

Procurement and Supply Chain optimisation

Services offered by KPMG Caucasus and Central Asia

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Foreword



Director,

Procurement and Supply Chain Management We are living in interesting times and witnessing the fundamental changes in business as resulting from the global economy transition to the next industrial breakthrough. These changes that are driven by rapid globalisation, increased consumer mobility, emergence of new technologies and accessibility of Internet, transform dramatically the philosophy of business. Demand is becoming more fragmented and volatile, while goods and services –more customer-focused. Moreover, new business models are emerging, which have been previously unknown to the world and which are able to rival with the existing business.

At the same time we have been facing new challenges such as COVID-19 pandemic that affected all spheres of life and the economy as a whole. In addition, it is necessary to mention the recent geopolitical events, which are making their own adjustments to the development plans of numerous industries and regions. These changes are most evident in such areas as procurement, transportation and warehousing that are currently considered not separately but as an interrelated supply chain management framework.

In the current environment it is absolutely necessary to have measures in place to update and revise the operating model and key elements of the supply chain. Within the main trends and areas of adaptation the following can be highlighted:

- 1. Development of an optimal target supply chain operating model that can adapt quickly and deliver desired results in a changing business environment;
- 2. Implementation of new tools and approaches to flexible planning as part of material and technical support of production processes;
- 3. Development of the institute of category management as an instrument of strategic management of the most essential material resources in the companies;
- 4. Implementation of the ESG standards and practices to improve supply chain sustainability;
- 5. Development of the processes and practices for Master Data Management in order to generate management reports and provide support in decision making;
- 6. Digitalisation that offers new opportunities to improve efficiency;
- 7. Risk-oriented adaptation of a logistics model and infrastructure to changing conditions and possible risks;
- 8. Automation of logistics operations to reduce costs while maintaining the level of service.

To respond to the emerging challenges the companies need to move from a traditional supply chain to more flexible and digitalised one. Transition involves transformation of the linear structure into a real-time interlinked network. In this case, the digital technologies serve as an interlink of the new supply chain.

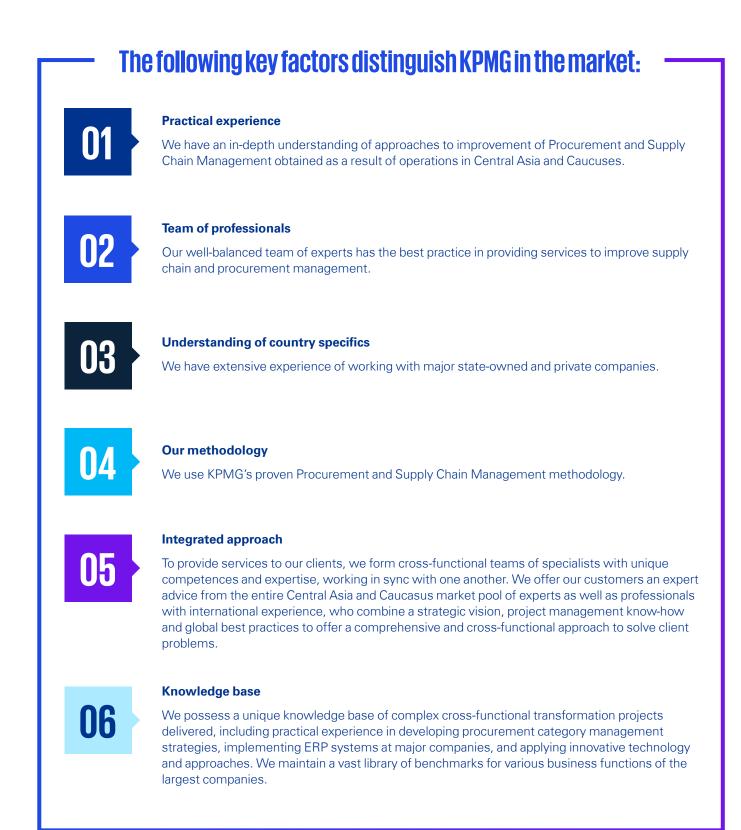
This brochure describes the major offers of our practice for Supply Chain Management that can bring value in times of uncertainty and rapidly changing business environment.



Our advantages

KPMG is a market leader in delivery of the procurement management services both domestically and globally.

We are sure that many years of our successful work experience and constantly growing customer base have proved the practical effectiveness and advantages of our approach to implementation of the projects of that type.



