

A profitable partnership delivers savings and supply solutions for Whale Pumps

CLIENT:	Whale Pumps
SECTOR:	Manufacturing
COST CATEGORIES:	Engineering Consumables, Distribution, Electricity, Stationery, Packaging

Using their wealth of knowledge and experience of various categories, Expense Reduction Analysts (ERA) worked alongside Whale Pumps to identify areas where costs could be reduced and value could be added to supply processes.

THE CLIENT

Whale Pumps is the product brand name from Munster Simms Engineering of Bangor, an independent company engaged in the design, manufacture, marketing and selling of pumps, valves, faucets and plumbing (water systems) for use in mobile or low voltage environments. Whale Pumps has been in existence for over 200 years and supply to international customers operating in countries including UK, France, Germany and USA. Recently they have developed a range of water and space heaters for the recreational vehicle market.

THE CHALLENGE

Wesley Hanson, Finance Director of Whale Pumps, met with Brian Turbitt of ERA in 2009 at the beginning of the economic downturn as part of a strategy of supporting competitiveness. Brian describes the manufacturer's objective at that meeting, "Wesley Hanson was obviously very interested in what we could do for his company, in terms of the savings that we could find. He stressed, however, that they had a strong relationship with their suppliers and did not want to risk disturbing these for a percentage point or two. This was the basis on which we worked with them; looking for ways in which we could achieve savings for Whale Pumps and improve systems where necessary whilst maintaining the solid relationship they had with their suppliers."

REDUCING COSTS WHILST ADDING VALUE

Understanding the importance of supplier relations to Whale Pumps, consultants Brian Turbitt, Neil Copland and Ian Morrison looked at areas of the business that they could not only improve profits, but also add value to Whale Pumps' operating systems.



Expense Reduction Analysts have been excellent to work with; they are experts at achieving savings whilst keeping a close eye on what else is important to the business. They have found economies that we could not have discovered on our own, and they have always been sensitive to our long-established supplier relationships. I have asked them to look at further categories, and I look forward to working with them in the long term. We greatly value and, I would say, protect our supplier relationships, so I was very pleased with Expense Reduction Analysts' approach. They did not merely attempt to cut margins without regard for the bigger picture; they delivered savings that preserved – and in some cases – enhanced the goodwill between ourselves and our suppliers.

WESLEY HANSON
FINANCE DIRECTOR, WHALE PUMPS

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The consultants recommendations therefore allowed Whale Pumps to run more efficiently at a lower cost.

Hanson asked Expense Reduction Analysts to start by reviewing the engineering consumables, stationery, electricity, distribution and packaging categories of expenditure.

Ian Morrison, who undertook analysis of the first of those for ERA, takes up the story, “On Engineering Consumables, Whale Pumps were very clear from the outset that they wanted to retain the incumbent supplier. Having analysed the company’s £250,000 spend in this area, I felt that they were not achieving best value. The supplier offered a 6% discount, which we negotiated up to 7%, however we still felt that Whale Pumps should do better. We looked upstream and identified the company that was supplying Whale Pumps’ supplier, and advised them how to buy their product in a more competitive way. They benefited from our advice, and Whale Pumps finally achieved a 12% saving whilst maintaining the same level of quality and service.”

STATIONERY DOES NOT MOVE: PROOF OF A RESPONSIBLE APPROACH

The stationery category provided further evidence of ERA’s responsible approach, when the procurement health check concluded that Whale Pumps were indeed achieving best value.

USING VALUABLE KNOWLEDGE AND EXPERIENCE TO OVERCOME ISSUES

Electricity proved to be a complex category. Neil Copland, who managed the overall project for ERA, explains, “Whale Pumps were on a flexible tariff, using a generator at certain times of the year. Having analysed their electrical consumption, we advised them to discontinue the use of their generator and to move to a fixed tariff. Whale Pumps welcomed this change as it offered them consistency in cost. The complication arose when the price of fuel went down; we used our experience and bargaining power to negotiate with their electricity supplier and agree a new fixed rate that Whale Pumps would benefit from.”

LOYALTY TO SUPPLIERS AND STAFF

When identifying costs in the distribution category, it became clear that Whale Pumps employ an admirable loyalty to their suppliers. ERA revealed the opportunity for a saving of 45% here, but one that necessitated internal changes. Whale Pumps decided not to pursue this course of action so ERA instead worked with the incumbent supplier to achieve moderate savings which benefited Whale Pumps whilst preserving the working relationship between them and their supplier.

REDUCING PACKAGING COSTS BY OVER HALF

When analysing Whale Pumps’ packaging spends, it was found that they were not achieving the best value. Their packaging requirements included corrugated brown boxes and lithographic printed packaging. ERA were able to source a well established supplier that could provide both of these at the same high level of service Whale Pumps were used to, at a significantly lower price. Whale Pumps visited the supplier to ensure that the service levels met their requirements and implemented the new supplier smoothly. This switch has resulted in a saving of 55% on Whale Pumps’ packaging.

