



## Supply chain disintermediation reduced direct materials spend by nearly one third while improving quality

An innovative approach to supplier sourcing drove down costs and enhanced margins

### The results

The direct procurement model which Maine Pointe implemented made it possible for our client to take control of both the cost and the quality of their product, resulting in:

- 50% of required volumes switched to direct sourcing from low-cost countries
- 27% saving in delivered cost of quality product
- Virtual elimination of non-conforming product arriving at plant
- Significant reduction in dependency on importers from the value chain
- Increased visibility and speed of reaction to changing market supply and demand profiles

### This story is for executives in the global market who:

1. Have concerns about highlighting the value and improving the visibility of their front-end value stream.
2. Want to reduce the power held by intermediaries in the supply chain relationship.
3. Want greater control of the quality of the globally-sourced goods that arrive in their ports.

### The challenge

A world-leading food processing and distribution company was buying 80–90% of its products through import brokers. Management had little front-end visibility, and limited knowledge of supplier costs and capabilities. In addition, they did not fully understand how value and costs accrued throughout their supply chain.

Under pressure from competitors they contacted Maine Pointe for help. The challenge? To achieve savings on direct raw material spend through supply chain disintermediation and transform the way they understand global movements in their value chain.



## Implementing a quality sourcing process

Maine Pointe's team found that the procurement process was tactical in nature and mostly focused on 'feeding the factory'. There was no long-term strategic procurement plan. In addition, the absence of any robust quality testing at the point of origin meant that our client had to bear much of the cost of processing, returning and replacing sub-standard product. We conducted a detailed analysis of the supply market in three low-cost countries, producing a sourcing plan that improved both the cost of quality and quality itself and included:



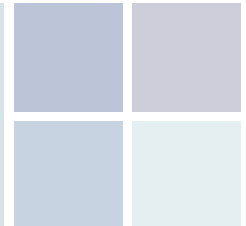
- Taking sourcing direct to producers in India, Asia and Eastern Europe
- Devising and implementing sourcing quality protocols which ensure that only product that has been tested and approved arrives in the USA
- Establishing MOUs with core suppliers committing capacity and volume at advantageous prices
- Providing insight to capacity, capabilities and quality assurance to inform future sourcing decisions
- Creating a trading subsidiary that could act as a vehicle to establish our client as a broker in its own right

By implementing our robust methodology against a well-defined plan, we delivered significant cost savings that were not regarded as possible by senior management at the beginning of the engagement.

*"Maine Pointe took us to a place we didn't know we could get to, within the turn of a season they gave us what would have taken us 3 or 4 years to achieve."* CEO

### Lessons learned for other executives

- You can drive down your direct costs through supply chain disintermediation
- It is possible to redistribute your value chain so that it favors you
- You can mitigate the risk to your business from outside influences by developing a wider global portfolio of direct supplier relationships



Do you have a **supply chain** or **procurement challenge** you would like to discuss with us?

Would you like to **take sourcing direct to the producers**?

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

Email [info@maine pointe.com](mailto:info@maine pointe.com) to arrange a call

*"Total Value Optimization™(TVO) is achieved when an organization is dynamically able to anticipate and meet demand through the synchronization of its buy-make-move-fulfill supply chain to deliver the greatest value to customers and investors at the lowest cost to business"*

Learn more on TVO here:

<http://www.maine pointe.com/services/total-value-optimization>

### About Maine Pointe

Maine Pointe is an operational implementation focused consulting firm that accelerates measurable performance improvements in both EBITDA and cash flow for chief executives and private equity firms around the world. As specialists in procurement, logistics and operations, Maine Pointe is uniquely positioned to accelerate measurable improvement across the buy-make-move-fulfill supply chain to deliver the greatest value to customers and investors at the lowest cost to business through Total Value Optimization™.

[www.maine pointe.com](http://www.maine pointe.com)