

ERA Finds 27% Savings for Australian Chemical Producer

Project Information

Industry: Chemical Manufacturing

Savings Category: Fleet Management (Tyres)

The Client

Our client was established in 1971 and is considered a significant player in Australia's chemical industry. The company is privately owned and has its global head office in Western Australia.

It produces a wide range of industrial, agricultural, and mineral processing chemicals for supply to both the Australian and International markets. Coupled with this it provides bulk liquid terminal facilities for import, export and storage of chemicals and fuels and a dangerous goods transport operation in Western Australia and Queensland.

The Solution

Expense Reduction Analysts (ERA) conducted a detailed analysis of the category spends. To determine seasonality trends, ERA analysed 12 months of data and established firm benchmarks.

The main spending area, tyres supply, accounted for 88% of the total category. The remaining 12% consisted of the supporting services. ERA focuses on the 80/20 Pareto, so it was critical that savings would be achieved in the tyre supply area. ERA then went to the market via a structured electronic tender process. Four bidders participated.

Following the presentation of the ERA Options Report, our client chose to remain with two existing suppliers in addition to selecting one new supplier. Our client achieved 27% savings with the new supplier.



The Challenge

The CFO admitted that they did not have the best program structure to ensure price tension and required reassurance that they were on par with industry benchmarks. They requested that Expense Reduction Analysts (ERA) analyse the Fleet Management category - in particular, tyre services.

The category included the tyre supply, fitting, repairing, fleet checking, rotating, balancing and disposal of used tyres.

Before ERA was involved, the supply was shared among three suppliers due to the nature of the roads and locations that they deliver to. The movement of tyre fitting staff from tyre suppliers in Perth to the more lucrative mining jobs also was identified as an uncontrollable variable.