

XL Axiata

Achieving cost control excellence through hidden opportunities

XL Axiata was established in 1995 and is one of the major cellular providers in Indonesia with a majority ownership by Axiata Group Berhad (66.7%).

The Axiata Group includes Robi (Bangladesh), HELLO (Cambodia), Idea (India), Celcom (Malaysia), M1 (Singapore), Samart (Thailand) and Dialog (Sri Lanka), as part of its holdings in Asia.

XL is now becoming the second largest company in the Indonesian Telecommunication market and one of the most profitable operators.

“Renoir’s systematic approach and ability to act as a bridge between different parts of the business has been a clear enabler for this change. The focused attention and outsider perspective has revealed major hidden costs within departments and the management of a cross company taskforce has proven that we can work together as a group to deliver benefits through improved cost visibility, forecasting, simplification and volume aggregation.”

Hasnul Suhaimi
President Director / CEO
XL Axiata

Key Results

4.2% savings from OPEX and COGS including 4% recurring savings

ANALYSIS

Following 5 years of work with Renoir on a range of projects, XL Axiata staff believed that their current, lean model could not be reduced further without impacting the core-business. Senior management had their doubts and Renoir’s Analysis revealed the following:

Operational savings opportunities:

- Transparency between purchasing and users was poor, adversely affecting Network and IT systems;
- Fear of not meeting BoD expectations had created low-risk behaviour. This inhibited progressive thought and led to excessive inventory levels and safety stock;
- Lack of coordination between departments resulting in tender delays;
- Departmental managers / directors desire to reduce costs were sporadic, not formalised, and lacking alignment across departments;
- Staff understood there were opportunities to reduce spend in their department but did not have the knowledge or tools to effectively manage the change.

Management Control & Information Systems:

- Budget performance data was collected but not produced as usable information;
- Forecasts were created without key variables and followed incorrect assumptions of product seasonality;
- Monthly short-interval budget control was missing which led to a rear-view mirror style of management;
- Previous spend decisions were not evaluated in order to realign spend more effectively.

PROJECT APPROACH

A 52 week project under the guidance of a full-time Renoir consultant & Project Manager, along with a cross-functional Management Action Team (MAT), representatives of their directorate, were charged with the task of evaluating key spend items, designing initiatives and implementing sustainable cost reduction.

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The main focus was to achieve bottom-line savings by challenging users on existing and future spends. The key deliverables managed during the project were:

1. Identification & management initiative

- Review and alignment of existing cost saving programs;
- Ensure better cost efficiency by addressing specific initiatives from Directors and VP's;
- Conduct a thorough review of main cost items with initiatives from working level staff;
- Install daily/ weekly initiative planning and implementation;
- Track plan vs. actual savings on a monthly basis;
- Target an initial 3% reduction of the planned 2012 OPEX + COGS, later revised to 5% (USD 50 million)

2. Budget management reinforcement

- Improve tracking & reporting of plan vs. actual budget on a monthly/ quarterly/yearly basis,
- Enable quarterly excess budget removal,
- Improve existing follow-up & control process,
- Empower the budget committee to challenge recurring spend.

PROJECT RESULTS

The MAT designed, managed and delivered results on 47 initiatives across 19 departments. The main achievements included:

Internet Traffic Migration

Migrating Internet traffic from a high-cost dedicated cable to existing capacity in an alternative upstream internet line. Yearly savings have been made from reduced cost per Gpbs and from the lower capacity required.

Reduction of Inventory

Results have been delivered by improving forecasting, negotiating flexibility in delivery size with vendors, and reducing the lead time. With analysis of the historical variances in demand and lead-time, a new safety stock level is maintained.

Rationalisation of BTS Tower Providers

Existing, network rollout plans cost was reduced by moving purchases to 6 key vendors. Wider gains were experienced by a reduction in the workload for vendor management.

Reduction of COGS

The packaging has been reduced by 50% thus reducing the cost of material and cost of delivery with lighter and smaller material.

THE RENOIR GROUP

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