Case Example: Carpeting and Wood Flooring

Most organizations do not have adequate tools to inform the planning, budgeting and design process with actual market commitments at the level of key specification and service level variables. By establishing explicit rates for these critical components, many of our clients have realized ongoing cost savings exceeding 30%.

Reducing Carpeting and Wood Flooring Costs

Situation

- Client was not aware of full extent of costs, by category or component.

- Client "sourced" the commodities on a project-by-project basis only, and required suppliers to subsidize smaller and more urgent projects with larger projects.

- Sourcing for installation, maintenance, repair and disposal services was not associated with sourcing for initial acquisitions.

- Sourcing for respective financing was not associated with sourcing for the commodities.

- Operating divisions were not accountable for the use of capital.

Approach

- Identified and organized a common database of specifications and spending volume across projects, locations, suppliers, designers, corporate divisions and time periods.

- Reorganized specification standards relative to life cycle economics, and recommended a process to optimize specifications relative to dynamic demand patterns over time.

- Identified and pre-qualified a full range of candidates to supply products and services at various locations, specification and volume levels.

- Developed a rate card and solicited market pricing for all life cycle stages on a multi-variant, transparent and modular basis relative to changes in critical specification elements.

Results

- Captured an annual cost improvement opportunity of $6MM (39% of respective baseline spending).

- Negotiated market-competitive rate cards for critical product and service components.

- Put in place the automated a rate card to continuously inform the planning, budgeting and design process, and to enable continuous improvement and optimization over time.

- Revised accountabilities so that service levels and respective costs are adjustable on a group by group basis