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Getting to "Zero" Through Smart Procurement Practices

Learn to Think Like Walmart



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Today's Discussion

The Walmart Way

- Total System Analysis

Evidence Based Decisions

- Information Seeking, Understanding, Applying

Procurement Approaches

- Advantages & Disadvantages

Developing Partnerships

- Standards, Expectations, Communication

Legalities

- Purpose, Accountability, Fairness, Execution



The Objective of the Procurement Process.

To Get the Best Price for the
Goods and Services You Want.

To Ensure Purchases Support
Other Goals of the
Organization.

To Provide Liability Protection.

A Revelation Sparks a Revolution

*"There is a simple rule about the environment.
If there is waste or pollution, someone along the
line pays for it.*

Think about it...

*If we throw it away, we had to buy it first.
So we pay twice, once to get it, once to have it
taken away.*

What if we reverse that cycle?

*What if our suppliers send us less, and everything
they send us has value as a recycled product?*

No waste. . . ."

Lee Scott, Chief Executive,
Wal-Mart (October 2005)





Logistical Objectives

Fill every trailer to capacity.

Drive those trailers fewest miles possible.

Use the most efficient equipment possible.

“By focusing on internal operations only, rather than looking at external influences, 90 percent of the available opportunities for improvement would have been missed.”

Improved Environmental Performance Means

- Decreased waste-disposal cost
- Reduced training costs
- Fewer environmental-permitting fees
- Lower materials costs

It's not about being green, it's about profit.

Green Supply Chain Management

A Team Effort

Lifecycle Thinking

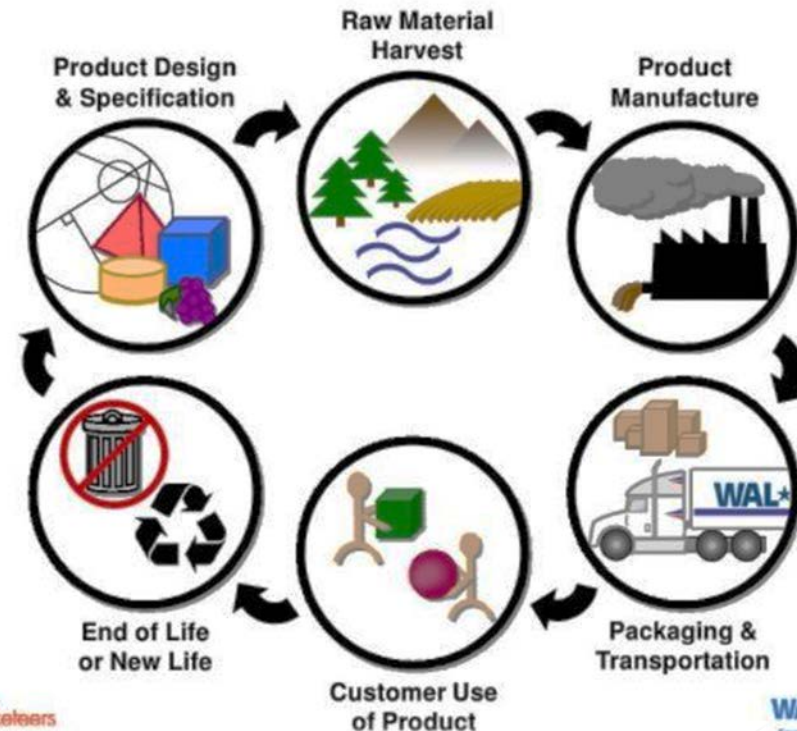
Full System Analysis
Oriented for Improved
Performance

