



A CASE STUDY

**Australian Utility ActewAGL Realizes
 Dramatic Inventory and Procurement System
 Benefits from Oniqua Analytic Solution**

"With Oniqua, we reduced our spares inventory by 50%, increased our DIFOT [delivery in-full on-time] by 25% for our strategic inventory suppliers, and decreased late deliveries by 23% for strategic inventory."

Murray Elton, *Supply Chain Improvement Manager, ActewAGL*

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The Challenge

ActewAGL is Australia's first multi-utility to offer electricity, natural gas, water, wastewater, telecommunications, and internet services under one roof. In 1997, ActewAGL completed a total review of its supply chain activities. This review revealed that only 36 percent of purchases for goods and services were conducted through the purchasing system; the balance was processed directly through the accounts payable system, underpinned by no formal arrangement. Supplier performance was based on feeling rather than facts, and suppliers were not being challenged on performance because the utility was not gathering data to evaluate this performance.

ActewAGL was aware that this approach was inefficient and exposed the organization to potential risks, such as inappropriate procurement through lack of controls, costly procurement, poor quality products and services, litigation, and fraud. Hence, the utility set a target of purchasing 80 percent of goods and services through the purchasing system.

To achieve this, ActewAGL realized it needed to identify its top suppliers, determine how they were performing, determine the costs of working with them, and be able to measure this performance. To improve supplier relationships, the utility needed to gather, track, and act upon useful data.

At the same time, ActewAGL realized that supply chain performance correlates to inventory – a second area of concern at the utility. The level of its inventory had in fact grown by more than 50 percent in only a few years. ActewAGL managers perceived that inventory was too high, but had no system in place to optimize it, no review process for slow moving or dead stock, and little useful relevant information in their ERP system. The utility's corporate culture was to keep more rather than less stock, to ensure that stock on hand could maintain high levels of reliability.

ActewAGL concluded that poor supplier performance was rippling through their business, causing customer service problems, excessive dollars tied up in inventory, aging inventory, poor turns and poor return on investment for the inventory, and excessive use of inventory warehouse space, workers, and equipment. Money spent on this inventory was not available for other uses, representing lost opportunities.

The Oniqua Solution and Benefits

To address its interrelated inventory and procurement issues, ActewAGL successfully implemented the Oniqua Analytic Solution (OAS). According to ActewAGL Supply Chain Improvement Manager Murray Elton, "OAS transfers data into useful information, enabling users to gain knowledge and utilize that knowledge to achieve business goals."

On the procurement side, ActewAGL achieved and exceeded its goal of purchasing 80 percent of goods and services through the purchasing system. The utility increased its DIFOT (delivery in-full on-time) by 25 percent in two years for its strategic inventory suppliers, with a 50 percent increase in receiving transactions. During the same period, ActewAGL decreased late deliveries by 23 percent for strategic inventory.

After implementing the Oniqua solution, one of ActewAGL's suppliers told the utility that "As our delivery times had never been questioned by your company – we didn't think it was an issue [but now orders are] delivered to your yard promptly." Many of ActewAGL's suppliers echoed this sentiment to the utility about its enhanced procurement systems.

Using OAS, ActewAGL has improved its internal processes, providing a balanced, objective approach to supplier performance. It enhanced the utility's ability to measure and analyze supplier performance to reduce costs, mitigate risk, and drive continuous improvements in value and operations. Everyone wins in this scenario. Suppliers gain a better understanding of

ActewAGL's business and how their performance affects ActewAGL's customers. At the same time, ActewAGL contract administrators gain a better understanding of the suppliers' business and how the utility's performance affects them.

On the inventory side, the benefits were equally dramatic. Less than two years after the initial implementation of Oniqua, ActewAGL cut its inventory value in half, freeing up millions of dollars for other uses while maintaining high levels of power system reliability. "It's a very useful solution, both for inventory and supply management," explains ActewAGL Supply Manager Rod Morrison. "You can swear by it."

Lessons Learned

At the start of the procurement and inventory enhancement process, ActewAGL recommends aligning supplier performance goals with organizational goals. The utility found that the keys to successful implementation of the Oniqua system included involving key procurement, inventory, and maintenance stakeholders in the process and explaining the entire enhancement process to suppliers. ActewAGL also recommends concentrating efforts on strategic suppliers, understanding these suppliers' processes, determining how they may affect performance measures, and measuring and ensuring the integrity of the data to determine these measures.

After 12 years using Oniqua's solution for inventory control and four years using it for procurement, ActewAGL continues to identify new applications and realize additional benefits. For example, the utility is now consolidating inventory and purchasing responsibilities together under the authority of six commodity specialists. "The six commodity specialists look after it all, from inventory management, supplier performance analysis, supplier/contract reviews to spend analysis", stated Rod Morrison.

About Oniqua

With operations in the Americas, Africa and Asia-Pacific regions, Oniqua is the world's leading MRO (Maintenance, Repair and Operations) analytics software company. Oniqua helps organizations maximize profits, savings and efficiencies by minimizing MRO waste, and delivers a positive return on investment in as little as three to six months. Oniqua Analytics Solution (OAS) leverages customers' transactional data by applying advanced analytics to identify inefficiencies and ensure that their maintenance, inventory and procurement operations run as efficiently as possible. Oniqua is proud to serve the world's leading companies in the oil and gas, mining, utilities and transportation industries, including BHP Billiton, ConocoPhillips, BP, Hawaiian Electric, Bermuda Electric Light Company, Orange County Transportation Authority, Vale, Rio Tinto, Anglo Coal, Newmont Mining, Alcoa, Xstrata, Drummond Company, Freeport McMoRan and many others.