pointe is a global implementation-focused consulting firm trusted by many chief executives and private equity firms to drive compelling economic returns for their companies. We achieve this by delivering accelerated, sustainable improvements in both EBITDA and cash across their procurement, logistics and operations to enable growth. Our hands-on implementation experts work with executives and their teams to rapidly break through functional silos and transform the buy-make-move-fulfill supply chain to deliver the greatest value to customers and investors at the lowest cost to business. We call this Total Value Optimization (TVO)™.

Maine Pointe's engagements are results-driven and deliver between 3.5:1-12:1 ROI. We are so confident in our work and our processes that we provide a unique 100% guarantee of engagement fees based on annualized savings.

www.mainepointe.com