GEP CASE STUDY

HOW AN AMERICAN RETAILER SAVED $25M ON PACKAGING THROUGH STRATEGIC SOURCING POWERED BY GEP



A leading U.S. supermarket chain with over 500 stores faced substantial challenges in managing their packaging and supplies spend, which had become increasingly complex due to the COVID-19 pandemic. The crisis led to severe shortages, forcing the company to procure whatever was available to meet the ongoing demand. To address these challenges, the company partnered with GEP to optimize its product catalog and streamline its supplier base. GEP implemented a systematic plan that included SKU rationalization, spend consolidation, strategic sourcing and eAuctions through the GEP SMART tool. This comprehensive approach addressed over 99% of spend, realized more than $25 million (30%) in P&L savings and eliminated over 400 redundant SKUs.

OBJECTIVES

- Identify and capture cost savings in packaging and supplies (plastic packaging, gloves) category
- Rationalize multiple similar SKUs and consolidate the supplier base
- Conduct an eAuction to create competition among existing suppliers and get the best rates

APPROACH

- Analyzed three years of spend to understand spend patterns and identify top suppliers
- Compiled a list of all SKUs and standardized specifications (dimensions, color, material, shape)
- Identified and consolidated substitutes based on spend trends, focusing on regional compliance
- Implemented volume consolidation opportunities for identical specifications ordered across multiple locations
- Conducted reverse eAuctions on GEP SMART, finalizing a lotting strategy and using an award scenario analyzer to determine optimum savings

RESULTS

- Addressed 99%+ spend and identified, planned and realized over $25 million (30%) in P&L savings
- Eliminated over 400 SKUs through SKU rationalization, specification optimization and volume bundling strategies
- Consolidated the supply base from 108 suppliers to 41 preferred suppliers
- Increased supplier participation resulted in competitive bids from incumbents

In the retail sector, cost management is imperative because of thin profit margins and high competition. This was particularly true for a leading U.S.-based supermarket chain with over 500 stores nationwide. It faced the challenge of managing its extensive packaging and supplies spend.

The company had a fragmented supply base and was sourcing plastic packaging from 65 suppliers and gloves from 45 different suppliers. There was no clarity at the country level regarding primary ordered SKUs and substitute items exacerbated the issue. The lack of sustainability or value engineering guidelines for the SKUs further complicated the problem.

The company urgently needed to rationalize SKUs and consolidate its supplier base. However, disruptions in supply chains and changes in store-level purchasing behavior during the pandemic led to fluctuating demand for packaging materials. Stockouts of primary packaging materials caused a surge in orders for substitute products, further complicating inventory management. The fragmented supply base also resulted in higher packaging spend than expected. With different business units working in silos, there was no communication regarding preferred SKUs and no efficient supplier management and consolidation process in place.

The supermarket chain partnered with GEP to identify and capture cost savings in the packaging and supplies category, particularly focusing on plastic packaging and gloves sourced from numerous suppliers.

A SYSTEMATIC APPROACH TO SKU AND SPEND RATIONALIZATION

To tackle these challenges, GEP implemented a systematic plan. The main goal was to rationalize the SKUs, consolidate volumes and conduct an eAuction to encourage competition among current suppliers. The goal: save costs and improve efficiency.

First, GEP analyzed three years of spend data to understand patterns and seasonal trends and identified top suppliers in the category. Next, a detailed list of all SKUs was created and grouped based on different specifications.

Using spending trends, GEP identified substitute items and consolidated them into primary ordered items. This helped standardize SKUs while considering regional compliance requirements. In addition, GEP proposed a detailed pricing strategy for the RFP process.

The shortlisted suppliers were then asked to participate in a reverse eAuction on GEP SMART. The lotting strategy was finalized based on sub-categories, volume and the suppliers' ability to supply the items. An award scenario analyzer was developed to determine optimum savings based on price competitiveness and switching costs.

