

# 2k Consultants

Cost Improvement Programmes



- We are an independent consulting company with its headquarters in Berlin and an operation in the UK.
- Since our firm was founded in 2005, we have worked for a wide range of businesses, from well known International companies to large Public sector organisations.

➤ Partners:

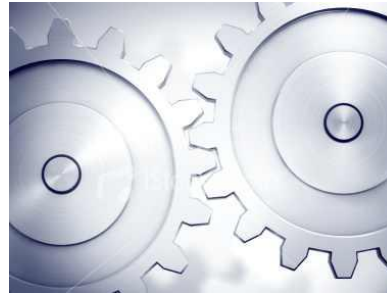


Guido Kurth



Christian Kiock

- We believe that an effective working relationship between the finance and procurement functions within an organisation is crucial for the success of your business.
- What sets us apart is our clearly defined, easily implemented initiatives and how we are able to measure the success and the impact that they make.
- We focus our work on the following four aspects:
  - Cost improvement programmes
  - Reporting
  - Budgeting
  - Business Intelligence

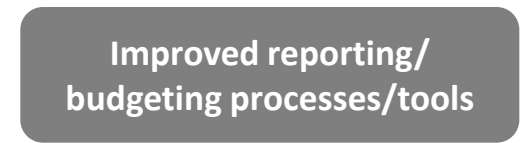
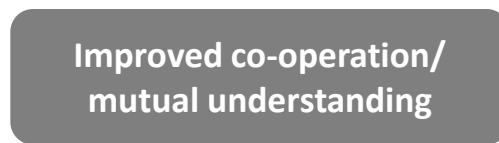


- ▶ **Cost improvement programmes:** to deliver sustainable and easily implemented saving initiatives of between 10-20% per annum
- ▶ We recommend that procurement and finance departments work on devising the initiatives together, agree on the savings and then sign them off .
- ▶ We help implementing the initiatives and are paid based on results

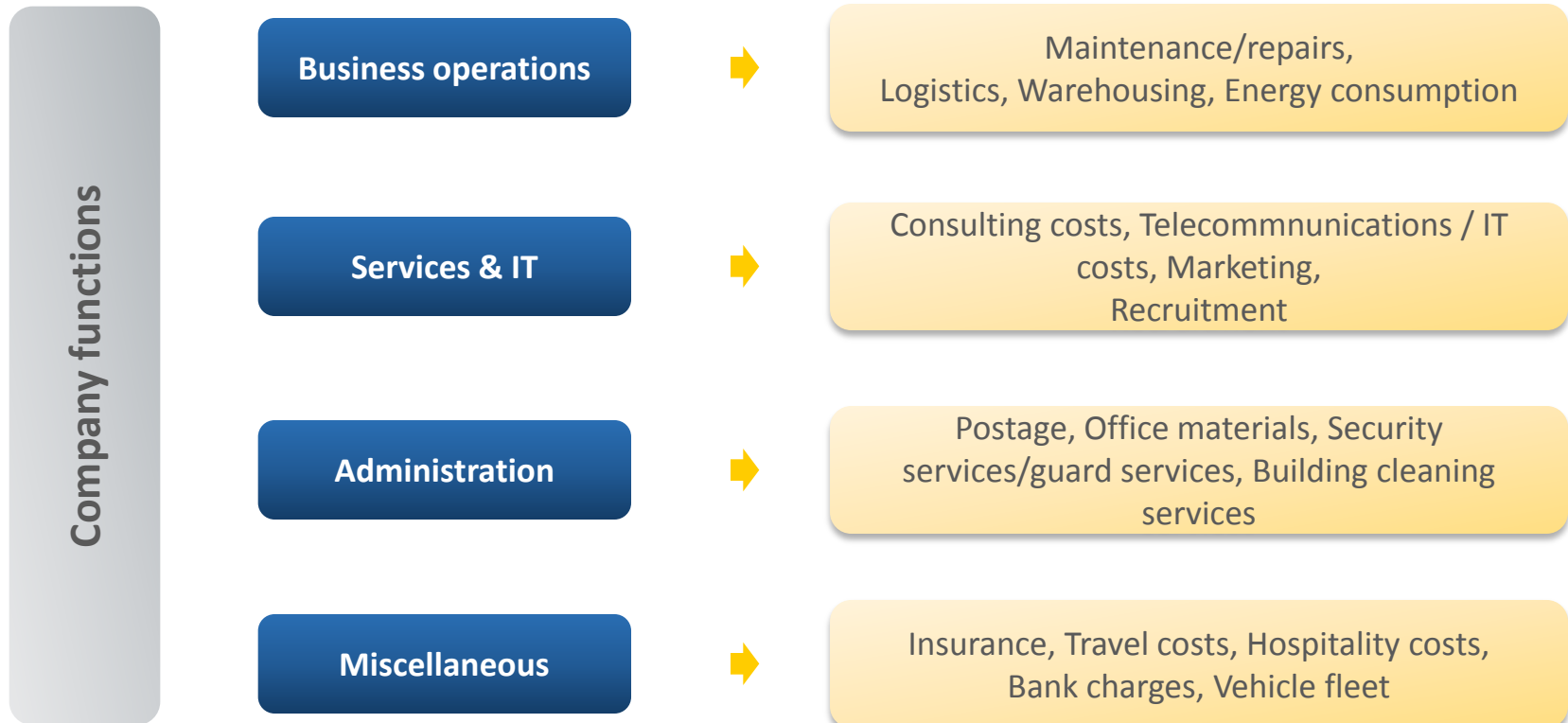
- ▶ **Budgeting:** ensure cost-savings are actually delivered and realised
- ▶ **Reporting:** Introduce KPIs and reporting processes to ensure achievements are visible and manageable
- ▶ **Business Intelligence:** reporting tool (PET) to help efficiently report on cost saving initiatives developed in our (and other) projects

