

Wärtsilä UK Limited find great annual savings

CLIENT: Wärtsilä

SECTOR: Manufacturing

COST CATEGORIES: Vehicle Fleet, Office Supplies, Insurance, Engineering Consumables, Waste Disposal & Management, Scrap Metal Revenue, Insurance, Engineering Consumables, Couriers

THE CLIENT

Wärtsilä UK Limited is a wholly owned subsidiary of Wärtsilä Corporation, a Finnish marine engineering company that supplies ship propulsion solutions and decentralised power generation plants. The company has eight sites across the UK, including Segensworth, Havant, Slough, Aberdeen and Renfrew.

THE CHALLENGE

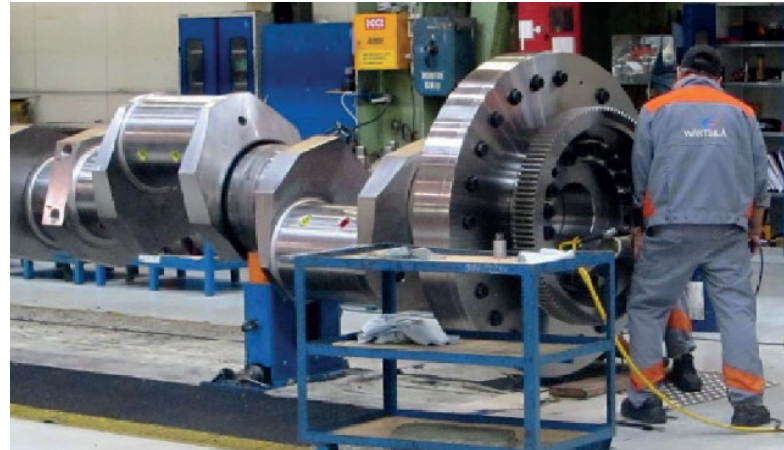
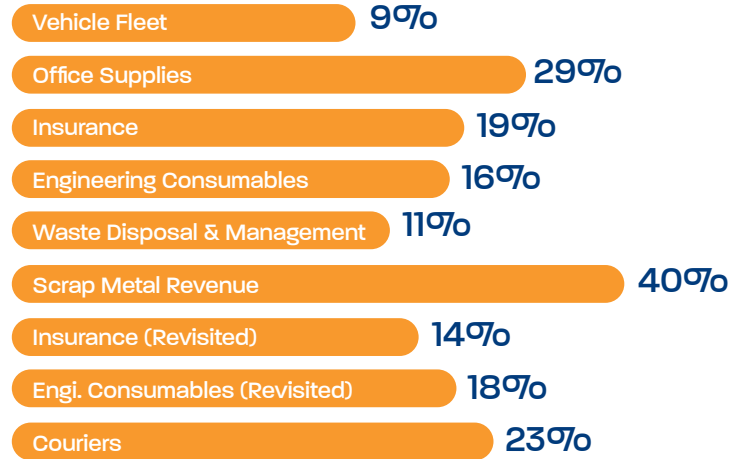
Similar to many organisations, the economic downturn has created new financial challenges for Wärtsilä UK. As a result, John Henshaw, Wärtsilä UK Services Controller, decided to work with Expense Reduction Analysts (ERA), the UK's largest cost and purchase management consultancy, to undertake a strategic review to identify cost savings.

Overall, the review generated annual savings of £328,000. A saving of 29% was achieved for office supplies, 23% on couriers, 11% on waste disposal and an annual revenue improvement of 40% on the recycling of scrap metal.

John, pleasantly surprised with these results, indicated that in most cases, the cost savings were much bigger than expected.

The savings made in insurance were particularly substantial. A 19% saving was achieved by ERA in an initial review of insurance through Wärtsilä's existing broker, which was followed two years later by a much broader strategic review across their entire UK group of companies. This focused on the risk profile of Wärtsilä, the service support being delivered and the programme structure all of which enabled Wärtsilä to clearly understand its insurance needs; and thus helped to assess a selection of brokers. This 'second wave' review resulted in a 14% improvement on the best deal available, using renewal terms as the benchmark.

SUMMARY OF SAVINGS



To date, total annual savings of £328,000 have been identified, and the group has a much better understanding of where further costs can be reduced in future.

JOHN HENSHAW
UK SERVICES CONTROLLER, WÄRTSILÄ

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John says, “The bottom line figure is just one measure of insurance cost. It is a complex purchase, and we benefited significantly from the guidance and advice of Expense Reduction Analysts’ insurance team.”

As a result of these savings, John asked Expense Reduction Analysts to review its vehicle fleet cost, which subsequently found an £68,000 annual saving sustained over four consecutive years.

Another area within the review was engineering consumables, which was initially met with resistance by some locations that were reluctant to change suppliers. This change was implemented on a gradual basis, with new and existing suppliers running in parallel until the change to new suppliers was accepted. Savings of 22% have already been achieved nine months into the project and are expected to continue at this level.

“We respect clients often forge close relationships with suppliers over many years of trading and therefore we would never advocate change unless clients themselves are convinced it is the right commercial decision for their businesses,” explained Paul Gannon, the ERA consultant who lead the cost reviews conducted by a number of project specialists from ERA.

“Wärtsilä management and stakeholders selected the suppliers they wanted to work with; many of their incumbent suppliers have been retained.”

Paul also emphasised the importance of working closely with Wärtsilä’s staff and key stakeholders to implement the cost saving tactics.

“We are a strategic resource, providing independent advice and assistance. To help an organisation make any changes, we need input and guidance from key internal staff. We work in partnership with them. When a client gets outstanding results, it is because of the powerful combination of its employees’ aptitude and understanding and our abilities, expertise, benchmarking data and proven analysis tools.”

Best of all, the profit improvement exercise started a profit culture within the business.

“The cost savings achieved have had a significant impact on our bottom line,” says John. “Most importantly, we have shown a commitment to best business practice, not just cost cutting, which has continued throughout the Division.”