

# STRATEGIC PURCHASING

Thoughts on supplier portfolio optimization, tender programs & cost savings.

## FMCG purchasing

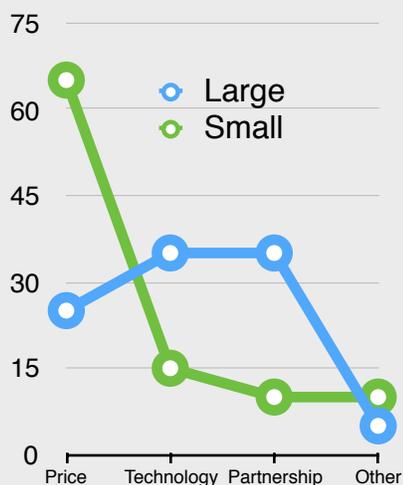
We have analyzed the packaging materials market, both in the US and Europe in 2015 and 2016 in a study across FMCG producers.

We found, that smaller companies focused much more on Price and larger companies more on supplier Partnerships and Technologies.

Does this difference in focus matter? Are smaller companies over time disadvantaged? If they lack access to newer technologies, yes.

However, there are also start-ups and innovative smaller producers with creative packaging that offers i.e. high consumer convenience.

How did they do it? Companies which are able to create functioning interfaces with existing or new suppliers, do well - and save cost.



Source: Aperia International Survey 2016

## Are you spending too much on packaging material?

A question which might come up a couple of times a year, especially towards year end when working on next years budget.

The complexity and challenges to optimize product packaging are tremendous. In addition to retailer and consumer related drivers, there are a vast number of suppliers for the various packaging materials. Companies need to question:

- ◆ Do we have the right packaging materials to present our products in the best way possible - in relation to cost of material?
- ◆ What is the return on packaging material spent?
- ◆ Is my current packaging adding true consumer convenience?
- ◆ Will it help to differentiate my brand in the shelf at the POS?
- ◆ Is it possible to get better shelf/per pack prices, if our products were packaged and presented differently?
- ◆ How important is sustainability; who are the leading suppliers?
- ◆ Do we have the best suppliers and get the best materials - how can we find out?
- ◆ What benefits can we expect from a specific supplier strategy?

### How can you drive improvements?

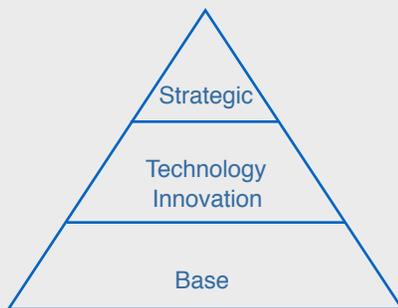
Our industry experience shows that most companies do not have the time and resources needed to drive sustainable improvements and find answers to above questions. We find, this is a major reason why some companies simply focus on Price. A purchasing manager can be extremely busy just managing the day to day of the material supply chain, giving lower priority to the more strategic parts of purchasing. Not every company can afford to employ packaging experts, therefore they have to rely on existing suppliers.

This of course works - or does it not?

Unlike your suppliers, we provide unbiased views and perspectives.

## Materials segmentation

The below pyramid exists in most companies we have worked with. Interestingly enough, we found that many companies do not follow the implied logic or methodology. As per our study even some larger companies focus on price only. No surprise, that some of our clients



have been in a downward spiral of losing sales, being forced to reduce cost and in the end losing more sales. Reducing purchase cost is important, but sometimes the cycle needs to be broken. Cheap materials lead to cheap packaging and low product prices. Better packaging must not be expensive, if you know what to purchase. Over time your technology suppliers will stop supplying and seek better grounds. Segmenting your materials as per the above model helps to differentiate your purchase tactics. By doing so, you could save on base materials i.e. by pursuing tenders and balance the potentially higher cost of innovative or strategic materials. The question is - which of my materials belong into which category? We can help you to find the answer and improve.

### *How does it work?*

We are able to give you a status quo report for your company, which matches your packaging material supplier situation with your business strategy and most importantly - shows what opportunities exist.

Our services include:

- ✦ Supplier assessments/audits at supplier production sites
- ✦ Benchmarks
- ✦ Complete purchasing optimization programs
- ✦ Cost out management
- ✦ Tender programs and processes
- ✦ Definition and implementation of a supplier strategy
- ✦ Packaging material optimization analysis
- ✦ New packaging format ideation sessions
- ✦ Interim management to execute plans

We will work closely with you to quantify savings, establish and implement improvement plans. All of our people have had successful careers in the packaging industry and can interface on an eye to eye level with you and your suppliers, assess their offering and propose potential improvements on the cost, technology and packaging convenience side.

### *What are typical improvements?*

Our clients achieved significant savings across the existing portfolio of materials purchased, in a more structured and sustainable way. They also improved their packaging features, giving them an edge over competition. This is what we call economical differentiation - secure your strategic materials, tender for the more commoditized, standard products and engage - where applicable, in partnerships for the technological and innovative products.

Aperia International, with its experts across the entire packaging value chain, is uniquely positioned to provide assistance with defining and executing programs to create short and long term value.

Contact us, if you like to explore your future opportunities.

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