

Profitability Increase in Food & Beverage Industry

PICTURES BEFORE

Spend Analysis Risk-Impact Analysis Cost Structure / SKU



Example

PICTURES AFTER

Partnership Creation Standard Contracts VAVE Exercise

PURPOSE

- To co-develop mutually beneficial ideas with individual suppliers

APPROACH

- Select potential suppliers and prepare outside-in estimations of possible reductions
- Issue invitations to selected suppliers and propose joint cost-savings collaboration
- Request cost breakdown for each final step and overhead
- Conduct Lean factory walkthrough at supplier site
- Further identify and/or confirm potential cost savings and develop implementation roadmap
- Further support supplier in implementation of found cost savings

AVERAGE TIME REQUIRED

- 2 weeks

PARTICIPANTS

- Procurement engineer
- Development
- Cost engineer
- NP/ILCM

Problem

- Poor quality suppliers: low service level, low OTIF and high defect rates
- Frequent stockout of critical raw materials, affecting production
- “Supplier dictates the rules” – limited leverage for negotiation
- Uncontrolled stock of raw materials and subsidiaries

Root causes

- Different contract conditions for each supplier
- Strategic suppliers not identified
- Purchase of commodities not standardised
- No repercussions for suppliers who fail with service level agreements

Solution approach

- Definition of strategic partnership model approach
- Contract renegotiation based on standard contract model designed for each supplier category
- Definition of alternative suppliers for critical materials
- VAVE Projects: Value Analysis Engineering in order to identify opportunities to reduce complexity and/or quantity of materials
- Process Design to reduce the Lead Time of the material approval process

Benefits

		SAVINGS
SOLUTION	Commercial Strategy	318 K€
	Pull Stock Management	330 K€
	Negotiation Improvement	615 K€
	Quality Improvement	34 K€
	Process Improvement	300 K€
	Value Analysis Value Engineering	50 K€
TOTAL		1.6 M€

