



DELIVERING SAVINGS VALUE IN THE INDUSTRIAL CLEANING SERVICES CATEGORY

EXECUTIVE SUMMARY

Embedded Industrial Cleaning services are a significant expense for an oil refinery company and critical to the performance and operation of the equipment. Spend within this category was not leveraged across multiple refineries. In addition, contracts were managed at the local level with inconsistent pricing and contract terms. A strategic sourcing project using six-sigma methodology was deployed and provided significant improvements:

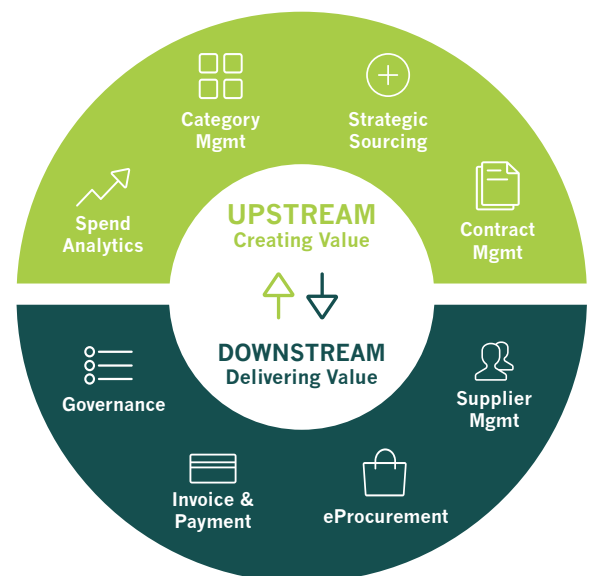
KEY OUTCOMES INCLUDED:

- Standardized pricing and job classifications for industrial cleaning services across the organization with visibility into suppliers' labor rate cost structure.
- Consistent, improved contract terms including volume rebates and the opportunity to audit supplier labor rates and recover for non-compliance.
- Achieved 22% savings across the organization.

“Nitor provided the structure and processes that enabled us to deliver significant savings and improved visibility into costs.”

Fortune 500 Oil Refinery Company

Delivering Value Across the Source-to-Pay Lifecycle



CHALLENGES

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

- Business awarded across five suppliers sub-optimizing volume leverage and program standardization.
- Lack of spend visibility and reporting from suppliers to identify pricing inconsistencies.
- Inconsistent job descriptions and billing rates across suppliers with excessive overtime rates.
- No visibility into labor billing rate structure.
- Lack of defined and aligned internal business requirements.

HOW NITOR'S SERVICES HELPED

Through a collaborative effort, Nitor enabled the client to develop a strategic industrial cleaning services sourcing initiative to maximize value:

- Established a clearly defined project scope and stakeholder engagement plan.
- Analyzed data to build a detailed / line level spend baseline for equipment and labor positions.
- Assessed best fit sourcing strategy based on requirements, market dynamics, and stakeholder input.
- Standardized labor role definitions to ensure consistency across suppliers.
- Executed a national RFP and multi-phased strategic negotiations with national suppliers.

- Detailed proposal analysis of various pricing, alternative TCO and supply chain options.
- Standardized multi-year contract with clearly defined terms, rates and key performance indicators.
- Developed key performance indicators for ongoing supplier management.

SUMMARY OF RESULTS

Key outcomes of the strategic sourcing initiatives include:

- Delivered **22% savings value** for a core expense category.
- **Consolidated supply base** with two suppliers to optimize geographical coverage.
- Improved contractual agreements including **standardized pricing and commercial terms**.
- **Reduced overtime markup** by excluding “non-overtime” components from overtime labor rates.
- **Improved visibility and transparency** of spend across the organization.
- Established supplier **rebate program** structure including both embedded and turnaround work.

Contact Nitor today for your roadmap to Procurement excellence.

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