



Partnering for Supply Chain Excellence

Berlin Packaging White Papers





A well-designed and properly executed supply chain has been proven to play a key role in a company's financial success. A 2014 survey by Deloitte showed that 79% of companies with high-performing supply chains achieve above average revenue growth within their industries. According to a 2004 study by Accenture, Stanford University, and INSEAD, "supply chain leaders" grew their market capitalization 7 to 26 percentage points faster than the industry average. On top of that, 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.

Understanding the importance of supply-chain excellence is just the beginning. Actually building an excellent supply chain is another story. And one that is quite difficult. That's why there's an entire industry of consultants and experts to help. A search for "supply chain management" on Amazon.com brings up over 6,000 books on the topic.

When building a supply chain, one of the fundamental questions is what to do yourself and what to outsource. In other words, what to make and what to buy. This paper addresses partnerships and outsourcing – how to find and build relationships with the right partners.



The Three Tests

The importance of finding the right supplier for your business can't be emphasized enough. There are three tests that can help you evaluate supplier partners:

- The Right Attitude: Do they have the right mindset, values, and culture?
- The Relevant Infrastructure: Do they have the needed facilities, systems and framework?
- 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, not just one or two. Consider the analogy of hiring a new employee for your company. As you evaluate candidates, you'll likely want one that has the right personality (will they be a good fit?), has the right tools and skills (do they have the right education and experience?), and has shown that they can do the job (what are their results and successes?). These same considerations apply to finding the right supply chain partner by looking at the company's attitude, infrastructure, and past performance. All three must come together to ensure that you are making the best choice for your business.

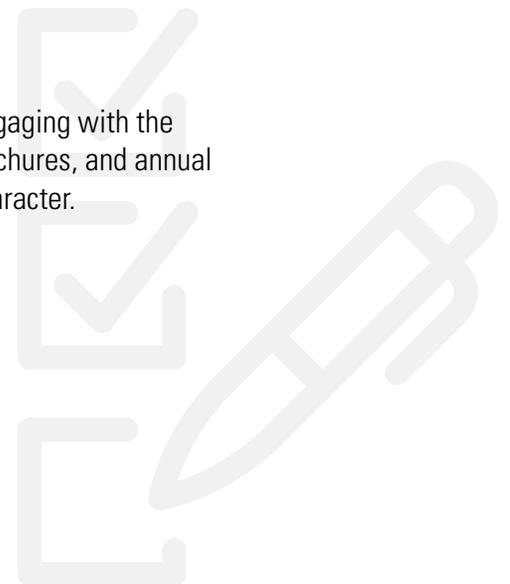


Test #1 - The Right Attitude

The first test focuses on the supplier's culture and mindset. What do they value and how do they approach the marketplace? The perfect supplier should create no problems, provide great solutions, and have shared incentives with your business. Some key elements that suggest the right attitude:

- Focus on "thrilling" the customer, with language that speaks to this goal
- Mission statement that talks about the customers' success, not just the supplier's
- Behavior that demonstrates integrity and honesty
- Focus on collaborative problem solving
- Strives for continuous improvement

These things can be determined by speaking with the supplier's management, engaging with the supplier's customers, and reviewing public collateral including website, sales brochures, and annual reports. This qualitative test helps get to the heart of a company's culture and character.





Test #2 - The Right Infrastructure

Every supplier brings something different to the table, including unique capabilities and specific areas of expertise. The “Right Infrastructure” test evaluates these offerings.

The “ideal” supplier will be different for every business based on their unique goals and needs, but there are some common factors that are always important to keep in mind:

- Closeness to you; convenience
- Depth of offering; expertise in key areas
- Breadth of offering; a one-stop-shop
- ISO and quality certifications
- Low pricing and system costs
- Financial stability; security

A supply chain partner’s capabilities, processes, facilities, and organization all contribute to how well they will do on the “right infrastructure” test. You can get this information from product and service catalogs, supplier discussions, and company documents.



Test #3 - Proven Performance

While a supplier’s attitude and infrastructure are certainly important, they are not the only factors for a successful partnership. The third supplier test provides quantifiable proof of performance and results. Do they 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

Ask for reliable information to help you make a smart decision. Think about the analogy of buying a car. You rely on J.D. Power and Edmunds for ratings on initial quality. These objective sources help you feel confident about the choice you’re making. Similarly, excellent suppliers and industry watchdogs will be able to share this same kind of objective data.



Case Study - Berlin Packaging

Berlin Packaging is a supplier of rigid packaging that services a wide variety of industries and markets. We put Berlin through the 3-part test.



Test #1 - The Right Attitude

With the promise that “Anything is Possible,” Berlin Packaging strives to thrill its customers. This is discussed regularly and consistently within the company as part of the corporate culture. Berlin uses the Net Promoter Score tool to measure customer loyalty, and this mindset is 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 is focused on being a true partner for supply chain excellence.



Test #2 - The Right Infrastructure

Berlin Packaging built its infrastructure to encompass a manufacturing network, distribution assets, and value-added services that create a one-stop-shop for its customers. Berlin can find it, design it, source it, make it, store it and more. No other packaging supplier offers this same infrastructure. Customers enjoy virtually unlimited manufacturing platforms, over 100 sales and warehouse locations, and solutions designed to unlock profit. In addition, Berlin Packaging’s infrastructure is certified under ISO 9001 quality standards. Their expansive offerings meet a wide range of business needs.



Test #3 - Proven Performance

Berlin Packaging knows the importance of transparency and credibility, so they openly share their successful record. Berlin tracks and publishes on-time delivery of shipments to customers, with over 99% performance for the past 15 years. Another metric shows net income generated by customers as a result of doing business with Berlin, which totaled \$85.4 million for select customers in 2017. This quantifiable data, along with customer testimonials, demonstrates proven results and reliability.

Applying the Test to Find a Partner

While each of these three tests may be compelling on their own, they are comprehensive and should be used together. Only passing one or two does not ensure supply chain excellence. For example, a supplier with the right attitude and infrastructure but no proven performance may pose the risk of inexperience. Or, a supplier with a good track record and the right offering may not necessarily share your same goals. A successful supplier partner will do well on all three tests.



Getting Started

When the time comes to evaluate your supply chain partner or find a new one, there are two steps to start the process. The first is establishing the criteria within each “test” that makes the most sense for your company. Define the specific attitude elements, the infrastructure needs, and the performance metrics that you are looking for. Some ideas are included in this paper, but they should be customized to your specific needs. The second step is applying this tailor-made scorecard to your current and potential supply-chain partners. Ask questions of management, review collateral materials and product catalogs, and consult with industry watchdogs to collect the information you need to make an informed decision.

Making changes to a supply chain is a serious business. But beginning the evaluation process is simple, insightful, and necessary.





Summary

Supply chain can be an important part of a company's overall financial performance. Finding the right supplier partners is a key element in achieving supply-chain excellence.

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

- 1.) The Right Attitude:** Do they have the right mindset, values, and culture?
- 2.) The Relevant Infrastructure:** Do they have the needed facilities, systems, and framework?
- 3.) 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 of them. Ask your supplier how they define an outstanding partnership. How do they score on these three tests? Answer these questions and you're set for success.

