



Supply chain earns its “seat at the table”

Client story



Client
Regional transit authority

Sector
Auto and transportation

Project
Supply chain transformation



Client challenge

A regional transit authority sought to unlock savings in a part of the organization invisible to the riding public—Materials and Supplies, or the supply chain. But you can't manage what you can't see. Multiple reporting systems stood as impediments to an accurate view of where inventory had tied up capital and understanding the scale of spare-parts write-offs. Complicating matters further was a large vendor network comprising approximately 700 separate vendors responsible for keeping tens of thousands of spare parts on-hand. In order to reach their goals, the transit authority's leadership would have to bring clarity and order to core, mission-critical activities. They set out to create a centralized and newly visible supply chain function and organizational structure, bringing value as a strategic partner to the business.



Benefits to client

KPMG helps this regional transit authority keep doing what it does best—moving people—with a new, centralized supply chain function. Specific benefits include:

- Five-year net savings of \$70 million identified and in-process
- Annual budget growth positioned to stay within 3-percent-per-annum mandates
- A single source of vendor-managed inventory (VMI) data reveals an accurate view of inventory capital and losses
- Streamlined reordering, simplified spare parts classification, and reduced excess inventory via optimized maintenance and repair operations (MRO) processes
- Leading edge business and demand planning practices in place, with an additional business improvement opportunities portfolio set up to support ongoing transformation efforts
- “A seat at the executive table” for supply chain, based on new supply chain management (SCM) organization model.



KPMG response

KPMG helped transform the supply chain function, addressing processes, technology, and organizational design. The KPMG team:

- Assessed current-state MRO, including root-cause analysis of overstocked inventory, and helped optimize those processes
- Standardized master data, streamlining multiple platforms into one—a “single source of truth”
- Developed a supplier chain model that will evolve into a partnership with a single VMI provider, in place of 700 separate vendors
- Built a centralized demand planning function, powered by dashboard reporting, with new metrics, analytic tools, and training for demand planners and supply chain analysts
- Helped design a target operating model based on a centralized SCM function, integrated demand planning, and VMI
- Designed and implemented a centralized SCM organization model, headed by a new vice president–SCM position, and embedding new reporting lines, roles, and responsibilities.



KPMG insights

Organizations want to put attention on their core activities.

This regional transit authority is in the business of moving people, not managing inventory. Initiatives like establishing a VMI program for spare parts let its professionals focus attention on what it does best.

Supply chain can function as a strategic driver of value.

A centralized supply chain function, VMI, and integrated business planning have unlocked substantial operating savings that help this transit authority meet mandated budget targets.

Transformation begins with self-assessment, based on “a single source of truth.”

Multiple reporting systems stood as impediments to an accurate understanding of where inventory had tied up capital and the scale of spare-parts write-offs. Standardized master data and consolidated reporting gives leadership line of sight to support action.

If you are interested in learning more about this case study, or if you are experiencing similar issues, please contact us.

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For more information about KPMG’s supply chain transformation capabilities, go to: read.kpmg.us/futuresupplychain.

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