The background

With 2.5 billion CHF (£2 billion) turnover, Geberit is the European market leader in sanitary products, with 31 factories, 12,000 employees and 98 strategic buyers.

To maintain a competitive edge and remain the market leader in such a price sensitive and customer-oriented market, innovation is essential – for the entire business as well as for each corporate function. Adriaan t’Gilde, Head of Corporate Purchasing at Geberit, was looking out for innovative approaches in Procurement when he came across game theory almost 10 years ago. Having read about the economic concept, he was inspired by the potential to drive additional value through the application of game theory in Procurement.
Geberit’s journey

After having tested the conceptual ideas in a number of sourcing projects, Adriaan t’Gilde recognised the opportunity to use this methodology to position Procurement as an innovative function driving substantial value, contributing to Geberit’s financial success and leading cross-functional stakeholders throughout the entire sourcing process. Geberit therefore aimed at broadening the application of game theory into high volume and highly strategic projects and those that impact a large number of stakeholders. This also included Geberit’s ambition to systematically expand buyers’ knowledge in the field of game theory, allowing them to address scenarios which require a deeper understanding of the economic theory and critical success factors involved.

Broadening and embedding the expertise

Working in partnership with TWS Partners, Geberit targeted a number of strategic sourcing projects, resulting in more cross-functional collaboration and the acceptance of the new approach within the organisation and supply base. In order to demonstrate the power of the concept, both parties consciously selected challenging market conditions for their proof-of-concept. These included, amongst others:

- negotiations with suppliers in oligopolistic markets,
- negotiations with dominant suppliers,
- commodities that haven’t yielded any substantial savings in recent years, and
- strategic investment projects.

Two examples are:

**Changing dynamics in oligopolistic markets**

In projects where suppliers had not been exposed to true competition for some time, the overall challenge Geberit faced was a lack of transparency about real market prices for the procured products and services. By using game theory techniques, the market for these products was opened up to new competition – creating new market dynamics and resulting in significant cost savings.

**Conducting multi-stage negotiations**

For ten years, two suppliers shared a multi-million CHF contract and recent negotiations resulted in limited cost savings. A five-year contract was tendered with the objective to retain dual sourcing, and a multi-stage negotiation process led to high, double-digit savings.

Another objective was to systematically upskill the Procurement team, to embed the expertise and broaden the application of game theory principles beyond selected projects. Geberit and TWS Partners conducted formal training workshops to systematically upskill the Procurement team, making the methodology part of the day-to-day job of a Procurement professional at Geberit.
The results

Game theory has become a game changer: the Geberit Procurement team has established a highly strategic role within the company, by integrating objectivity and removing subjectivity from the supplier evaluation and sourcing process, and turning all subjective arguments into real costs.

Geberit has remained at the top of its industry and game theory methodology has been introduced into other business-critical areas.

The Geberit Procurement team is proud to have contributed to a growth in group operating profit (EBIT) of 21.4% and a sales growth of 31.5% in five years, whilst underpinning the attractiveness of the Procurement team as a thought leader and value-driving function.

Feedback

"Working with TWS Partners as recognised experts has helped Geberit to achieve success in several strategic sourcing projects, winning hearts and minds within the business. Whilst we already had a capability in game theory, TWS Partners have helped us to further formalise cross-functional collaboration, leverage markets through leading edge negotiation concepts and upskill the Procurement function through training and on-the-job coaching on projects. All this has helped us to achieve significant cost savings from sourcing activities – both with TWS Partners and on our own. Game theory is now part of our Procurement DNA.”

Adriaan 't Gilde, Head of Corporate Purchasing at Geberit