
Supply Chain & Logistics

One of the largest privately owned suppliers of fresh-cut and individually quick frozen (IQF) produce, as well as specialty prepared refrigerated foods and purees, shipping more than 100 million pounds of product to retail stores, the foodservice industry, and industrial food manufacturing plants annually. Victrix was tasked with overhauling the company's indirect raw material procurement and in-bound logistics processes in an effort to streamline and improve financial performance. The objectives of the project were:

1. Identify spend categories that present opportunities for generating significant levels of spend reduction and execute upon determined strategies
2. Streamline and improve Purchasing Department processes
3. Conduct organizational design initiative for Purchasing Department
4. Review procurement processes of indirect raw materials

Victrix Key Findings:

- Non-utilization of downstream intelligence from vendors actively assisting client with purchasing decisions
- Extensive spend reduction analysis and initiative had never been conducted
- Lack of vendor management and diversification
- Overspend due to lack of planning and category management
- Focus on replenishment (reactive) rather than strategic negotiation (proactive) of raw materials
- Lack of a formal process for competitively bidding the large spend categories systematically, resulting in overspend
- Long-term single source supply relationships were counterproductive to cost savings
- Reliance on manual inventory data management exacerbated flawed purchasing behavior due to lack of visibility into "real-time" inventory levels
- No formal forecasting methodology was being used to determine actual gross requirements
- Purchasing Department managed by General Manager with all vendor relationships and pricing decisions controlled by this individual

Victrix Recommendations:

- Re-organization of the Purchasing Department - creation of the Director of Purchasing position - to improve the day-to-day management of all purchasing activities, resulting in a centralized model for major spend categories
- Purchasing Department to report directly to the CFO under the Finance Department to better reflect the importance of the departmental activities
- Perform an in-depth review and analysis of physical invoices covering a one year period for all inbound freight, corrugated, and plastics spend
- Within inbound freight category, identify seasonality and determine cost per mile for each lane in an effort to understand the total spend per lane on an annual basis with the goal of securing lower annual mile rates while avoiding the need to spot buy during peak seasons, resulting in a reduction in spend on freight
- Issue an extensive RFP to vendors within the in-bound freight, plastics and corrugated spend categories, perform an extensive review of the responses and develop a multi-vendor strategy for reducing expenditures, which includes further price negotiations to achieve maximum savings
- Review, negotiate and execute supply and service agreements with key vendors to lock in savings
- Integrate production requirements with purchasing decisions to improve purchasing behavior and reduce waste
- Develop Standard Operating Procedures and updated Job Descriptions for Purchasing Department

Results:

- Generated \$1.2mm of savings, representing 13% of spend across three categories
- Improved organizational design and strategy of Purchasing Department
- Worked closely with Director of Purchasing to ensure sustainability of all savings associated with three spend categories
- Reduced material waste through comprehensive training program
- Established formal RFP process to ensure periodic review of key spend categories to achieve on-going cost savings