

Johns Manville

Johns Manville, a Berkshire Hathaway company, is a leading manufacturer and marketer of premium-quality building insulation, commercial roofing, roof insulation, and specialty products for commercial, industrial, and residential applications. With annual sales in excess of \$2.5 billion and employing approximately 8,500 people in North America, Europe and China, Fortune Magazine recently named Berkshire Hathaway its seventh “Most Admired Company”.

Targeting Spend Management Capabilities

In an effort to assist in sourcing, Johns Manville historically recorded commodity data in its purchasing systems. However, these systems were fragmented—making it difficult to capture spend across the company and “unclassified” codes were used 66 percent of the time. The Johns Manville sourcing project cycle time was extended further by additional factors including a lack of normalization of supplier names resulting in duplicates and difficulty in identifying recent and lowest unit price information.

Johns Manville identified additional short- and long-term issues that had a detrimental effect on its spend management initiatives. These included:

- Sourcing opportunities difficult to identify due to poor spend data
- Longer time to value due to extensive effort with analyzing spend
- Lack of visibility into identifying company-wide spend because of disparate legacy purchasing systems
- Maverick spending outside of preferred contracts and/or suppliers
- Difficulty tracking spending patterns
- Difficulty measuring the impact of cost changes

With a goal of addressing these complexities and a particular target on direct spend, Johns Manville rolled out Ariba Spend Visibility™, an on-demand solution providing data enrichment service, project management and hosted access to Ariba Analysis™ for analytics and reporting.



“Spend Visibility enables us to attack new areas of spend that we previously left unmanaged.”

Ed Williams
Vice President of Corporate Supply Chain
Johns Manville



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Increased Visibility Facilitates Collaboration

Today, Johns Manville has a three-year history of over \$5B in direct materials and indirect spend data over three years loaded in Ariba Analysis. This spend data has been classified to granular UNSPSC commodity codes and suppliers have been normalized and enriched with key information, particularly parentage details.

From a savings perspective, Johns Manville has rationalized suppliers for 2.5 percent of their spend—enabling 10 percent savings on that spend. Utilizing the numerous out-of-the-box schema and reports for analyzing direct materials (ex. purchase price variance and item inflation), price rationalization has been leveraged on five percent of spend and strategic sourcing opportunities have been identified on 10 percent of spend. Each of these initiatives also resulted in 10 percent savings.

Other Johns Manville Spend Visibility benefits include:

- Enablement of quick hit sourcing opportunities
- Better verification of usage data by Johns Manville plants
- Faster sourcing cycle times through elimination of time spent aggregating and interpreting data
- Maximized buyer leverage through accurate spend by category and supplier, and accurate supplier parentage
- Ability to track spending patterns and inflation by material and supplier

An excellent example of sourcing savings is illustrated in Johns Manville's purchasing of adhesives and sealants. Previously an unmanaged category, high dollars were spent on a small number of suppliers. Ariba Spend Visibility enabled Johns Manville to isolate the spend by category and supplier. The result was a successful sourcing project of \$5M with approximately \$900K, or 18 percent, in savings. Additional categories where Johns Manville has recognized savings from their Spend

Visibility initiative include direct material chemicals, MRO, information technology, human resources and other indirect spend.

Unlocking Additional Spend Management Opportunities
Ed Williams, the Vice President of Corporate Supply Chain at Johns Manville, is fully aware of the benefits of

spend visibility. "Spend Visibility enables us to attack new areas of spend that we previously left unmanaged." Williams goes on, "Spend Visibility is an enabler for improving our strategic sourcing process by reducing cycle time, reducing data collection efforts and increasing efficiency."

Johns Manville will continue to validate and mine their data to

identify savings opportunities that went undetected before deep visibility was available. Johns Manville will use Spend Visibility to assist in meeting its annual target of six percent cost reduction by finding new sourcing opportunities through leveraging the program to its European Sourcing team in order to unlock additional savings. The company also plans to roll out the program to additional personnel including plant purchasing, finance, and data specialists in order to take full advantage of the data.

About Johns Manville

Johns Manville, a Berkshire Hathaway company, is a leading manufacturer and marketer of premium-quality building and specialty products. In business since 1858, the Denver-based company has annual sales in excess of \$2.5 billion and holds leadership positions in all of the key markets that it serves. Johns Manville employs approximately 8,500 people and operates 43 manufacturing facilities in North America, Europe and China.

About Ariba

Ariba, Inc. is the leading provider of spend management solutions to help companies realize rapid and sustainable bottom line results. Successful companies around the world in every industry use Ariba Spend Management software and services. Ariba can be contacted in the US at 1.650.390.1000 or at www.ariba.com.

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