

Supplier collaboration saves Business Products company millions on annual spend.

Client:

A North American supplier of business products including paper, printing, imaging, packaging, and other materials. With 19 distribution centers and nearly 2 million feet of warehouse space they needed to reduce their annual direct spend on the materials they sell.

Challenge:

In order to remain competitive they wanted to lower the cost of planning, purchasing, transporting and storing inventory in order to pass these savings on to their customers. Our challenges was to help them to eliminate non value-added activities and the associated cost of unnecessary supplier services in order to meet their cost reduction objective.

Process:

This project began with a comprehensive diagnostic to help the client uncover cost savings opportunities within central purchasing, receiving, and payables, while developing a roadmap for subsequent supplier collaboration.

Working with the client team we helped devise a six-step process for engaging suppliers to drive value in the areas of freight rates, freight allowance, EDI credits, full pallet discounts, full truckload discounts, and joint stocking and network opportunities, most of which represented new areas of savings for the client's expanding service offerings.

The collaborative process began with supplier identification, vetting, and notification; included a site visit and presentation of the initiative's objectives; gathering and analyzing supplier data; strategy development; vendor selection, negotiation, and retention; and finally, tracking outcomes against a performance scorecard. Technology was used to automate transaction-intensive activities e.g., EDI, ASN, and pay on receipt.

Various proprietary tools and templates were used to facilitate the process. These included, but were not limited to, a supplier collaboration scorecard, a collaboration cost model, a supplier data request template, and a negotiation template plus internal data downloads of sales, inventory and purchasing transactions.



Empowering. Performance.

Performance Results:

- 11% reduction in spend
- \$3.5 million in identified savings
- \$1.5 million in implemented savings

Conclusion:

By the end of the engagement, over \$3 million in savings had been identified and \$1.5 million implemented. The company's CEO, speaking on behalf of the senior leadership team summed up by saying, "Without USCCG's capable assistance we could've never undertaken this initiative. With it, we not only met but surpassed expectations."