



PARTNERING FOR SUPPLY CHAIN EXCELLENCE:

Three simple tests to improve performance

EXECUTIVE SUMMARY

Supply chain performance is correlated with a company's overall financial performance. Finding the right supplier partners is a critical element in pursuing supply-chain excellence. There are three tests that help evaluate your current suppliers and consider new ones. These tests will help you achieve supply chain excellence and better company performance overall.

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INTRODUCTION

Excellence in supply chain design and execution is proven to yield superior financial performance. A 2004 study by Accenture, Stanford University, and INSEAD showed that:

- “Supply chain leaders” grew their market capitalization 7 to 26 percentage points faster than the industry average rates.
- Transforming supply chain operations can have a substantial impact on market capitalization.

Research published in 2010 by Michigan State University showed “supply chain leaders” outperformed their nearest competitors with:

- 50% higher net margins
- 12% lower average inventories
- Twice the return on assets
- 44% higher economic value added.

But knowing that supply-chain excellence is important and building an excellent supply chain are two different things. Supply chain optimization is not easy. Indeed, an entire industry of consultants and experts exists to help. A search for “supply chain management” on Amazon.com brings up over 2,500 books on the topic.

When building a supply chain, the fundamental question exists of what to do yourself and what to outsource (what to make and what to buy). This paper addresses partnerships and outsourcing – how to find and build relationships with the right partners.

THREE TESTS

As you evaluate supplier partners, there are three tests to apply:

- Right Attitude: Do they have the right mindset, values, and culture?
- Relevant Infrastructure: Do they have the needed offering and infrastructure?
- Proven Performance: Do they have a track record of walking the talk?

It’s important to pick partners that do well against all three of these tests. These questions will be examined in more detail below, but consider for now a simple analogy – hiring a new employee for your company. As you evaluate candidates, you’re likely to want one that has the right personality (will they fit?), has the right tools and skills (do that have the right education?), and has shown that they can do the job (what’s on their resume?). This consideration of a candidate’s fit, education, and resume is analogous to finding the right supply chain partner by looking at the company’s attitude, infrastructure, and past performance. All must come together, qualitatively and quantitatively, to maximize the odds you are choosing and supporting excellence.

TEST #1: RIGHT ATTITUDE

Evaluate a supplier as to whether they create no problems for you, provide solutions to you, and have aligned incentives with you. This test is about the supplier’s culture and mindset. So, setting aside the supplier’s capabilities, bricks and mortar, and track record, what does the

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supplier value and how do they approach the marketplace?

Some key elements that suggest the right attitude:

- ✓ Focus on and language around “thrilling” the customer
- ✓ Mission statement that talks about the customers’ success, not just the supplier’s
- ✓ Integrity and honesty
- ✓ Focus on collaborative problem solving
- ✓ Focus on continuous improvement

Information can be gathered by speaking with the supplier’s management, engaging with the supplier’s customers, and reviewing public collateral. Ultimately, this is a qualitative test, but one that’s critical as it gets to the heart of a company’s culture.

TEST #2: RIGHT INFRASTRUCTURE

Every supplier will bring different offerings and capabilities to the table. The test around “Right Infrastructure” is about evaluating these offerings.

For every company, the “ideal” supplier will be different; but there are some issues that are important to keep in mind:

- ✓ Closeness to you; convenient
- ✓ Depth of offering; having expertise in key areas
- ✓ Breadth of offering; being a one-stop-shop
- ✓ ISO and quality certifications
- ✓ Low pricing and system costs
- ✓ Financially stable and secure

A company’s capabilities, processes, facilities, and organization all contribute to how well they will perform against this second “test.” Information to assess this test comes from product and service catalogs, supplier discussions, and company documents.

TEST #3: PROVEN PERFORMANCE

Attitude and infrastructure are necessary, but they are not sufficient. The third test is about quantifiable proof. Does the supplier walk the talk, share data openly, and create profit for you?

A strong supplier should have a track-record showing:

- ✓ High quality production
- ✓ Accurate shipping and billing
- ✓ On time shipping and billing
- ✓ Responsive and respectful service
- ✓ Profit created for the customer
- ✓ Quantitative proof of performance

Ask for reliable information. When buying a car, you can rely on J.D. Power for ratings on initial quality. This objective source can make you feel good about Lexus's quality and be wary about Land Rover. Excellent suppliers and industry watchdogs will be able to share objective data.