Our advantages

For the time of its operation in the Central Asia countries, KPMG has gained considerable experience in execution of Supply Chain Management and Logistics projects. In recent years, 36 projects covering various areas in Supply Chain Management and Logistics have been completed.

Of the projects implemented, the following can be mentioned:



Category management

- Eleven projects implemented
- Clients: major banks, the biggest metals and mining companies, investment institutions, leading fertilizer producers, railway companies, container freight exporters

Warehousing and transportation logistics

- Five projects implemented
- Clients: a baking factory, the largest gold mining company, a railway company, private investment group, vaccine distribution operator

03

Procurement function transformation

- Twenty-six projects implemented
- Clients: an oil company, insurance and finance companies, gold mining companies, mining and smelting companies, the largest international tyremanufacturer, EBRD, the UN Development Programme



Enhanced performance and cost optimisation

- Four projects implemented
- Clients: a major mining and metals company, container freight exporter, private investment group, large agricultural holding

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Deep automation of procurement function

- Five projects implemented
- Clients: a leading manufacturer of phosphatic fertilizers, gold mining company, oil company, petrochemical company

IT Sourcing

- Four projects implemented
- Clients: major insurance company, large financial services company, a major petrochemical corporation, and investment holding company in Kazakhstan

Examples of benefits from the projects implemented in the past

10%

As a result of the procurement procedure conducted jointly by the Client and KPMG project team, the Client's savings totaled 10%, or USD 800,000 compared to the previous tender held without KPMG participation. 17%

Inventory turnover grew 17% in the first year. According to preliminary estimates, inventory is expected to reduce by 20%.

Examples of benefits from the projects implemented in the past

1-2.5%

A category management strategy in procurement of multimodal freight transportation services has been developed. The expected effect of implementation is saving 1-2.5% of expenses on the purchase of multimodal services per year.



The demand forecast horizon has been significantly extended (up to 4 months). It enabled the client to influence the scenario planning process over a 4 months plus horizon.

Key success factors



We have implemented a number of turn-key projects to transform the largest supply systems in Central Asia and Caucasus: from developing a concept to delivering a project.



We are the largest team of procurement practitioners in Central Asia and Caucasus, comprising reform professionals, functional experts, IT specialists, and category managers.



We have a sophisticated knowledge of procurement: we don't just follow the trends, we set them.



We promote digital business. We feel proud that we led ambitious digital projects for the major companies in Central Asia and Caucasus.



We are the clientoriented company bringing real benefits to, and creating additional value for, our customers.



We possess an unrivalled expertise in delivering projects to streamline procurement processes with further automation thereof.



Procurement and supply chain optimisation

Key service lines:



Comprehensive diagnostic of Procurement and Supply Chain Management function

Key effects for your business:

Generating a procurement function standing report Optimisation of transportation routes

Optimisation of location of warehouses and distribution centers Determining an integral budget for logistics, cost optimisation

Acceleration of transportation process and mitigation of transportation risks

A scope of services of the service line:



Assessment of maturity levels based on the KPMG methodology (POSTIG) by function key elements



Development of recommendations to improve procurement function performance for each item tested



Supporting implementation of recommendations based on diagnostic testing results



Processes: determination of maturity level and efficiency assessment of procurement function basic processes



Organisation structure: determination of a maturity level of the existing organisation structure



Functional model: assessment of the function operating model and levels of centralisation



Technology: determination of maturity level of the IT solutions used



Data: determination of a maturity level of data exchange and analysis processes



Governance and control: determination of governance and control maturity level



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Materials Data Management

Key effects for your business:

Reduced labour input and accelerated process of inventory procurement through unification of the materials range

Improved quality of materials and resources directory Increased efficiency and accuracy of budgeting and reporting

Creation and utilisation of unified database of materials Improved Master Data Management methodology

A scope of services of the service line:



Development of a concept of uniform materials classifier



Development of a concept of target structure for the directory of counterparties and contracts



Development of materials description templates for inventory classes, counterparty cards, contract cards



Development of functional requirements for automation of materials Master Data Management



Development of functional requirements for automation of materials Master Data Management



Development of a concept of regulation for managing directories of counterparties and contracts



Development of methodological recommendations on the organisation of the Customer's internal work for determination of analogues



Delivery of training on implementation of the Data Normalisation and Classification Methodology



Allocation (linking) of historical data to new classifiers and templates (mapping)



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Development of a Procurement and Supply Chain Management target operating model

