

PROCUREMENT OPTIMIZATION

Small changes mean big bucks in bulk material supply chains

There's money to be made through smart supply chain strategies like procurement optimization, material aggregation, and strategic sourcing. During the past 30 years, total global material consumption has increased by 80% and is projected to reach 180 billion tons of different materials by 2050.

"We're engaged with industries using predictive data," said Conrad Woerner, BinMaster Supply Chain Manager. "If a company can access its bulk material needs and realize just 1 or 2% waste reduction, or create an ordering rhythm to purchase at a lower price point, it could create millions of dollars return on investment."



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KEYWORDS

bulk material inventory, supply chain, procurement optimization, material aggregation, strategic sourcing

OBJECTIVE

Learn to combine sensor and software technology to automate level measurement.

CONSIDER

Manual bulk measurement is risky, material overflow costly, and labor short.

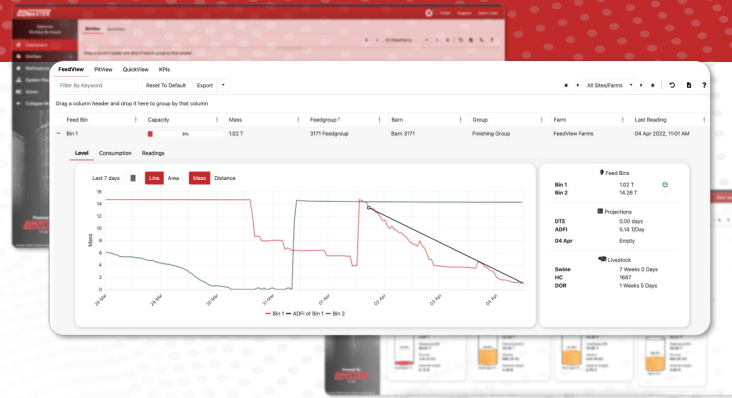
ONLINE

<https://www.binmaster.com/products/continuous-level/3d-level-scanner.html>



<https://www.binmaster.com/support/sales/contact-form>





Supply chain improvements begin with bulk material

BinMaster walks alongside supply chain efforts by providing accurate measurements of bulk materials in one, or multiple locations.

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Bulk material data starts with BinMaster sensors measuring bulk material levels in bins, silos, and tanks. Those measurements appear on BinCloud software with up-to-date views of each vessel. Customers help drive new features on BinCloud to deliver historical charts and trendlines to help with predictive ordering.

“BinCloud has really evolved,” said Scott Hudson, BinMaster VP sales & marketing. “Our software developers update the platform three or four times a year and they are constantly customizing for customers. Not many people can say their software requests and ideas turn into reality. BinMaster customers can say that.”





Creating a Winning Bulk Strategy

Strategies to increase profits and decrease waste starts with good data. BinMaster sensors and software generate measurement data and material used over time.

- **Procurement optimization** focuses on streamlining the entire procurement process, from supplier selection to contracts, demand forecasting, and inventory management to boost cost and performance. In general, optimization is the “how” of procurement.
- **Strategic sourcing** also covers the entire procurement process but focuses on the “what” and “who” of the decision-making process.
- **Material aggregation** centers on purchasing needs of various locations and facilities within an organization to enable higher volume purchases and cost advantages that individual units could not achieve independently.

Bulk Purchasing Winners

A **major agriculture corporation** in the US utilized procurement optimization to realize substantial savings on bulk materials for **animal feed production**. By accounting for use over multiple locations, the company created long-term contracts with key suppliers for corn, soybean, and wheat bran. Part of this effort was **material aggregation** consolidating purchasing needs across multiple production plants over a region.

In the **petrochemical industry**, procurement of raw materials accounts for 70-80% of downstream products (Lee, Chou, Huang, 2021). One study looked at butadiene (a bulk material for synthetic rubber used for shoes, tires, etc.). The product price for this bulk material fluctuates with demand, economic and political events. The study calls for digital transformation tools to **predict material use** and to create a procurement decision. The result aims for material cost savings, risk mitigation of price volatility, better profit, steady supply, and operational efficiency.

Construction studies in the UK are looking at procurement strategies to **reduce material waste**. One study shows that poor materials procurement contributes 11% of material waste in the UK. Construction waste can add considerable costs to a project, even during the planning stage. According to a study by Buchan, J.D., **construction planners allow for material waste** in the range of 2.5-10% of the quantity of materials.

Drilling down to details in supply chain management requires good data, delivered automatically, to the cloud, where **multiple managers, locations, and departments can collaborate** on strategy. BinMaster provides the perfect tool to transform bulk material inventory. More information and contact information for BinMaster bulk material experts can be found at www.binmaster.com.

References

Buchan, J.D., Fleming, F.W. and Kelly, J.K., 1999. Estimating for builders and quantity surveyors. Butterworth Heinemann. Lee, K. S., Chou, T. Y., Huang, Y. S. (2021). Data-Driven Supply Chain Management: From Intelligent Manufacturing to Intelligent Industry.