- ▶ **Business Intelligence:** KPIs in the PET can form the basis of a KPI-based management information system (MIS)
- ▶ The MIS consists of a management dashboard, showing top KPIs, and a value-driver tree mapping the business' profit margin structure
- ▶ We also analyse and optimise planning systems and reporting structures and processes

Results



- ➔ The procurement optimisation programme is carried out across all relevant company functions, such as:



- ➔ Procurement optimisation is carried out in three main modules. The combination of which is essential for achieving sustainable cost management.

## Procurement optimisation

### Identification of requirements

- Integration of purchasing into the identification of requirements
- Centralisation/rationalisation of the identification of requirements
- Requirements management/reduction
- Compliance management
- Adjustment of specifications

Avoiding  
overspecifications

### Purchasing

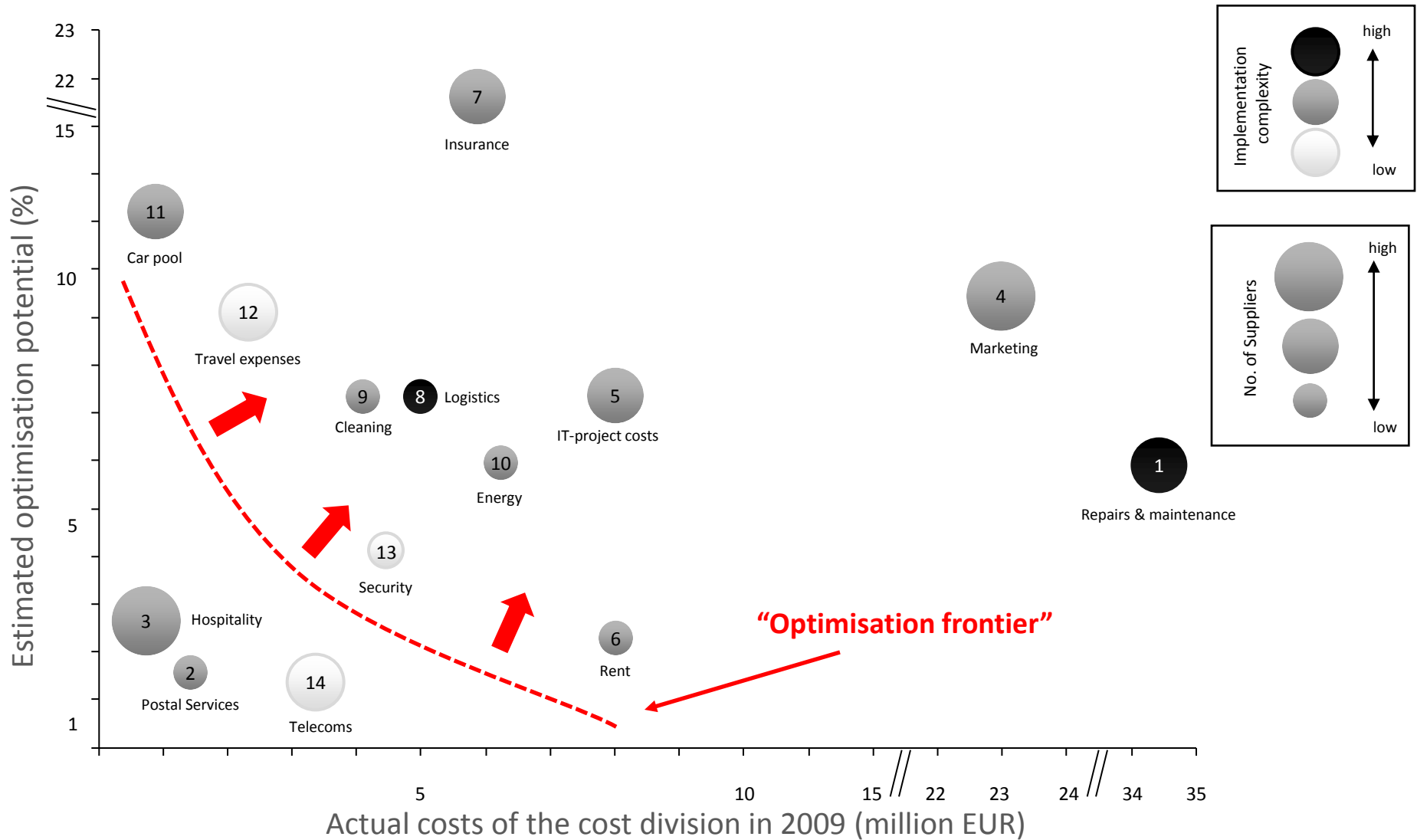
- Management of contractual agreements
- Avoidance of inefficient procurement transactions