Key effects for your business:



A scope of services of the service line:



Development of the target process hierarchy



Implementation of a target model of integrated automation of the supply function



Development of the reference target classifiers



Development of the target KPI system, metrics, motivation and competencies



Data analytics, creation of a procurement analysis tool –the Procurement Cube



Development of the Inventory replenishment model concept



Optimisation of the organisational and functional model



Identification of strategic and critical categories as part of procurement category management



Design of the supply function management reporting



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Procurement Category Management

Key effects for your business:

Reduced Total Cost of Ownership (TCO)

Improved costs and outcomes Standardised processes and integrated information systems

Ongoing improvement of counterpart's efficiency Achieved economic and qualitative effects

A scope of services of the service line:



Design and launch of category management processes



Development of category-based strategies



Support in implementing of the developed categorybased procurement strategies



Supplier performance management



Implementation of TCO models in procurement



Implementation of integrated IT solutions in procurement (Procurement 365 Digital)



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ERP-based automation of Procurement and Supply Chain Management processes

Key effects for your business:



A scope of services of the service line:



Identification of a potential for digitalisation



Implementation of forecasting tools in supply chain



Design of B2B procurement platform



Robotic process automation (RPA)



Automation of the contract management system



Selection, design and implementation of an electronic trading platform



Process mining of the supply function



Contract and report builder and other services



Analytical dashboards for Supply Chain Management



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Design of an end-to-end supply / logistics process

Key effects for your business:

Transparency of each stage of the procurement process

Ability to identify and optimise points of inefficiency Faster management and operational decision-making Shorter period from registration of the need to the write-off of materials to production Improved efficiency of demand planning, procurement, inventory management, materials movement management

A scope of services of the service line:



Development of detailed charts of business processes



Creation of business processes register with a certain level of detail



Development of the target organisation structure of the supply function



Development of a role and authority matrix



Development of internal regulatory documents (IRD)



Generation of input and output reporting forms for the supply function



Creation of a target end-to-end supply/logistics process for subsequent automation as part of the implementation of the ERP system



Selection of an IT tool



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Logistics management

Key effects for your business:

Increased warehouse storage capacity Optimised transportation routes

Optimised location of warehouses and distribution center

Determined logistics integrated budget, cost reduction Accelerated transportation process and reduced transportation risks

A scope of services of the service line:



Modelling and transformation of logistics networks



Selection, design and support of implementation of WMS-class warehouse systems



Optimisation and implementation of the performance monitoring and improvement system



Comprehensive diagnostics of warehouses and key performance indicators



Calculation and optimisation of the transport fleet



Selection of an adequate logistics operator and support of integration



Optimisation of warehouse operating and technological model



Optimisation of warehouse operating and technological model



Improving the organisational potential of employees of the logistics function



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Inventory management

Key effects for your business:

Identification of bottlenecks and problem areas

Decreased Inventory balance

Optimal service/ inventory turnover ratio

Increased inventory turnover Release of working capital through the use of unclaimed inventory

A scope of services of the service line:



Diagnosis of the inventory management system state



Defining the parameters of inventory replenishment models



Implementation of planning/central planning process for materials



Defining the list of items for which a reserve stock is required



Implementation of inventory replenishment models



Development of regulatory documents for inventory management



Development / optimisation of inventory replenishment models



Calculation of the emergency stock level



Change management during the creation of the inventory management function



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Who we are and our strengths

01

Members of the our team are professional transformers, functional experts, business architects, IT specialists, category managers, and each of them is ready to bring benefits and add value to our clients.

02

By working closely with our clients, we help to optimise processes, reduce costs and improve efficiency of Procurement and Supply Chain Management functions.

03

We select a set of solutions taking into account the specifics, geography and line of business where the company operates.

Our team



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Sanzhar Amanzholov Consultant, Logistics

Industry-specific publications

Beyond this challenge (in Russian) Medium-to-long term actions	On a Risk-Oriented Approach to Inventory Management in the Post-Covid Era	How has COVID-19 impacted Logistics? (in Russian)
COVID-19: Applying scenario forecasting (in Russian) How to quickly make forecasts for key business indicators of effective management? Open publication	Vaccine Logistics. Relevance of the issue (in Russian)	How to build an effective procurement process (in Russian)
Third Party Logistics and COVID-19	COVID-19: Transformation of the Supply Function (in Russian)	Why is Blockchain technology important to Central Asia prosperity? (in Russian)

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