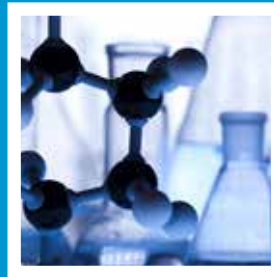


Achieving Procurement Excellence:

IHS Customer Case Studies



FOOD & BEVERAGE

CHALLENGE

A global food manufacturer's team of 200 sourcing managers needed data to contain costs, manage price volatility, and leverage internal demand across 65+ business units. Previously, the team relied upon data obtained from a variety of sources that was inconsistent or incomplete and at times conflicting.

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SOLUTION

IHS provided data, analysis, and pricing trends that covered the wide array of products they were responsible for. They also gained first-hand access to IHS economists who could provide perspectives and insights on these diverse global markets.

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RESULTS

The global sourcing team's ability to create more accurate forecasts and better negotiate prices enabled them to achieve millions in cost savings and immediate ROI. In addition, these insights have strengthened their supply chain management in a way that brings value for their customers.

"The key insights that our team gains across these global markets help us develop a more agile, secure and reliable sourcing organization that brings reliance, trust, and execution capacity for our customers and helps them thrive - and that is at the very core of Cargill's values."



**DELIVERED
VALUE, SAVED
MILLIONS**



**REDUCED
RISK, SAVED
MILLIONS**

MEDICAL

CHALLENGE

Global medical supply manufacturer needed data to help their team of 30+ global sourcing managers make the best decisions using the latest pricing trends. Previously, they relied on data that was limited in scope, covering only the large companies in the United States market. And it was primarily backward-looking information about where commodity prices had been in the past.

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SOLUTION

IHS provided data that is forward-looking and provides context. “We now have information that tells us where the marketplace is going from a macro and a micro economic perspective,” said their Director of Sourcing. “We also get the story behind the price for a holistic understanding — it’s not just a price on a piece of paper.

.....

RESULTS

Within 18 to 20 months, they had already saved millions of dollars. The Sourcing team’s ability to create more accurate forecasts and better negotiate prices for cotton alone accounts for 8 percent of the total savings that were achieved.

“We now have information that tells us where the marketplace is going from a macro and a micro economic perspective. We also get the story behind the price for a holistic understanding...”



OIL & GAS

CHALLENGE

A major oil and gas company was concerned about rapidly rising steel prices and was considering locking in prices for the following year given supplier suggestions that future price hikes were imminent.

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SOLUTION

IHS advised the client not to enter into a contract with locked-in prices based on their estimates that steel prices would spike temporarily, then return to previous levels in the near future.

