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# Client Case Study: Procurement for Fast-Moving Consumer Goods

Are You Spending More Than You Should?

A leading consumer goods manufacturer was interested in improving the purchasing organization and creating cost reductions. The purchasing organization managed 35 percent of the purchased spend. However, the buyers had varying levels of experience and spend much of their time on labor intensive activities. There were few contracts in place which put the manufacturer at the risk of supply and pricing changes.

The project was divided into two phases. The initial was to conduct a high level spend analysis with a procurement assessment to identify opportunities for potential savings and improving the procurement function. The second phase was to implement the savings using proven sourcing methodologies and guide process improvement activities to enhance effectiveness of the purchasing organization.

## **Spend Analysis**

Data was gathered on purchase history, purchasing patterns and behaviors, and supplier contracts and agreements. A comprehensive analysis was conducted to break down the annualized spend by product category, SKU, supplier and end user locations.

The ordering procedures were observed and interviews were conducted to discuss the current procurement operations, including ordering procedures, supplier reviews, customer service requirements, forecasting and inventory planning – all with an interest in how each influences purchasing.

Based on the observations, the interviews and the results of the spend analysis, the purchasing organization was benchmarked using our Guidelines to Best Practices. Opportunities for

improvement were identified and prioritized into short, medium and long term improvements.

## **Implementation**

After the highest priority commodities were targeted, the current pricing and specifications information was gathered to understand the purchased spend baseline. Due to lack of product specifications, a Request for Information (RFI) was issued to the current suppliers to assist with the baseline development. The Request for Proposal (RFP) was then customized with the current specifications collected from the RFI and additional requirements desired by the manufacturer.

Alternative suppliers were identified and a RFP was issued to maximize the effectiveness of a competitive solicitation. After the responses were received, all proposals were analyzed and additional target pricings were created to generate maximum savings. Additional rounds of supplier negotiations were conducted and final candidates were presented to the manufacturer.

Throughout the process of bringing the new suppliers on board, Establish facilitated evaluation team discussions to build consensus and prepared negotiation scripts for final negotiation.

## **Process Improvement**

Most of the buyers were not sufficiently empowered to qualify suppliers, determine purchase specifications, and identify substitute products or alternative suppliers. Procurement training sessions were conducted to improve the buyers' knowledge on the sourcing process.

Other process improvement activities facilitated include improving the buyer-supplier relationship, creating logical sourcing groups, consolidating the number of suppliers, and investigating rationalization and standardization opportunities.



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