

Success Story - Export Additives Optimization

Overview

A client in the trading industry involving exporting product cargoes to foreign countries. The cargoes were treated with additives to meet specific country specifications. The client's service provider handled additive procurement, cargo treatment and overall management, adding significant costs to the overall expense.

Challenge

The client's customers were concerned about the high costs associated with treating the cargoes. Our client needed procurement support to find alternative service providers in an effort to reduce the overall treatment costs.

Approach

After analysis of the treatment costs, and working together with our client, we suggested de-bundling the additive procurement from the service component, retaining the service provider for treatment services only. A request for proposal (RFP) was issued to qualified additive vendors. After evaluation, two main suppliers were chosen based on agreed evaluation criteria.

Success

Annual spending was reduced significantly:

Total savings were approximately **\$836,000** annually. The new de-bundled operation model was implemented where the service company no longer procures additives, but maintains the service reducing costs by 10-30%, while maintaining quality of the cargo service.

Conclusion

Significant cost reduction was achieved through sourcing and by re-evaluating and optimizing the additive procurement process.