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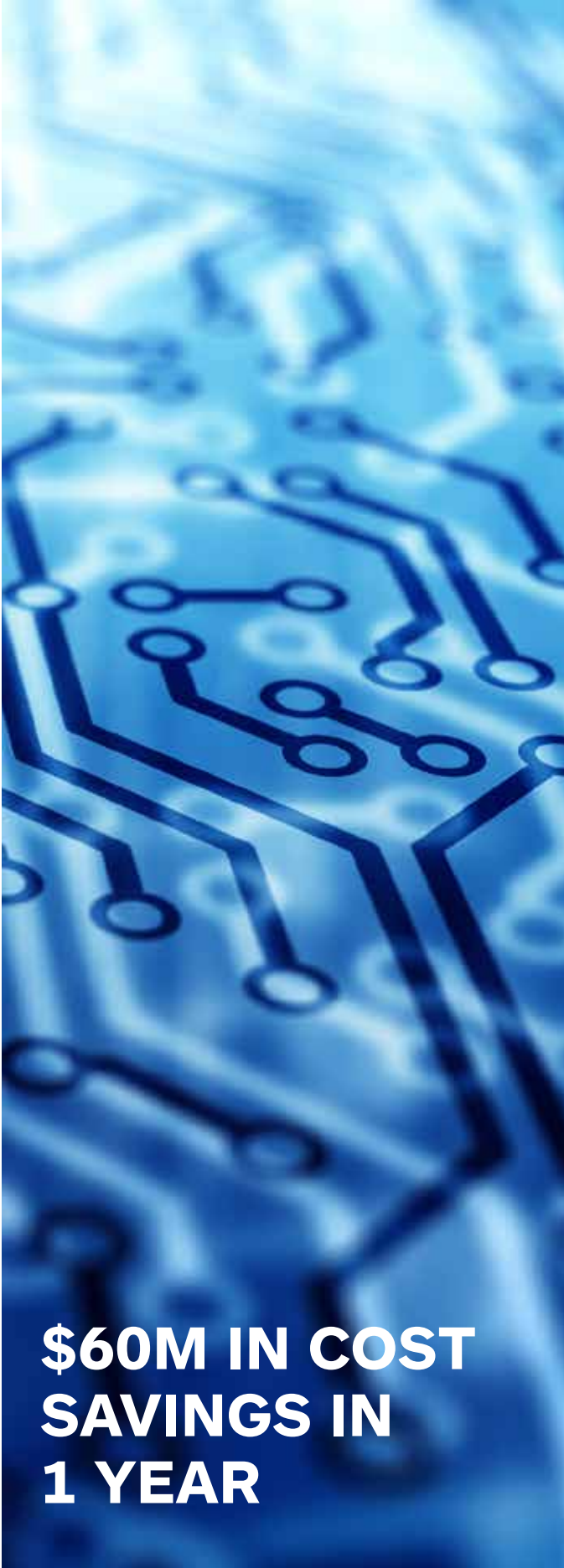
RESULTS

The client saved over US\$10 million by heeding IHS analyst recommendations and delaying its purchase.

“Our successful supply chain transformation was directly linked to better supply market data and external analysis. Our IHS subscription allowed us to shape supply strategies and negotiations with confidence and insight...which led to value creation”



**COST SAVINGS
OF \$10 MILLION**



\$60M IN COST SAVINGS IN 1 YEAR

ELECTRONICS

CHALLENGE

A global electronics company needed a formal cost-benchmarking model to track and forecast material cost inflation by commodity, equipment component and service.

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SOLUTION

1. IHS worked with the procurement team to identify over 300 “buys” and assigned each one an escalation measure.
 2. IHS constructed forecasting models for each assigned price measure.
 3. IHS formulated the model to compare historical and forecast escalation measures against the company’s own data. This provided an objective view of the purchasing department’s cost inflation management.
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RESULTS

In the first year alone, the client estimated US\$60 million in cost savings in materials procurement. The client now uses the model as a strategic tool to establish purchasing performance targets.

CHEMICALS & PLASTICS

CHALLENGE

A chemical company was looking to unlock supply chain cost savings.

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SOLUTION

IHS provided the tools and data for the company to build a composite spending index. Armed with this information, the company asked various suppliers for price adjustments.

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RESULTS

The client saved US\$8 million or approximately 10% of its procurement costs.



**REDUCED
PROCUREMENT
SPEND BY 10%**



**ACHIEVED
\$520.6M IN
COST SAVINGS**

AEROSPACE & DEFENSE

CHALLENGE

The US Department of Defense (DoD) faced substantial payments to a private aircraft manufacturer due to volatility in the employment cost index (ECI).

SOLUTION

IHS helped the DoD estimate changes to worker compensation and calculated new compensation projections. The DoD used these new projections to recalculate contract adjustments, avoiding significant costs that would have been incurred under the BLS employer cost index.

RESULTS

IHS played a vital role in ensuring proper contract adjustments that saved the DoD and US taxpayers \$520.6 million.

“[b]ecause of your support, we were able to calculate price adjustments on the multiyear contracts that were significantly less than those based on the improperly inflated aircraft manufacturing index and we were able to avoid a cost of \$520.6 million for DoD and taxpayers.”



SHIPPING

CHALLENGE

A leading shipping company wanted to time the purchase of 10 million pounds of polyethylene (PE) to take advantage of the lowest price projected for the following year.

