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## NPI Identifies Top Areas of Supply Chain Overspending in 2010

Study indicates \$415 billion in wasteful supply chain spending

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ATLANTA — NPI, a spend management services firm focused on delivering supply chain savings, has identified the top areas of overspending for today's supply chain organizations in three categories: transportation, technology and telecom, and energy. Based on a mid-year review of spending trends and supplier pricing, NPI estimates that today's manufacturers, distributors and retailers will overspend more than \$415 billion in 2010.

NPI's research included an analysis of spending trends for manufacturing, retail, industrial and other supply chain-focused organizations within the S&P 500. The firm also analyzed pricing data for top suppliers in each spend category.

"These spend categories are areas where there is little visibility to benchmarks for pricing, terms or cost-to-serve. So, it's easy for even the most advanced purchasing groups to be vulnerable to overpayment and sub-optimal terms," commented John Haber, executive vice president of NPI's supply chain spend management practice. "As we see investment in these categories increase, overspending in these areas will increase correspondingly."

### Transportation

NPI estimates that supply chain organizations will overspend \$124.5 billion on shipping and logistics services in 2010. Overspending in this area can be attributed to the following areas:

**Fuel surcharges:** On average, companies overpay 12-15 percent on fuel surcharges.

**Overnight air:** NPI estimates that large shipping organizations are overspending 25-30 percent on overnight shipments. In many cases, they can select a less costly shipping method that meets their service requirements at a fraction of the price.

**Refund recovery:** A large shipper typically loses 3-4 percent of its transportation budget to unclaimed refunds stemming from service failures and billing errors.

**Address corrections:** The surcharge for address corrections is almost 40 percent higher than it was two years ago. However, companies can achieve lower rates for this accessorial.

### Technology/Telecom

NPI's research indicates that large supply chain organizations can either overspend – or save – approximately \$207.5 billion in technology and telecom expenditures. Savings can be realized in the following high-impact areas:

**Warehouse management system software:** Poor pricing visibility has led to rampant overspending on WMS software. Many companies have been able to reduce the cost of their WMS systems by as much as 27 percent in 2010 through price benchmarking.

**Enterprise software support:** On average, enterprises are paying 14 percent too much for support on their critical business systems (e.g. ERP, finance).

**Wireless plans:** In 2010, companies will waste \$4.3 billion by selecting the wrong mobile service plan for their workforce needs.

**Voice and data networks:** Based on NPI's research, today's supply chain organizations can recoup approximately 23 percent of their telecom budget by auditing their current environment and optimizing their rates and agreements accordingly.

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### Energy

In 2010, supply chain organizations will overspend on energy and utilities by \$83 billion. Overspending in this category can be attributed to:

**Uncompetitive rate plans:** Companies often fail to conduct a detailed review and assessment of tariffs and rates, which can result in as much as 30 percent in overpayment. By reviewing their current spend and benchmarking pricing, they can identify alternative tariffs that will significantly reduce energy spend.

**Lack of comprehensive understanding of usage profile:** If companies don't understand their usage profile, they aren't able to maximize rate reduction opportunities. In many instances, a utility company and its clients are not in full communication with each other as to the operational capabilities and potential savings opportunities. The costly result is that a company's load profile, equipment usage profile, and individual and combined facility profile may be misaligned with current needs.

**Supply distribution:** In many cases, electricity and natural gas service configurations do not utilize the most cost-effective delivery options. By understanding how energy is being delivered and how infrastructure charges are determined, companies can identify cost-savings potential.

"As companies navigate through today's economy, every contract and every purchase counts," Haber continued. "By focusing on spend management categories that are ripe for optimization, supply chain executives can quickly meet the mandate to reduce costs without changing core business processes or reducing headcount.

### About NPI

NPI is a leading provider of spend management consulting services for large organizations. Using a combination of market experts and peer benchmark data, NPI provides assessment and remediation services for several traditionally difficult spend management categories – transportation, information technology, telecommunications and energy. By ensuring its clients' expenditures are in line with fair market prices and terms, NPI is able to quickly deliver seven-figure savings to the bottom line. NPI is an advisor to procurement, finance, IT and supply chain executives for some of the world's most recognized brands. For more information, please visit [www.npifinancial.com](http://www.npifinancial.com).