



Cost Reduction Programme, Hungary

Nexant recently completed an assignment to help a major Central European petrochemical producer reduce its costs and improve efficiency. TVK is Hungary's leading producer of olefins and downstream derivatives, polyethylenes, and polypropylene. TVK had made considerable progress in restructuring from its legacy position as part of a centrally planned industry, but needed to move closer to industry best practice in several areas.

The work consisted of three phases:

- Phase one, we identified gaps with best practice for a range of key performance indicators and estimated the financial cost of each gap.
- Phase two, Nexant worked closely with TVK to identify the reasons for the performance gaps and how to close them with improvement options.
- Phase three, the financial costs and benefits for each improvement option were evaluated and an implementation plan was proposed.

Benefits

By providing an external perspective based on industry knowledge, Nexant was able to identify realistic opportunities for cost reduction and efficiency enhancement on a short timescale. The estimated annual net benefits of implementation - at over £2.5 million - were several times Nexant's professional fees. As the Hungarian oil and chemical industry consolidated, TVK was subject to changes in ownership and management shortly after Nexant completed the assignment. However, the new management implemented almost all of Nexant's recommendations.

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