



DELIVERING SAVINGS VALUE IN THE TIRES CATEGORY

EXECUTIVE SUMMARY

Tractor and trailer tires are a significant direct expense item for a national transportation logistics company and critical to the performance of its equipment. Although this spend was actively managed, there was an opportunity to challenge current practices and view the tires category more holistically across multiple Total Cost of Ownership components. A high priority was placed on assurance of supply, tire performance and reduced pricing across the client's entire geographic footprint. A strategic sourcing project using six-sigma methodology was deployed and provided significant improvements.

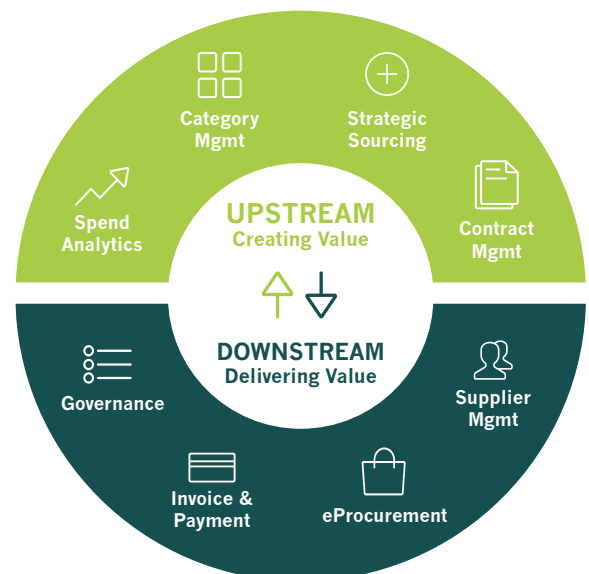
KEY OUTCOMES INCLUDED:

- Standardized national pricing and commercial terms for tires, retreads, casings, labor rates and related services.
- Outsourced non-core work activities to drive sourcing and operational efficiencies.
- Achieved total savings of \$6MM.

“Nitor brought process, structure and standardization to our sourcing practices that drove significant savings, improved performance and challenged our current thinking towards this category.”

Leading Transportation Logistics 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 6 suppliers sub optimizing volume leverage and program standardization.
- Multiple tire models and brands used on same equipment, negatively impacting performance.
- Focus on individual cost components limited a holistic view across the entire spend.
- In-house services that could potentially be outsourced were not formally analyzed in a TCO context.
- No formal agreements limited negotiation leverage and standardized commercial terms.
- Lack of spend visibility and reporting to identify and address pricing inconsistencies.
- Inconsistent approach defining internal Business Requirement.

HOW NITOR'S SERVICES HELPED

Through collaborative efforts, Nitor enabled the client to develop a strategic tires sourcing initiative to maximize value:

- Established a clearly defined project scope and stakeholder engagement plan.
- Gathered extensive data to build a detailed baseline across all segments of tires spend:
 - Unit pricing for replacements, OEM, retreads, casings, labor and services.
 - Tires spend and models by equipment type.
 - TCO aspects defined for mount/dismount, warranty, RAR, inventory and call center.
- Conducted supplier RFIs to develop a total cost of ownership and best practices assessment.

- Assessed best fit sourcing strategy based on requirements, market dynamics, and stakeholder input.
- Executed a national RFP and multi-phased strategic negotiations with national suppliers.
- Analyzed various pricing, alternative TCO and supply chain options.
- Developed key performance indicators for ongoing supplier management.
- Standardized multi-year contract with clearly defined terms, rates and key performance indicators.

SUMMARY OF RESULTS

The key outcomes of the tires strategic sourcing initiatives include:

- Delivered **\$6MM additional savings value** for an actively managed core expense category.
- **Consolidated supply base** with two complimentary suppliers to optimize savings and reduce risk.
- Established contractual agreements and **standardized pricing structure and commercial terms**.
- Improved **visibility and transparency** of spend across entire tires program.
- Improved **supplier management processes**, KPIs, reporting and communication.
- Implemented an **end-to-end, holistic** tires program driven by process, structure and standardization.
- **Streamlined existing internal processes** and resources while outsourcing non-core services.

Contact Nitor today for your roadmap to Procurement excellence.

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