

Leveraging Purchasing Power: Case in Point *Fortune 500 Financial and Manufacturing Company (public)*



Out of eight (8) vendors responding to a RFP, HotLink was awarded a 3-year contract in January 2004 to manage an estimated \$4M - \$8M in annual promotional spend for this customer. The HotLink *Business Process Methodology* was deployed to manage the project planning requirements, design and launch of this comprehensive, enterprise solution.

CHALLENGE:

HotLink was charged with quantifying expense, reducing overall spend and integrating to internal accounting and procurement systems.

SOLUTION:

In just *3 months* (April 1, 2004 launch) HotLink implemented a comprehensive online program and outsourced customer service department for 19,000 employees, across 4 companies, with tracking of approximately 4M in expenditures back to 41 cost centers. Results include:

- Identification of over 500 buyers and loading/control of online debit account budgets;
- Consolidated ordering across 143 Banks, 89 Plants and 18 Mills – including sourcing, inventories management, fulfillment, distribution, and procedures with ongoing evaluation; and,
- Leveraged buying power through “group-buy” programs for as much as **45% savings** on products historically purchased.

HotLink passed an extensive data security process required of financial institutions and required no assistance from the client IT department for program design or launch. HotLink facilitated accounting integration meetings to cover business process and procedures to ensure the solution met accounting standards and protocols. A project team of seven (7) individuals across all companies provided input on overall program design. HotLink required assistance from only one primary contact in the Supply Chain /Strategic Sourcing division of the company for implementation and roll out to the entire company.

HotLink is providing in-person, online and 1-800 personal service for business development gifts, sales incentive programs, tradeshow, safety initiatives, business supplies, retail center give aways, sporting event give aways...and a variety of other special internal (employee-focused) and external (customer / channel-focused) programs.

RESULTS (soft cost savings):

Prior to HotLink, this company managed a program for four (4) years that provided 6,000 holiday "gift boxes" to customers. Each box was manufactured by the customer and filled with hand-selected wrapping papers and bows.

The project manager for this project invested an estimated 700 hours in the program each year to source, manage and monitor fulfillment of the finished product. **At a rate of \$25 an hour for this person's time, soft costs to manage this project were approximately \$17,500 annually.**

This year, this customer used the HotLink **GroupSaver** engine, spent an estimated 32 total hours and has been able to open the program up to allow for 9,000 boxes to be shipped in the holiday season of 2004.

HotLink will again use the **GroupSaver** engine to duplicate this process for the pre-ordering and distribution of 2005 calendars across all companies and divisions. Product cost **savings** as much as **35%** are expected from the consolidation of these orders. Soft cost savings are nearly impossible to measure but **extend to hundreds of man-hours across the company.**

RESULTS (hard cost savings):

The following information was taken from a presentation our customer contact presented to the VP of Supply Chain in July of 2004 after analysis of our first quarter of operation.

	Other Vendors 2003		HotLink	Savings	
Division A	\$200,000	vs.	HotLink	48%	\$104,000
Division B	\$800,000	vs.	HotLink	19%	\$648,000
Division C	\$900,000	vs.	HotLink	17.5%	\$742,000
2003 Spend	\$1,900,000		Est. Annual Spend		\$1,494,000

Annual Estimated Savings = \$ 405,500

These figures are based on corresponding system administrator's records of 2003 YTD spend.

This Customer is showing estimated savings of \$66,797 in Q2 based on available information from 2003 expenditures.

The program had been fully active for just nine (9) weeks at the time of this report.

