

Why Vendor Consolidation Should Be a Priority for Mid-Sized Manufacturers, Food Processors, and Ecommerce Companies

Today's businesses must be innovative, nimble, and vigilant about their productivity and cash flow. By aligning themselves with a knowledgeable packaging partner to manage their packaging supply chain, a company can experience increased speed to market, enhanced product quality, significant operational efficiencies, savings, and cash flow improvements.

Countless companies find themselves reliant on multiple packaging vendors to keep a steady workflow. They view packaging only as a means to protect and showcase their products. As a result, many of these organizations grapple with the resources to manage the relationships, and increased supply chain costs even as they contend with the day-to-day issues focused on doing what they do best.

Vendor consolidation is an often overlooked growth strategy. Companies can enjoy significant financial and operational benefits by thinking beyond the package itself and partnering with a packaging company with the experience, resources, services to streamline and simplify their packaging supply chain.



WHAT IS VENDOR CONSOLIDATION?

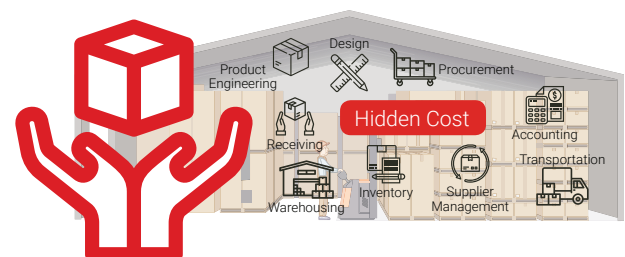
Vendor consolidation is a supply chain management strategy adopted by high growth companies. It's a process whereby an organization amalgamates its vendors and decides whom to work with based on a thoughtful analysis of their packaging needs, process, and customer requirements.

The right packaging partner simplifies the consolidation process and ensures your critical business needs, customer expectations and regulatory compliance requirements are addressed, while increasing throughput and packaging performance. The right packaging supplier can also be a conduit for other operational expense items such as safety and janitorial products, thereby consolidating the vendor base even further. This supplemental strategy also provides companies the ability to leverage the more considerable spend dollars on packaging with lower spend dollars on these operating supply categories.

The impact of vendor consolidation can be substantial. A well-executed packaging and operational supply management program will reduce the number of suppliers, eliminate redundant and like items, and result in packaging solutions that best protect, showcase, store, and transport your products.

Through increased economies of scale, consolidation can lower direct costs, improve inventory management, amp overall quality, simplify packaging and operational supply management and even serve to strengthen supply agreements. If you work with a supplier that has the resources to do the job well, you'll be looking at lower operating costs and improved efficiencies sooner than you might think.

THE HIDDEN COSTS OF PACKAGING



10 BENEFITS OF A PACKAGING AND OPERATIONAL SUPPLY MANAGEMENT PROGRAM

1. PRODUCT COST SAVINGS

One of the factors leading to an abundance of suppliers is the desire to purchase products at the lowest price. This can mean investing time shopping quotes from multiple vendors. It can also lead to buying more than you need to get a low price. While this opportunistic approach to purchasing has its benefits, it leads to a purely transactional relationship with a supplier.

When vendors and items are streamlined, once fragmented purchases are combined, and purchase quantities increase. This leads to improved economies of scale and a lower product cost.

When your supplier partner has strong relationships with packaging manufacturers and distribution companies, you enjoy additional savings as they leverage their size and economies of scale on your behalf.

2. LOWER FREIGHT COSTS

Freight costs can be a significant component of the Cost of Goods Sold (COGS). When your packaging items are provided by a single packaging partner, more product ships from fewer vendors lowering your per-unit freight cost. Reducing COGS has the added benefit of opening the door to increased margin.

3. STRONGER VENDOR RELATIONSHIPS

As procurement quantities and vendor loyalty increases, so does the relative importance each party places on the relationship. As a result, transactional relationships are transformed into partnerships.

For small and mid-sized manufacturers, this can lead to access to additional resources, urgency, technical services, and more valuable face-to-face contact with vendor representatives that might otherwise be reserved for their larger customers.

4. FEWER INVOICES

Larger quantities and/or fewer purchases mean fewer invoices to process. The increased relative importance to the supplier can also have a positive impact on payment terms.

5. REDUCED INVENTORY-RELATED COSTS

In addition to refining the number of products and vendors, inventory management services should be part of the consolidation agreement with your packaging partner. Inventory management services can take the form of just-in-time inventory or Customer Owned inventory arrangements that free up working capital and space for growth. Dead inventory is removed from your warehouse. Damage and obsolescence are minimized.

6. IMPROVED QUALITY, SERVICE AND REGULATORY COMPLIANCE

Managing product quality on a case-by-case basis can be a strenuous, often time-consuming activity, especially if you are dealing with multiple vendors.

The right packaging management partner will monitor each vendors' quality and service on your behalf. They will also ensure your packaging is aligned with regulatory requirements, including packaging quality, packaging manufacturing processes, supplier monitoring, product traceability, and more. If you are a processor manufacturing a digestible product, this provides essential confidence around GMP (Good Management Practices), an integral component of SQF (Safe Quality Foods) compliance and quality standards like ISO.

7. IMPROVED THROUGHPUT

The best packaging management partners will work with you to optimize your packaging to increase throughput.

Your packaging management partner will understand your packaging needs and production schedule, seasonality requirements, and needs that arise from your plans to modify or launch new products. They will make sure the packaging you need is always available when you need it in the right quantities.

Moreover, they don't stop with the package – when their capabilities include equipment service, preventative maintenance, and packaging automation consulting, they can help reduce planned, and unplanned downtime.