CASE STUDY

BERLIN PACKAGING

Berlin Packaging is a supplier of rigid packaging to a wide array of markets.

Test #1: Right Attitude

Berlin Packaging strives to thrill its customers. This language is regularly used within the company, and Berlin uses the Net Promoter Score tool to measure customer loyalty. This mindset is also embodied in Berlin Packaging's mission: To Increase our customers' net income through packaging products and services... by increasing their sales, decreasing their expenses, and improving their productivity. Not many companies center their mission on the success of their customers. This is a strong indication that Berlin has an attitude oriented around supply chain excellence.

Test #2: Right Infrastructure

Berlin Packaging built its infrastructure to encompass a manufacturing network, distribution assets, and value-added services in a one-stop-shop model; no other packaging supplier offers this same infrastructure. Customers enjoy virtually unlimited manufacturing platforms, over 70 sales and warehouse locations, and solutions designed to unlock profit for customers. In addition, Berlin Packaging's infrastructure is certified under ISO 9001 quality standards.

Test #3: Proven Performance

Berlin Packaging has a number of metrics that demonstrate its operational track record. For one, Berlin tracks and publicly publishes on-time delivery of shipments to customers, with over 99% performance every month for over 6 years. Another metrics relates to profit generated by customers as a result of doing business with Berlin, which totaled \$57 million for select customers in 2010.

APPLYING THE TESTS TO FIND A PARTNER

These three tests are simple. But they are also comprehensive. Passing only one or two of the three tests does not ensure supply chain excellence. For example, with a supplier with the right attitude and infrastructure but no proven performance, you risk the peril of inexperience. Or, with a supplier with a good track record and the right offering, you may find that you don't share the same goals and are at odds. Meeting all three of the tests is critical.

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HOW TO GET STARTED

The process to select supply chain partners starts with two steps. Step 1 is establishing the criteria within each “test” – defining the specific attitude elements, the infrastructure needs, and the performance metrics that make sense for you. Some ideas are included in this paper, but customizing to your specific needs is critical. Step 2 is applying this refined scorecard to current and potential supply-chain partners.

Making changes to a supply chain, of course, is a serious business. But beginning the evaluation process is simple and thought-provoking.

SUMMARY

Supply chain performance is correlated with a company’s overall financial performance. Finding the right supplier partners is a critical element in pursuing supply-chain excellence.

Three tests improve the odds of finding the best partner for you:

- Right Attitude: Do they have the right mindset, values, and culture?
- Relevant Infrastructure: Do they have the needed offering and infrastructure?
- Proven Performance: Do they have a track record of walking the talk?

These tests are comprehensive, and the aim should be to find the suppliers that rate well on all tests. Ask your supplier how they define an outstanding partnership. How do they score on these three tests?

ABOUT BERLIN PACKAGING

Berlin Packaging is North America's premier Hybrid Packaging Supplier of plastic, glass and metal containers and closures. With over 33,000 available SKUs, over 100 packaging consultants, and more than 80 sales and warehouse locations across North America, the company has the right products, expertise, and geographic proximity to help customers increase their net income through packaging products and services. Berlin Packaging supplies billions of containers and closures annually as well as warehousing and logistics services for customers of all sizes in all industries. It is the only company in its sector to be ISO 9001 certified, to have Customs-Trade Partnership Against Terrorism (C-TPAT) certification, and to achieve 99% on-time delivery of its shipments every month for over six years. Related services include Studio One Eleven, a full-service custom packaging and graphic design division; Berlin Global Packaging Group, a global sourcing solutions provider including custom packaging, order and quality management, and logistics; E3, a consulting division that helps customers unlock profit; Berlin Financial Services, which provides financing for equipment and capital improvements; Dangerous Goods, offering safe, economical, UN-certified packaging solutions for shipping dangerous and temperature-sensitive goods; Freund Container & Supply, a need-it-now packaging and industrial supplies provider with no minimum order requirements; and Qorpak, a global supplier of laboratory packaging and supplies. The company can be reached at 1-800-2-BERLIN, BerlinPackaging.com, and on LinkedIn and Twitter.