- Integration of the supplier
- Tendering processes/e-procurement
- Optimisation of the value-creation chain
- Reviewing of prices

Optimising purchasing prices

### Consumption at the company

- Consumption management
- Project/order/budget management
- Where applicable, consumption controlling

Avoiding  
wastefulness



➔ In cost cluster A, consolidation potential is derived owing to the high number of suppliers. Only approx. 8% of the orders are running from negotiated contracts.

Type of costs	Company A	Subsidiary 1	Subsidiary 2	Subsidiary 3	Subsidiary 4	Total	Share
	EUR	EUR	EUR	EUR	EUR	EUR	%
Personnel services providers	985.000	160.000	115.000	55.000	1.530.000	2.845.000	36,5%
Temporary workers	185.000	2.340.000	260.000	14.000		2.799.000	35,9%
Human resources management services	3.500	1.000.000	485.000	540.000		2.028.500	26,0%
HR advertising	90.000	25.000	1.150			116.150	1,5%
<b>Total human resources</b>	<b>1.263.500</b>	<b>3.525.000</b>	<b>861.150</b>	<b>609.000</b>	<b>1.530.000</b>	<b>7.788.650</b>	<b>100,0%</b>
in %	16,2%	45,3%	11,1%	7,8%	19,6%	100,0%	

