

Business services company collaborates with suppliers to reduce cost of its annual spend

A North America-based distributor of over 80,000 types of paper, printing, imaging, graphic arts, packaging, and maintenance supplies and equipment, operating out of 19 locations with over 1,700,000 square feet of warehouse space, wanted to reduce its

annual direct spend on the materials it sells. The goal was to lower the cost of planning, purchasing, moving and storing inventory, and pass these savings on to its customers.



Key Metrics

11% reduction in spend

\$3.5 million in identified savings

\$1.5 million in implemented savings

It quickly realized that eliminating nonvalue-adding activities and the associated cost of unnecessary supplier services would require undertaking a massive collaborative effort with its vendor pool for which it was ill-equipped. Accordingly, it decided to seek outside assistance and, so, engaged USC Consulting Group (USCCG), an operations management consulting firm with considerable experience in this area, to provide the needed expertise and horsepower.

From the very beginning, this initiative had broad multi-functional support at the highest levels of the company. Organized and chartered by senior leadership to achieve ongoing,

results-driven success, it began with a comprehensive diagnostic, conducted by the consultants, to uncover cost savings opportunities within central purchasing, receiving, and payables, while developing a roadmap for subsequent supplier collaboration.

Working in collaboration with the client, USCCG devised a six-step process for engaging suppliers to drive value in the areas of freight rates, freight allowance, EDI credits, full pallet discounts, full truck-load discounts, and joint stocking and network opportunities, most of which represented new areas of savings for the client's expanding service offerings.

The collaborative process began with supplier identification, vetting, and notification; included a site visit and presentation of the initiative's objectives; gathering and analyzing supplier data; strategy development; vendor selection, negotiation, and retention; and finally, tracking outcomes against a performance scorecard. Technology was used to automate transaction-intensive activities e.g., EDI, ASN, and pay on receipt.

Various proprietary tools and templates were used to facilitate the process. These included, but were not limited to, a supplier collaboration scorecard, a collaboration cost model, a supplier data request template, and a negotiation template plus internal data downloads of sales, inventory and purchasing transactions.

By the end of the engagement, over \$3 million in savings had been identified and \$1.5 million implemented. The company's CEO, speaking on behalf of the senior leadership team summed up by saying, "Without USCCG's capable assistance we could've never undertaken this initiative. With it, we not only met but surpassed expectations."

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CEO,
Business Services Company



For more information, contact us at **800-888-8872** or www.usccg.com.