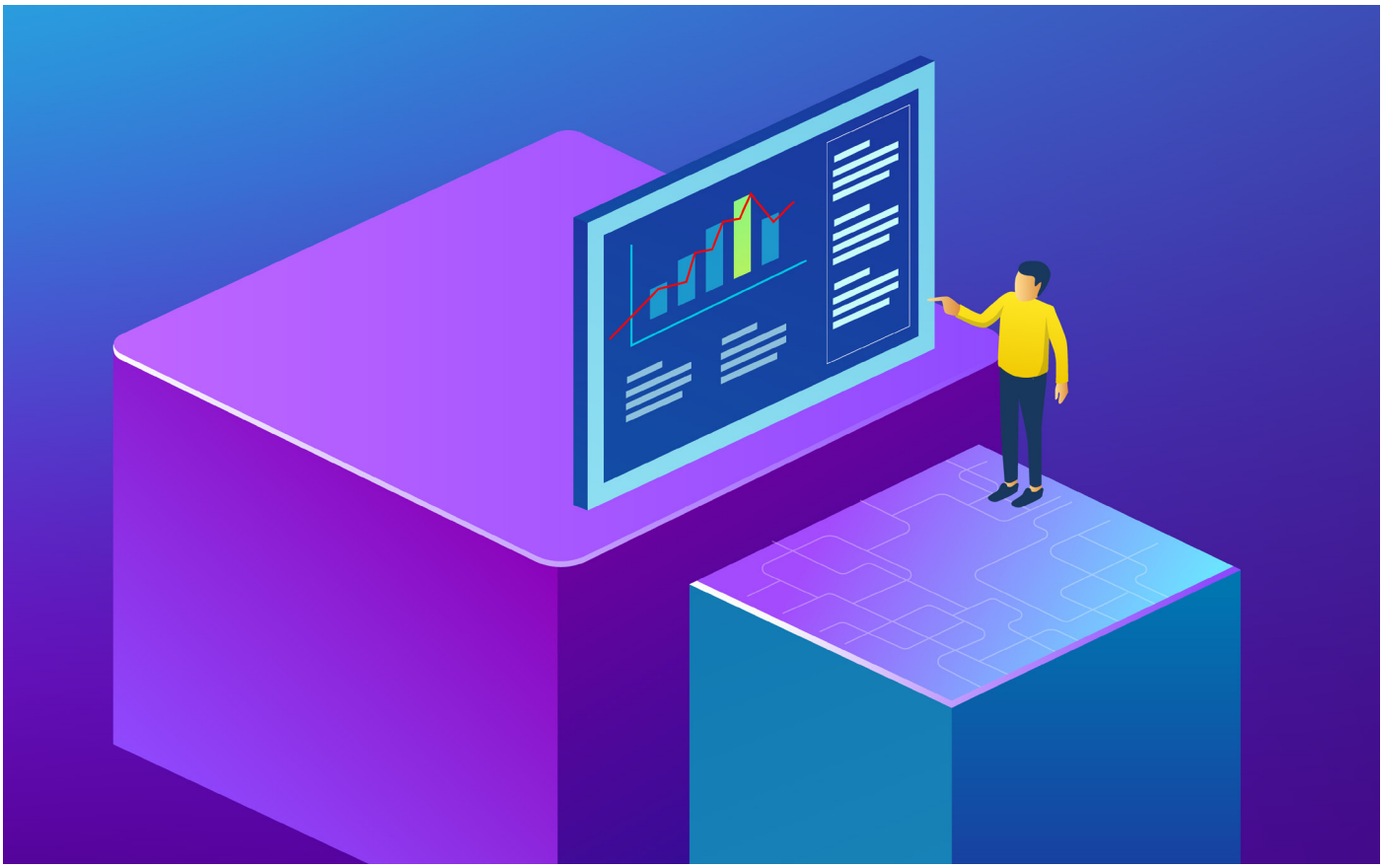
DEMONSTRABLE SAVINGS AND ENHANCED SUPPLIER MANAGEMENT

The strategic approach led to addressing over 99% of the spend in scope, with more than $25 million in P&L savings identified, planned and realized. By leveraging SKU rationalization, specification optimization and volume bundling strategies, over 400 SKUs were eliminated. The supply base was consolidated from 108 suppliers to 41 preferred suppliers, enhancing efficiency and cost-effectiveness. Increased supplier participation resulted in competitive bids from incumbents, driving further savings.

To ensure sustained benefits, GEP implemented a robust tracking and measurement system. This includes:

1. **Enhanced visibility through advanced analytics:** Providing detailed insights and continuous monitoring to maintain transparency and control over the procurement process.
2. **Precise cost indexation:** Ensuring that cost adjustments and pricing structures are aligned with market conditions and contract terms.
3. **Supply chain efficiency optimization:** Addressing and rectifying any inefficiencies, such as excessive or insufficient inventory levels, caused by unclear contractual terms.

This comprehensive approach ensures that not only are the initial cost savings achieved but they are also sustained over time.



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GEP® delivers AI-powered procurement and supply chain solutions that help global enterprises become more agile and resilient, operate more efficiently and effectively, gain competitive advantage, boost profitability and increase shareholder value.

Fresh thinking, innovative products, unrivaled domain expertise, smart, passionate people — this is how GEP SOFTWARE™, GEP STRATEGY™ and GEP MANAGED SERVICES™ together deliver procurement and supply chain solutions of unprecedented scale, power and effectiveness. Our customers are the world's best companies, including more than 1,000 Fortune 500 and Global 2000 industry leaders who rely on GEP to meet ambitious strategic, financial and operational goals.

A leader in multiple Gartner Magic Quadrants, GEP's cloud-native software and digital business platforms consistently win awards and recognition from industry analysts, research firms and media outlets, including Gartner, Forrester, IDC, ISG, and Spend Matters.

GEP is also regularly ranked a top procurement and supply chain consulting and strategy firm, and a leading managed services provider by ALM, Everest Group, NelsonHall, IDC, ISG and HFS, among others. Headquartered in Clark, New Jersey, GEP has offices and operations centers across Europe, Asia, Africa and the Americas. To learn more, visit www.gep.com.

GEP SMART®

GEP SMART is an AI-powered, cloud-native software for direct and indirect procurement that offers comprehensive source-to-pay functionality in one user-friendly platform, inclusive of spend analysis, sourcing, contract management, supplier management, procure-to-pay, savings project management and savings tracking, invoicing and other related functionalities.

GEP NEXXE®

GEP NEXXE is a unified and comprehensive supply chain platform that provides end-to-end planning, visibility, execution and collaboration capabilities for today's complex, global supply chains.

Built on a foundation of big data, artificial intelligence and machine learning, GEP NEXXE is next-generation software that helps enterprises make supply chain a competitive advantage.

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