

XL Axiata

Procurement / Vendors Rationalization

The XL Axiata was established in 1995 and is one of the major cellular providers in Indonesia with a majority ownership by Axiata Group Berhad (66.7%).

The Axiata Group includes Robi (Bangladesh), HELLO (Cambodia), Idea (India), Celcom (Malaysia), M1 (Singapore), Samart (Thailand) and Dialog (Sri Lanka), as part of its holdings in Asia.

XL has become the second largest company in the Indonesian Telecommunication market and one of the most profitable

"I would recommend a Renoir Program to any company that wishes to drive change in their organization and see bottom line results."

Handoko Siputro
VP of Procurement and Logistics

Key Results

23% reduction in cost savings

47% reduction in total vendors

\$7.7 million US cost reduction

ANALYSIS

Key success factors for growth in the extremely competitive and dynamic Indonesian telecommunications industry include a clear strategy and effective execution.

After successful projects in Logistics, Network, Sales & Channel, and Accounts Payable, Renoir was asked to conduct a companywide analysis to identify additional productivity improvement and cost reduction opportunities including Procurement and Vendor Management. It was hoped that short term opportunities could deliver immediate and significant results.

The Analysis in Procurement revealed that:

- Rapid expansion had required Procurement to adjust to meet the demands of user departments, including multiple vendors
- The current system had suited XL well in the past but in a more challenging economic environment, cost management had quickly become key.
- Within Procurement, the existing systems, processes, and policies were focused on expediency, with little real analysis of spend by area and reviewing the number of vendors.
- Procurement processes and policies were not sufficiently robust for forecasting, leaving buyers with no leverage to negotiate prices.

PROJECT APPROACH

A 15-week project within Procurement was kicked off to address analysis findings and shift the focus in procurement and across user departments towards greater cost reduction.

The project was structured to allow for regular reviews by the Chief Financial Officer and VP of Procurement. A 'Management Action Team' headed by the GM of Procurement was formed to identify specific cost down opportunities, engage user departments to drive down costs, and review and revise systems and processes.

- The project began with a 4-week in-depth categorization of all OPEX and CAPEX (OpCo's) spending into categories from which opportunities for vendor rationalization could be identified. These categories would be later rolled up to the group level for implementation across other OpCo's.

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- Renoir then worked with Procurement to identify specific CAPEX and OPEX opportunities valued at 151M USD. These opportunities were prioritized into a cost down plan, which would deliver results during the project as well as after.
- In order to drive down costs, changing the focus of Procurement was only the first step. Renoir assisted Procurement in engaging user departments to standardize materials and services and identify additional cost down opportunities. These efforts to change the organizational approach to purchasing, better positioned Procurement to proactively drive down costs and increased cooperation between departments.
- In order to ensure that change was sustainable and cost reduction remained a focus, Renoir worked with Procurement to revise policies and processes at headquarters as well as in regions. These changes demanded greater user accountability on planning and forecasting of purchases.

PROJECT RESULTS

- By the Project's end, Procurement managed to achieve cost savings of 23% and a 47% reduction in vendors, delivering \$7,708,716 US dollars of cost savings
- These savings along with a comprehensive review of Procurement processes and policies better positioned Procurement to engage departments across XL and drive down costs in the future.

THE RENOIR GROUP

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