

EVALUESERVE

— Case Study —

# **Global Food & Beverage Company Enhances its Negotiation Strategies**

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## Summary

One of the major Food & Beverage Company's Procurement Division was looking for a dedicated research partner that can provide cost Intelligence through a well-structured approach, and help them make fact-based negotiations with suppliers to resolve the following challenges:



The client did not have enough knowledge to negotiate with the suppliers and could not find the rationale for the price-escalations and make any cost reductions.



Provide regular insights into cost of product/ services from various categories (direct/indirect) and recommend the best price points for supplier negotiation and contracting.

Over time the client realized a great value from Evalueserve support in addressing the above challenges and reducing the risk-associated with supply chain. Evalueserve supported client during bidding process through comparative analysis of inflation-adjusted supplier quotes with respect to the 'should-be cost'.

## The Challenge

The client's team wanted to assess the should-be cost of several direct and indirect products and services such as Glass bottles, Cans, Plastic Caps, Transportation, Corrugate Boxes and Other Indirect Consumables to identify and evaluate the influence of various cost-heads to effectively create negotiation strategies. Also, the client's team were attracted to our web-based Cost Intelligence Platform for better visibility on the price differentiation and opportunity areas for negotiation.

## Our Solution

Evalueserve's experts developed cost models from industry standpoint to evaluate should-be cost for assessing various cost components (such as production cost, raw material cost, labour cost, utility expenses, maintenance cost and depreciations and profits) over the product lifecycle. The overall scope of work also involved identification of factors that would drive the price change in the total cost of the products along with the change in technology.

Our team of experts have developed user interactive web-based cost intelligence platform for the client including following features:

- Provided client with real-time updates on price change in the commodities and its subsequent impact on the total cost of product/ services.
- Model allowed for calculation of should-be cost based on user input of different parameters such as locations, material type, quantity, size, other consumables etc.
- Evalueserve provided a scenario analysis wherein the client can create multiple scenarios and play with different input parameters and compare the costs of their suppliers with industry average.
- The model helped in determining the various costs elements involved in production such as labour, raw material, indirect costs, profits and others and their respective shares in the total cost. The calculations also considered the transportation cost including the road freight and ocean freight from the supplier production site to the client's locations.



## Business Impact

The client's team has access to one source of truth on cost intelligence that helped them to develop effective sourcing and negotiation strategies – supported as an extended arm to stakeholders at each step of the sourcing event to enable them spent more time on strategy formulation, rather than on handling the challenges of MI research and cost modelling. Our web-based platform supported client's team to better manage contract renewals and enable them to question the price increase quoted by the suppliers.

