SOURCING STRATEGIES

SMTA Symposium

June 16, 2006

HCS Consulting * Herb Shields

GETTING STARTED

- Commodity Plans
- Develop sourcing strategies
- Understand the total cost structure

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COMMODITY PLANS

- What do you buy?
- How much do you spend?
- Who are the current suppliers?
- Are there alternate suppliers and where?
- What is the market structure and current status?

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SOURCING STRATEGIES

Why do you buy from your current suppliers?

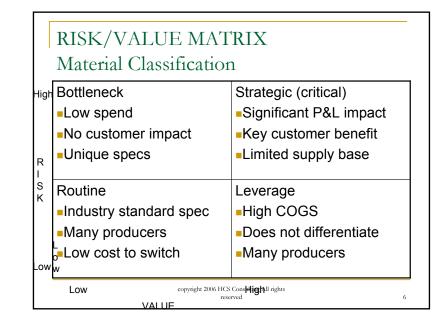
When was the last time you changed suppliers?

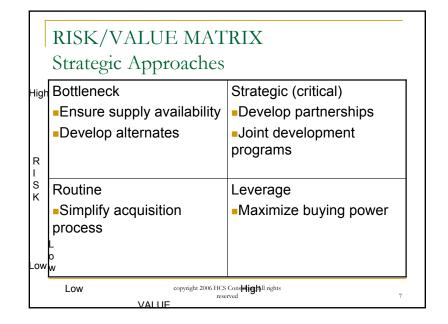
How do you develop the right plan?

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RISK/VALUE MATRIX		
High	Bottleneck	Strategic (critical)
R I		
S K	Routine	Leverage
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UNDERSTANDING COST STRUCTURE

Cost breakdown of a plastic bottle

- Raw materials resin, colorant
- Manufacturing labor and overhead
- Packaging corrugated boxes
- Transportation freight rates

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COST DRIVERS

Plastic bottle

- Raw materials oil, ethylene, dyes, pigments
- Manufacturing wage rates, scrap, inspection, inventory carrying cost
- Packaging linerboard, setups, wage rates
- Transportation oil, wage rates, distances

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NEXT STEPS

- Conduct a global search
- Develop an RFP
- Invite potential suppliers and current suppliers to respond
- Narrow the field
- Plan supplier evaluations
- Conduct negotiations

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TAKE A TOTAL COST APPROACH

- Use landed costs vs. in-house or US outsourced
- Inventory cost
- Travel for team
- Legal fees

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