Responsibility Crosses over
Departments

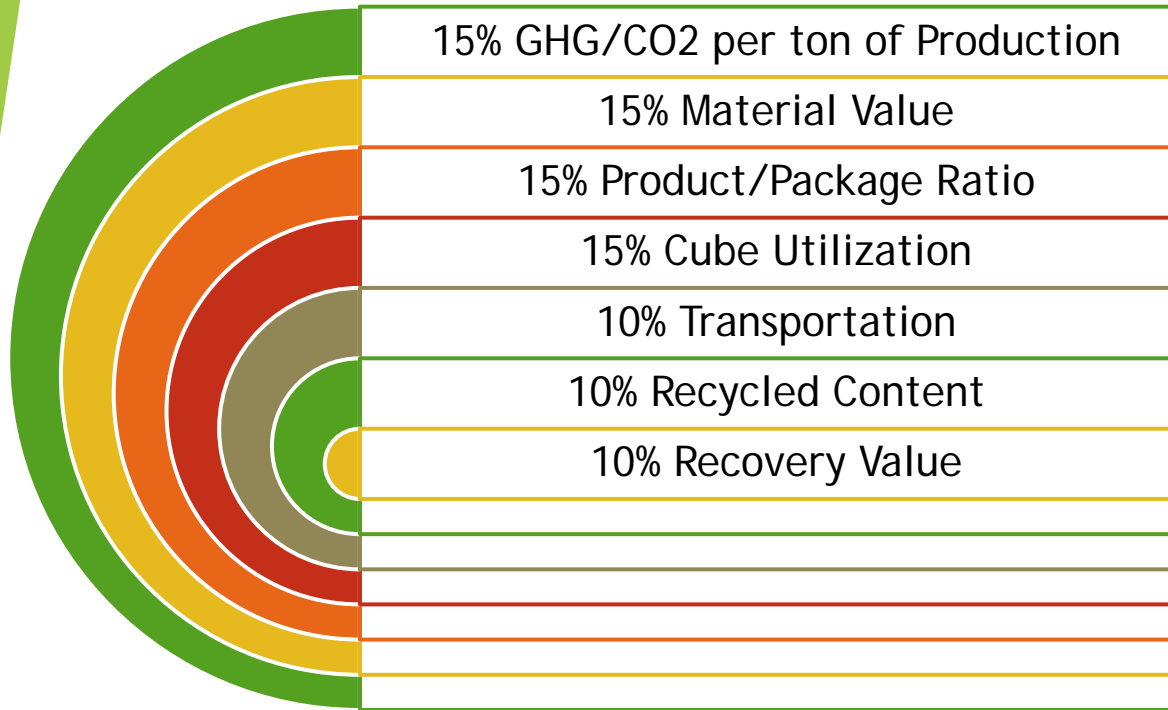
- ▶ Purchasing
- ▶ Administration
- ▶ Engineering
- ▶ Maintenance
- ▶ Production
- ▶ Shipping
- ▶ Distribution
- ▶ Material Management

"Where is the sustainability team, I want to recognize you, in fact I want the whole room to raise your hands."

Doug McMillen, CEO Walmart



Initial Packaging Scorecard Now Part of Sustainability Index





Really?
You're Not as Big as Walmart.
So What?



Conducting the Internal Investigation

A background image showing a group of business professionals in a meeting. A man in a white shirt is leaning forward, looking intently at a woman in a dark blazer who is speaking. Other people are visible in the background, some looking at a laptop screen. The scene is set in a modern office with large windows.

Objectives of the Outreach Process

Take the time to meet with potential suppliers to understand their cost structure

Get to know their service capabilities and how it differentiates them

Discover what ancillary services exist through their network of affiliates and partnerships

Have them explain current industry constraints and challenges and the direct impact on their operation

Explain what you are trying to accomplish and get their input

Explore feasibility of potential partnerships with their customers for byproducts & materials

Ensure supplier meets rigorous standards before they are even considered

?% CNG/LNG Fleet

?% Innovative Outlets for Added Materials

?% Automated On-Time Service Capabilities

?% Low Processing Residue Rate

?% Pay Load Capacity

?% Low Service Turnaround Times

?% Commodity Profit Sharing

?% Domestic Markets

?% Niche Specialty Services

?% Environmental Compliance History

?% Data Management & Analysis

?% Diverse Fleet & Equipment

?% Emergency Protocols

?% Safety Training and Accident Free Stats

Ideas for Your Scorecard

Core or Integrated Services?



Is It Worth Outsourcing the Process?