8. IMPROVED OPERATIONAL EFFICIENCY

Fewer suppliers mean fewer shipments to receive and store because inventory is managed to your needs.

9. DO MORE WITH FEWER RESOURCES

The right packaging management program can positively impact labor costs. As they streamline processes, the best supplier partners will absorb activities otherwise required by a manufacturer's team to manage their packaging. A proven Packaging Management program also minimizes temporary labor costs. In food plants for example, this is especially critical as many food companies such as meat and poultry processors face 50 - 80% turnover in non-salaried jobs.

10. SINGLE POINT OF CONTACT

When you work with a consolidation partner, less time is spent sourcing, testing and managing packaging, communicating with vendors, processing payables, maintaining quality, and struggling to resolve issues. Fewer channels of communication mean less duplication of effort, fewer chances for misunderstandings, and the ability to focus on what you do best.





How We Know Vendor Consolidation and Packaging Management Programs Works



LARGE HORTICULTURAL GROWER

Reduced vendors from **8 to 1**
 Reduced invoices from **806 to 12**
 Direct cost savings: **\$68,300**
 Payment terms savings: **\$10,078**
 Indirect savings: **\$37,900**
Guaranteed Cash Flow Improvement: \$79,036
 Total Savings: **\$116,936**



GLASS MANUFACTURER

Reduced vendors from **14 to 6**
 Reduced invoices from **53 to 24**
 Direct cost savings: **\$3,534**
 Inventory Reduction: **\$5,672**
 Indirect cost savings: **\$1,450**
Guaranteed Cash Flow Improvement: \$9,456
 Total savings: **\$10,996**



INSTRUMENT COMPANY

Reduced vendors from **4 to 2**
 Reduced invoices from **416 to 24**
 Direct cost savings: **\$14,878**
 Inventory reduction savings: **\$180,443**
 Indirect cost savings: **\$19,600**
Guaranteed Cash Flow Improvement: \$353,005
 Total savings: **\$372,605**



SNACK FOODS COMPANY

Reduced vendors from **9 to 1**
 Reduced invoices from **416 to 24**
 Direct cost savings: **\$122,455**
 Inventory reduction savings: **\$180,443**
 Indirect cost savings: **\$19,600**
Guaranteed Cash Flow Improvement: \$353,005
 Total savings: **\$372,605**



FOOD PROCESSOR -RETAIL, FOODSERVICE, FAST FOOD, AND PRIVATE LABEL CUSTOMERS

Reduced vendors from **14 to 6**
 Reduced invoices from **46 to 24**
 Payment terms: **\$5,580**
 Freight savings: **\$4,175**
 Inventory reduction savings: **\$27,910**
 Indirect savings: **\$16,100**
Guaranteed Cash Flow Improvement: \$100,054
 Total savings: **\$116,154**



FOOD PRODUCTS COMPANY SERVING HOTELS, RESTAURANTS, INSTITUTIONS AND RETAIL MARKETS

Reduced vendors from **13 to 1**
 Reduced invoices from **505 to 24 annually**
 Payment terms: **\$6276**
 Indirect savings: **\$24,050**
Guaranteed Cash Flow Improvement: \$53,228
 Total savings: **\$77,278**

WHAT TO LOOK FOR IN A PACKAGING MANAGEMENT PARTNER

1. A PROVEN PROCESS

The right packaging management partner will take a consultative approach to understand your packaging needs, packaging process, and total cost of ownership. They will have a proven method to investigate your buying patterns, collect samples, consult with you on product protection, and examine product applications without disrupting your day-to-day. They will have a team of experts to identify the right packaging solutions and best services platform that produced improved operating and supply chain efficiencies.

2. A WINNING TRACK RECORD OF SUCCESS

The best partner will quantify cash flow improvement and cost savings and have the experience, track record, and confidence to **guarantee savings in writing**.

3. READY ACCESS TO EXPERTISE AND RESOURCES

Your packaging management partner should give you a competitive advantage by providing you with resources and expertise you can leverage to accelerate your speed to market. They will have certified packaging specialists, packaging engineers, designers and technicians to help you keep in step with changing consumer preferences, packaging options, and technologies, and assist you with design, prototyping, packaging engineering, packaging automation, and more.

4. AN OBJECTIVE VIEW

Choose a partner that understands the manufacturing environment and its challenges and requirements, and is a significant distributor of best-in-class distribution items. This perspective and access to a broad range of packaging solutions will assure their ability to be product-agnostic and identify the very best packaging solutions for your business and customers vs. focusing only on what they produce.

5. ROBUST SERVICES OFFERING

Look for a packaging management partner that will continue to innovate to create new savings and efficiencies by providing services that take costs out of your system. Examples could include a custom online catalog, on-site services, design, and engineering support, packaging automation services, and the like.

6. CONTINUOUS INNOVATION

The right partner will continually assess your packaging supply chain and proactively recommend ideas to optimize your packaging and services to improve efficiencies further and save you money. They will keep you up to date on packaging technologies, trends, and packaging products.

7. THEY DO THE WORK – YOU STAY IN CONTROL.

The best packaging management partner will have systems in place to provide a 360o view of your packaging expenses and provide you with regular reporting and information so you can make informed and strategic decisions.



VENDOR CONSOLIDATION IS A CRUCIAL ASPECT OF ANY HIGH-GROWTH STRATEGY.

To enjoy optimal benefits for your business, partner with a supplier who has a proven track record of improving efficiencies, savings, and cash flow to allow you to focus on what you do best—growing your business.

To learn how vendor consolidation and packaging management can improve your operational efficiency, cash flow and speed to market, please contact **SupplyOne**, or give us a call at **484-582-5005**.