



NPI Cuts IT Costs for Large Grocer



Supermarket savings conjure up images of weekly specials, coupons and loyalty program discounts. But slim margins in this highly competitive market mean that supermarket savings must also apply to every aspect of sourcing for the organization. One of the largest supermarket chains in the U.S. has a passion for serious cost-cutting – especially when it comes to information technology. Their secret weapon? Insight and advice from NPI. NPI has saved the supermarket chain more than \$6 million, achieved sustainable savings in ongoing support costs, and minimized future cost risks associated with some of the company’s largest IT vendor contracts.

Case Study: Large Grocery Retailer

The Challenge:

- Sophisticated purchasing team wanted independent confirmation of fair pricing and terms for major supply chain and retail IT investments
- Wanted advisor who could arm in-house sourcing team with deeper vendor intelligence
- Needed to eliminate overspending risks in major vendor contracts to protect low cost-to-serve ratios

- Saved \$2M on \$8M supply chain technology purchase, including 30 percent reduction in maintenance/support costs
- Saved \$3M on \$24M IBM point-of-sale purchase
- Minimized overspending risks with multi-phase implementation strategy and reduced professional services fees

World-Class Purchaser Raises the Standard

With nearly 500 stores and 46,000 employees, this supermarket chain has served its customers for more than 50 years. Purchasing has played an instrumental role in its success by serving as the epicenter for cost control. The company today operates one of the most sophisticated IT purchasing programs in the country with more than 20 experienced team members.

The company was no stranger to third-party sourcing advisors. They had worked with consultants in other areas of the business, but never in IT. With rising IT costs across every facet of their business, they decided to bring in NPI to help benchmark and reduce costs.

Optimizing Enterprise Technology Investments

NPI started with two of the company’s largest IT purchases. The first was an \$8M supply chain technology purchase with an industry-leading vendor. NPI conducted a thorough pricing benchmark and discount analysis for the vendor’s distribution, transportation and supply chain platform solutions.

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Real savings.



“The company already had a world-class IT sourcing department and a commitment to cost control that we rarely see. Our vendor-specific benchmarks and purchase optimization insight was the missing piece of the puzzle – and one that will continue to save them millions of dollars.”

Jon Winsett
CEO, NPI

After establishing fair market value pricing and discount targets for licenses, NPI focused on reducing implementation costs. The vendor had estimated that more than 17,000 professional services hours would be required to implement the technology. NPI advised a lower blended rate, as well as a multi-phase implementation that would prevent cost overages. NPI also provided guidance on how to reduce support costs. With a large bundled purchase and a phased implementation, the company could negotiate economies of scale and leverage the substantial implementation timeline rather than pay full-price for support on each module. NPI guided the client to defer support costs for the first year on several solution components, matching the implementation schedule.

NPI also advised the client on a \$24M point-of-sale technology purchase with IBM. In addition to standard benchmarking, NPI helped the company bring in competitive bids from vendors such as NCR, so the NPI/client sourcing team was also able to contrast and leverage different pricing and discounting scenarios. Ultimately, the client made an optimized IBM purchase.

Material Savings Achieved

As a trusted advisor, NPI strengthened an already world-class purchasing team with additional vendor-specific insights and advice. For the company’s supply chain purchase, NPI’s guidance translated into \$2M+ in savings including a 30 percent reduction in maintenance/support costs and a multi-phase implementation plan designed to prevent overspending. For its IBM investment, NPI’s benchmarking and sourcing event services helped secure a 15 percent cost reduction on a \$24M point-of-sale purchase.

About NPI

NPI is an IT sourcing consulting company that helps enterprises identify and eliminate overspending on IT purchases, accelerate purchasing cycles and align internal buying teams. We deliver transaction-level price benchmark analysis, license and service optimization advice, and vendor-specific negotiation intel that enables IT buying teams to drive measurable savings. NPI analyzes billions of dollars in spend each year for clients spanning all industries that invest heavily in IT. For more information, visit www.npifinancial.com.



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