

## Case Study

### Improving Strategic Sourcing & Procurement at a Large Hotel and Gaming Operator

A leading developer, owner and operator of gaming resorts, with annual revenues over a billion dollars and operating six resorts and casinos located in the USA, needed help centralizing its procurement and strategic sourcing.

Hitachi Consulting developed an approach that organized all of its procurement data into one system, set standards for categories of supplies, analyzed data for cost efficiencies and improved overall reporting. In addition, they helped consolidate vendor contracts to achieve significant cost savings.

#### Business Challenge

This leading hotel and gaming corporation originally set up each of its resort properties to manage its own sourcing/procurement operations. However, with the acquisition of multiple casinos and development of other resorts, it became apparent that it needed to reduce costs and improve efficiencies by consolidating and centralizing its procurement activities and operations. The business needed to realize not only immediate cost savings for its resorts, but also structured processes and standards for current and future properties.

#### Solution Approach

##### *Establishing Standardized Processes and Systems across Multiple Properties to Achieve Efficiencies and Cost Reductions*

Hitachi Consulting was selected to centralize its procurement operations and establish data standardization across its properties. The team set out to work closely with the head of procurement to first establish a plan that would provide a sequence of steps to manage this change throughout the organization. The steps were broken up into two groups: strategic sourcing and data analytics.

##### Strategic Sourcing

- Collect and analyze all procurement data – everything from hotel room amenities, to linens, to cleaning supplies and maintenance materials – and separate the data into specific spend categories
- Develop specific strategies by categories of data and determine an estimated savings for each spend category

##### Data Analytics

- Design a new procurement taxonomy to allow all spend data to be properly organized in a hierarchical structure and eliminate generic categories
- Map all data to the new taxonomy and link it to a new reporting tool which allow better reporting and dashboard capabilities
- Deploy a reporting tool and develop reports to pull together procurement data for better review and decision making across all properties

The team addressed issues such as **standard classifications of data**, resulting in improvements of how information was identified, which could then be assessed for **total spend analysis**. The team was then able to estimate potential savings using historical studies and cost analyses. The estimated savings was based on establishing corporate national contracts of suppliers, so they might achieve efficiencies based on procurement across all resort properties, thus reducing overall costs.



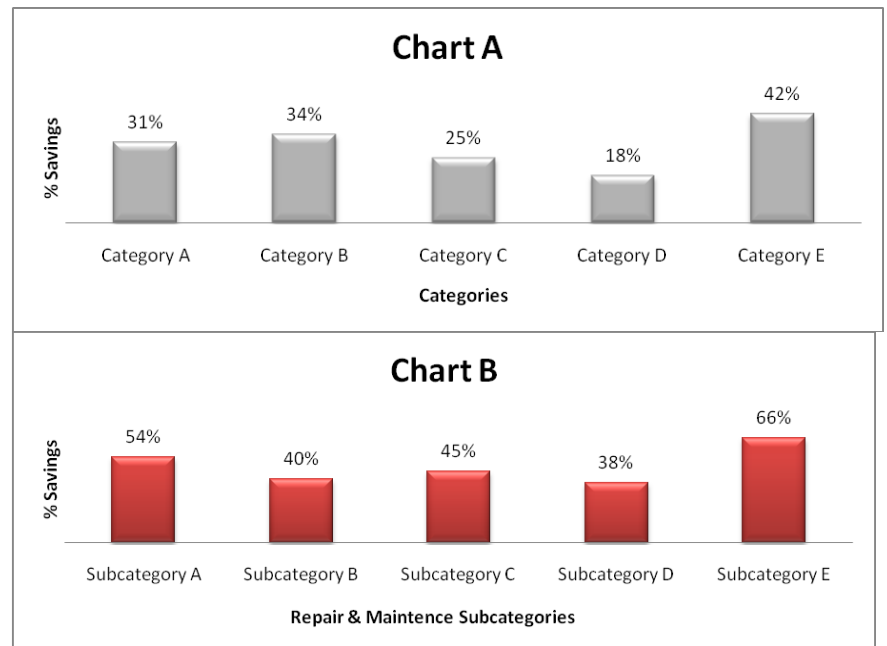
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Next, Hitachi Consulting was asked to focus on specific spend categories to assist with **establishing national vendor contracts**. The categories were Hotel Room Amenities, Hotel Linens, Chemicals, Cleaning Supplies and Repair & Maintenance. The Repair & Maintenance area was broken up into subcategories such as light bulbs, batteries, HVAC filters, tools, and disposable gloves & trash liners. A **total cost savings** was calculated after gathering price quotes from suppliers and comparing them to the company's current price points.



**Chart A** shows the potential percent savings for spend categories and **Chart B** breaks down the potential savings of some of the subcategories specifically in Repair & Maintenance.

## Results

Hitachi Consulting was able to address the strategic sourcing overall roadmap, categorization of materials, taxonomy, and data analytics. In addition, the team designed custom reports, dashboards and helped to negotiate vendor contracts. With the data analytics and taxonomy in place, the team could view actual spend by categories and have an efficient hierarchical structure.

This major hotel and gaming operator is already starting to realize immediate cost reduction benefits from consolidating the vendor contracts. They continue to analyze the data to improve overall operations.

This project is part of Hitachi Consulting's Responsive Supply Chain services at that works to ensure that policies, systems, structures and operating techniques make a company's assets more responsive to changing market conditions.

## About Hitachi Consulting Corporation

As Hitachi, Ltd.'s (NYSE: HIT) global consulting company, Hitachi Consulting is a recognized leader in delivering proven business and IT solutions to Global 2000 companies. With a balanced view of strategy, people, process and technology, we work with companies to understand their unique business needs, and to develop and implement practical business strategies and technology solutions.

Hitachi Consulting's client base includes nearly 25 percent of the Global 100 and many leading mid-market companies. From business strategy development through application deployment, we help clients quickly realize measurable business value and achieve sustainable ROI.

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