

# DELIVERING SAVINGS VALUE IN THE DIESEL FUEL CATEGORY

## EXECUTIVE SUMMARY

Diesel fuel is among the top three spend categories for this national transportation logistics company. The diesel fuel industry is categorized by significant price volatility driven by commodity markets, government biodiesel incentives, limited national players, and supply availability deeply tied to regional demand. Although the category was actively managed, the current sourcing approach was highly transactional. A comprehensive sourcing strategy utilizing a six-sigma methodology, delivered notable improvement despite a mature, commodity-driven market:

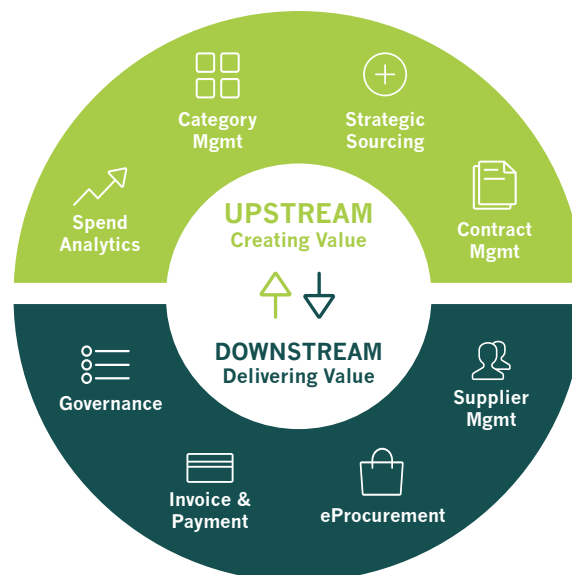
## KEY OUTCOMES INCLUDED:

- Enabled \$3MM savings leveraging a cross-category strategic sourcing strategy.
- Improved transparency on key total cost of ownership drivers.
- Established multi-year agreement to manage future cost risk exposure and drive more strategic long term supplier relationship management.

“Nitor brought out-of-the-box thinking and process rigor that enabled us to develop a more holistic category view, strategic long-term agreements, and significant savings opportunity in an already well managed environment.”

*Leading Transportation Logistics  
Company*

## Delivering Value Across the Source-to-Pay Lifecycle



## CHALLENGES

The current state diesel fuel procurement landscape presented many issues at the time of engagement:

- Fragmented spend across biodiesel grades awarded at the local level provided limited leverage.
- Lack of aggregated spend visibility and meaningful reporting to identify pricing discrepancies.
- Limited transparency into biodiesel price drivers and significant variation in local pricing components.
- Expired contracts created price risk exposure.
- Lack of defined strategy leveraging the broader fuel category and its related sub-categories.
- Reactive supplier management approach caused risk and performance issues.

## HOW NITOR'S SERVICES HELPED

Through a collaborative effort, Nitor enabled the client to develop a strategic category plan and sourcing initiative to maximize value:

- Mapped category and established a clearly defined project scope and stakeholder engagement plan.
- Assessed internal and external data to develop detailed / line level baseline spend summary.
- Developed clear business requirements that captured needs across key areas.
- Assessed best fit sourcing strategy based on requirements, category drivers, and market dynamics.
- Facilitated cross-category national RFP of all direct costs with key incumbent suppliers.

- Performed extensive proposal analysis on pricing, supply, and value incentive scenario options.
- Conducted national operational review to validate savings opportunity.
- Developed robust negotiation strategy to optimize supplier value and commercial terms.
- Established implementation plan to operationalize new agreements and mitigate business risks.
- Developed key performance indicators for ongoing supplier management.

## SUMMARY OF RESULTS

Key outcomes of the strategic sourcing initiatives include:

- Delivered **\$3MM of savings value** across multiple sub-categories through a significant redistribution of gallons within regional zones and among incumbent suppliers.
- Delivered **16% savings in Diesel Efficiency Fuel** sub-category by leveraging total fuel volume.
- Enabled **clarity and transparency** around biodiesel fuel cost structure.
- Established **multi-year agreements** to drive sourcing and supplier management efficiency with a focus on strategic long-term category planning.
- Identified **incremental price improvement opportunity** based on future volume growth.

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**Contact Nitor today for your roadmap to Procurement excellence.**

## CONTACT

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