- Service Brokers
- Waste/Material Brokers
- Contract Negotiators
- Consultants
- Auditors

Options



Experience & Qualifications

References

Establishing/Changing Service Levels

Vested Interest

Service Coordination

Vendor Communication

Cost Transparency

Billing Consolidation

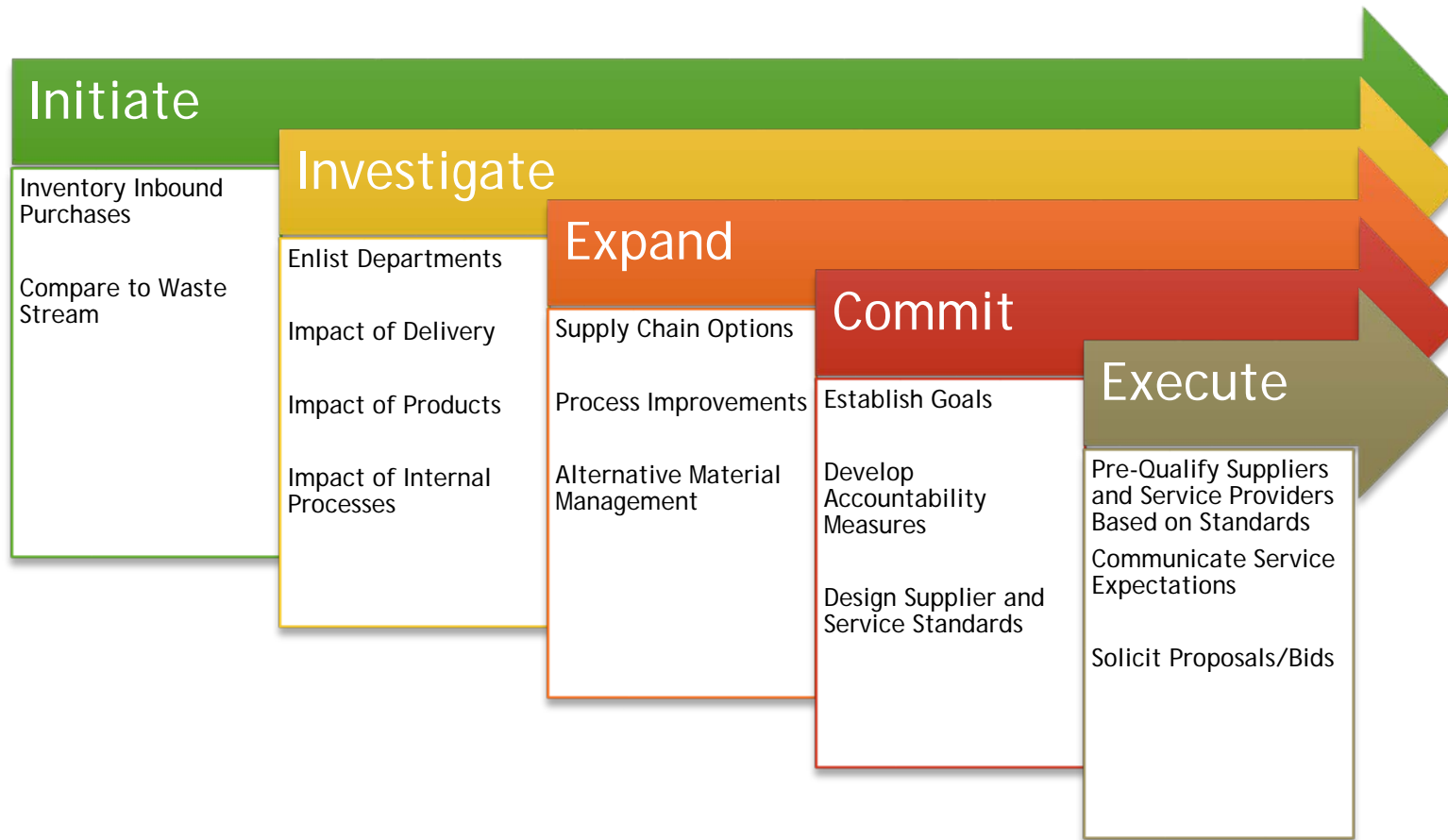
Timeliness of Payment

Extended Liabilities

The Most Vital Part of the Process

- ▶ Contains protection for both parties
- ▶ Explains the responsibilities of both parties
- ▶ Clearly define service expectations
- ▶ Describes conditional exceptions
- ▶ Clarifies any unusual safety requirements
- ▶ Spells out the detailed cost/rates per service item
- ▶ Sets forth a mechanism to adjust service/charges
- ▶ Establishes preferred format of communication
- ▶ Provides a complaint/resolution process
- ▶ Defines penalties
- ▶ Includes liability protections
- ▶ Provides performance incentives
- ▶ Establishes obligations during vendor transitions





Creating an Effective Upstream/Downstream Procurement System

Thank You

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