

SUPPLY CHAIN BEST PRACTICES

Controlling Costs on Routine Packaging Supply Purchases

In every supply chain, there are opportunities for improvement. One area to focus on is packaging supplies. Adopting these best practices allows you to identify ways to minimize total costs, and increase overall value.

1. KNOW WHAT YOU SPEND.

Most of the time, packaging supplies are habitual purchases. Over time, this often results in buying inefficiencies. To find savings, start by determining total spend. Armed with data, you can work with your partners to increase overall value, and right-size ordering quantities.

2. LOOK AT INBOUND FREIGHT COSTS.

Recently, there have been multiple increases by freight carriers. This is due to the booming economy, a driver shortage, and rigorous enforcement of laws limiting truck drivers to 11-hour workdays. If unchecked, cost increases can be substantial. Ordering a two-month supply instead of a one-month supply, or grouping more products with one vendor can result in large savings.

3. ORGANIZE THE PACKAGING SUPPLIES INVENTORY.

Organization is the key to eliminating misplaced inventory and reducing waste. Are items stacked neatly so half-empty cartons are not crushed? Are materials clearly labeled, so they are easy to find? Are small items, like new tape dispensers, stored in bins, so they can be found when needed?

4. CONSOLIDATE VENDORS.

Once you understand spending, look at your vendors and ask three questions:

- Could one vendor support the entire packaging supplies category?
- Would negotiated pricing reduce costs?
- Who can meet your service level requirements?

Partnering with the right vendor reduces maverick spending, which reduces costs, and allows you to benefit from your partner's supply expertise.

5. UNDERSTAND AND KNOW YOUR TOTAL PROCUREMENT COST (TPC).

Having a handle on this can have a substantial financial impact on your bottom line. TPC is a strategic approach that reflects more than a single savings point on any one particular packaging item. The key to reducing your TPC is efficient Supply Chain Management, which reduces internal costs while uncovering new opportunities for economy-of-scale savings.

6. SEEK THE HIGHEST VALUE.

The highest value for packaging supplies balances product benefits with costs, and takes risks (like tape failure) into account. When products are used in conjunction with equipment, such as shrink film, the right partner will help you look beyond the cost of supplies to evaluate the total cost of ownership. As Warren Buffet said, "Price is what you pay. Value is what you get."

Adopting these best practices will also streamline ordering, improve inventory controls, support environmental initiatives, and provide data-driven insight into new saving opportunities.

To learn more about how the supply chain experts at Athens can help you control costs and increase profits, please contact your Athens Representative.

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