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SOLUTION

IHS petrochemical expert, Frantz Price, advised the client to make the entire purchase immediately based on his projection that PE prices would surge due to growing demand, tighter supply and soaring energy input costs.

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RESULTS

The client followed Price's advice. PE prices skyrocketed throughout the following year, and the client saved his organization US\$1 million on its PE buy.



**\$1 MILLION
COST SAVINGS**



10-15% COST SAVINGS

BUILDING MATERIALS

CHALLENGE

A European building materials manufacturer wanted to secure an optimal aluminum contract price.

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SOLUTION

IHS economists accurately predicted a significant unwinding of aluminum prices.

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RESULTS

Armed with this forecast, the client floated aluminum purchases on the spot market for a few months before locking in a contract price at a 10-15% lower rate.

“No other single source has the breadth of coverage we can get with Pricing & Purchasing.”

AUTOMOTIVE

CHALLENGE

A truck manufacturer needed help negotiating a long-term supply contract valued at US\$2.5 million.

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SOLUTION

The client used the IHS Cost Analyzer to derive a 1.4% escalation rate compared to the supplier's 2.5% index. When confronted with this more appropriate index, the supplier conceded the lower rate.

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RESULTS

The client saved over US\$2 million by identifying the right series for its escalator clause.

“We buy a lot of steel sheet and we needed to lock in prices for the coming year before those costs increased. Working with IHS analysts, we found that a recent weather disruption and several other factors had resulted in an artificial price spike for steel sheet. They advised us to buy on the spot (not on contract) and we wound up saving millions.”



**ACHIEVED
\$2M IN COST
SAVINGS**



**ACHIEVED
LOW-COST
COMPETITIVE
ADVANTAGE**

RETAIL

CHALLENGE

In order to maintain their low-cost competitive advantage in the market, a major consumer goods company demanded lower prices from their suppliers. In order to do this, they needed a framework to quantify prices, and track key input costs.

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SOLUTION

IHS worked with the procurement team to construct forecasting “cost recipes” for the production of every item purchased. This allowed the company to build a weighted average of prices and wages according to the “recipes” that they receive from their suppliers.

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RESULTS

Their entire procurement team relies on IHS to deliver near-term forecasts for prices and their cost drivers. The price escalation of input costs is now a key component of each of their major supplier negotiation.

Deliver Cost Savings, Strategically Manage Spend, and Drive Procurement Excellence

The Pricing & Purchasing service, a part of the IHS Supply Management solution, delivers timely, accurate price forecasts and supplier cost analyses, helping you ensure consistency, increase visibility and maximize ROI from procurement spend. IHS can help you see where prices have been and where they are going with a database of thousands of price, wage and input cost forecasts and more than 500,000 historic data concepts.

Learn from a roster of commodity experts and industry analysts that can help you to:

- Meet and sustain cost savings targets
- Manage price volatility for critical commodities
- Foster agility to maintain profitability
- Understand material input and supplier costs to improve negotiations
- Transform procurement from reactive and tactical to proactive and strategic
- Quantify material inputs and supplier costs to improve negotiations
- Expand the expertise of your team with a proven team of industry experts
- Manage price volatility for critical commodities

**FOR MORE INFORMATION
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No other single source has the breadth of coverage we can get with Pricing & Purchasing

~ Fortune 500 manufacturer of specialized industrial products

These services became so ingrained in our habits, we actually wrote IHS into some of the sourcing procedures. I can also recall the heated (and most friendly) internal competition for seat allocation to the IHS subscription.

~ SVP Supply Chain, Multinational Oil and Gas Company

ABOUT IHS

IHS (NYSE: IHS) is the leading source of information, insight and analytics in critical areas that shape today's business landscape. Businesses and governments in more than 165 countries around the globe rely on the comprehensive content, expert independent analysis and flexible delivery methods of IHS to make high-impact decisions and develop strategies with speed and confidence. IHS has been in business since 1959 and became a publicly traded company on the New York Stock Exchange in 2005. Headquartered in Englewood, Colorado, USA, IHS is committed to sustainable, profitable growth and employs approximately 8,000 people in 31 countries around the world.