

Middle Market Private Equity Firm

BACKGROUND

Client is a provider of equity for middle market companies. Founded in 1988 with approximately \$2.5B in assets under management. They had 27 active investments with revenues in the \$50M to \$450M range. The portfolio companies lacked sourcing expertise and processes and did not leverage their consolidated spends to achieve lowest costs. The PE firm wanted to reduce costs, leverage their spend across the entire portfolio, and for their portfolio companies to work collaboratively together.

The project scope included:

- Preparing a detailed portfolio-wide spend analysis to help identify and prioritize opportunities
- Executing a strategic sourcing process
- Providing recommendations to improve overall procurement capabilities and establish a repeatable and sustainable long-term sourcing program

APPROACH

Performed key stakeholder interviews from cross functional departments to gather baseline costs and understand current state sourcing processes and reviewed current contracts: over 45 site visited, 300+ interviews and reviewed 400 contracts

Completed a spend diagnostic leveraging spend data from multiple different sources and systems (700+ categories, over 16,000 suppliers, 400,000 records of AP), including the analysis and categorization of \$1.5B of portfolio spend

Created a customized commodity code system for use across all portfolio companies



IMPACT METRICS

OVER
14%
annualized savings

OVER
\$30M
increase in client portfolio value



"The project was a great investment that paid for itself many times over."

— Partner

APPROACH, continued

Developed a go-to-market strategy as a single \$3.5B enterprise to leverage the entire spend of all portfolio companies

Executed multi-step strategic sourcing process as “proof of concept” in the following shared service areas:

Corrugated Boxes, Small Package Shipping, Telecommunications, and Temporary Labor

Conducted multiple training courses for over 50 professionals in the areas of: Methodology, Effective Presentations, Site Visits, and Negotiations

RESULTS

Developed a Spend Cube detailing a consolidated view of what is being bought, who is it being bought from and who (which portfolio company) is doing the buying

Spend analysis and category prioritization identified up to \$20M of potential savings opportunity through two waves of the strategic sourcing program (\$219M in annualized spend)

Delivered more than \$6.5M (14.4%) in hard dollar savings; projected increase in client portfolio value of over \$30M (market multiplier 5X)

Achieved agreements that were transferable (for divested companies) and scalable (new portfolio company could take advantage of the preferred contracts)

Strategic sourcing training successfully embedded best practices and associated tools and templates for ongoing sustainable sourcing savings

ABOUT CLAUDIA

Over the last three decades, our team has delivered more than \$1B in documented client savings across industries, driving measurable value at an ROI of 615X.

Contact us today to start a conversation around how we can help you.