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Household products company mops up savings in procurement process.

Client:

An international manufacturer of branded cleaning products including brooms, mops, sponges, and brushes. The company sources raw materials across the globe and assembles its final products in the U.S.

Challenge:

The company's business was growing by leaps and bounds and they expecting record profits in the current year. However, the following year was expected by all in the industry to be very difficult, so management set aggressive cost savings targets.

We were brought in to help them reduce the cost of their direct and indirect spend, including for raw materials, and the process by which they are sourced.

Process:

After touring the production facility and meeting with each member of management, it was agreed that our initial efforts would focus on the supply chain, specifically the sourcing of raw materials.

We proposed a structured approach to achieve initial cost reductions in sourcing several spend categories: transport, display cartons, banderole, and flexible packaging. A second series of activities focused on direct materials and components of the product offering.

Alongside the client we began by analyzing their spend; grouping it into supply base categories, agreeing on priorities, and then developing a category strategy. We then helped to develop supplier metrics, establish product and service specifications and parameters, and assessed value engineering opportunities within each category.

After working to develop an incumbent supply base, vendor information was cleansed, and preliminary supplier qualifications were established. We also helped the client to with a search for additional potential suppliers prior to conducting a formal supplier selection process. This process included seeking and analyzing bids, negotiating with selected vendors, and preparing and executing contracts. Additionally, a transition plan was developed for inventory and service parts. This approach was then repeated for all three targeted categories.

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Performance Results:

- 13% average savings for the first three categories.
- $500,000 - $600,000 in aggregate savings.
- Reduction in the cost of transport packaging
- Reduction in the cost of in-store display cartons
- 4:1 ROI for the client

Conclusion:

“Because the process is so standardized, so clear and well-defined, it allowed us to really filter down to the suppliers we wanted to work with. In the end, it saved us a considerable amount of money.”- Manufacturing and Purchasing Manager for the U.S.

With a successful initial engagement the client then focused our efforts on four of the most volatile commodities in the world: steel, plastic, cotton, and sponges with expectations of similar savings to come.