### Most important suppliers\*

- **Supplier A** (turnover: X Mio., Y % of the overall amount)
- **Supplier B** (turnover: XX Mio., YY % of the overall amount)
- **Supplier C** (turnover: Z Mio., % of the overall amount)

### Overview of the ABC analysis (80%-15%-5%)\*

- A** □ 5 Suppliers (□Ø kEUR 1,227 )
- B** □ 13 Suppliers (□Ø kEUR 99)
- C** □ 32 Suppliers (□Ø kEUR 11)

### Comments/approach

- 2 of the 4 cost categories constitute almost 75% of the overall costs (cost type 1: 36.5%, cost type 2: 35.9%)
- A large number of suppliers and a very diverse supplier base.
- Only approx. 8% of the call-off orders are running from the framework agreements/negotiated conditions
- Consolidating the supplier structure
- Introducing framework agreements and specifications

\* A more detailed supplier overview including annual turnovers can be found in the case studies information.

<b>Measure no.:</b>	ABC_001	<b>IBER-Degree:</b>	<b>Status:</b>	B
<b>Title of measure:</b>	Stronger control/visibility of third-party maintenance service providers		<b>B - Valuated:</b>	02.05.2009
<b>Company:</b>	ABC		<b>E - Decided:</b>	26.05.2009
<b>Cost cluster:</b>	Maintenance & Repairs		<b>R1 - Realised (objectively):</b>	30.06.2009
			<b>R2 - Realised (financially):</b>	15.07.2009

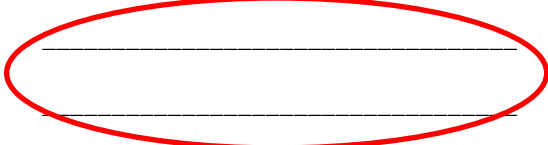
**Current situation:** At present, approx. 15 million EUR p.a. is spent on third-party maintenance services. Controlling the actual services rendered is very difficult for ABC and also results in substantially higher auditing costs.

**Description/ Recommendation:** An Interflex system will be introduced to manage visitors. As required, in this system, each employee from a third-party service-providing company is assigned a project. A credit voucher is prepared for the third-party service provider based on the collected time data. In this manner, double billing by third-party service providers can effectively be avoided. In addition, the costs for fixed-price orders and auditing costs can be made transparent and, as required, be subsequently re-negotiated.

**Risks/Opportunities:** Based upon the experiences from other companies, through increased controlling and a crediting procedure, savings of at least 5% can be obtained. In addition, the auditing expenditures at ABC are being lowered substantially. The collection of the data must adhere to the applicable data protection provisions.

Financial valuation	2010	2011	2012	2013	2014	Comments:
Crediting system	0	-375.000	-625.000	-500.000	-375.000	Because the third-party service provider turnover is supposed to decrease (measure ABC_002), the savings will decrease over the course of time.
Costs for Interflex module	0	80.000	0	0	0	
<b>Total</b>	<b>0</b>	<b>-295.000</b>	<b>-625.000</b>	<b>-500.000</b>	<b>-375.000</b>	
<b>Capital value until 2012</b>	<b>-1.471.485</b>					<b>The employees' signature increases their commitment to implementing the measure. Moreover, the measure's success can be tracked more easily.</b>
WACC:	8,30%					

**Measures Manager:**

Signature: 

**Line Manager:**

Signature: \_\_\_\_\_



– Regional Utility Company  
supplying an area of approx.  
800,000 people



– Largest on-line mail order  
company in Germany



– German based food &  
non-food packaging  
company



– Specialist machine  
manufacturer supplying  
the Solar panel industry



Senatsverwaltung für Bildung,  
Wissenschaft und Forschung

– Ministry for Education,  
Science & Family of the  
federal state of Berlin



– Largest university in  
Berlin, 3<sup>rd</sup> largest in  
Germany



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