

## Point of Purchase Displays (POP Displays) Cost Reduction Project Case Study

### Key Figures

**Expenditure:** \$22.4 mm

**Savings Achieved:** \$2.5 mm

**Percent Saved:** 11%

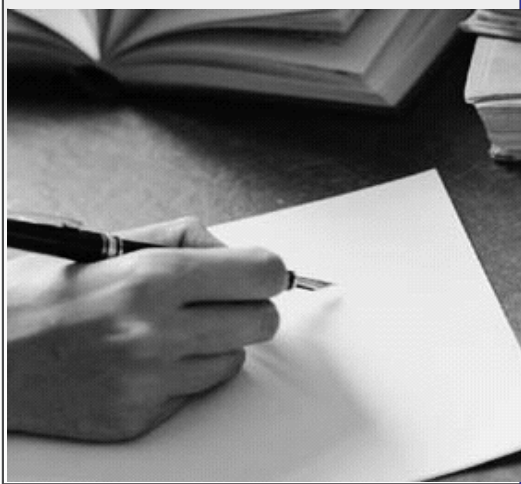
### **Objectives:**

Review client's display expenditures and reduce excessive costs while ensuring that:

- √ High quality and "best in class" display designs are maintained
- √ Client's displays remain "category captain" in key retail stores
- √ ROI becomes a deciding factor in display design and ordering

### **Situation Overview:**

- √ The client utilized 10 different display suppliers (2 major and 8 boutique) and 1 display assembler / packer for varying display specifications and service requirements
- √ Multiple sales regions and account teams ordered displays independently
- √ The client had little opportunity to leverage spend with suppliers since displays were highly customized and there was limited forecasting of future demand and design
- √ A reactionary ordering situation existed where many small order purchases were driven by customer requests with little consideration given to cost, long term usage and cross account usability



## **Project Activities:**

- √ Collected displays purchasing data (suppliers, costs, volumes, types, contracts, invoices)
- √ Interviewed key stakeholders
- √ Conducted process mapping
- √ Assessed findings and developed suggested savings strategies
- √ Implemented savings strategies

## **Key Findings:**

- √ Displays were often awarded to the “best designer” at a high cost rather than through a competitive bid process
- √ The universal display component program the client initiated to enhance ordering and cost efficiency was ineffective due to unforeseen customer specifications and poor program management
- √ Cost drivers for all display vendors were not thoroughly understood nor detailed in contracts and invoices
- √ Contracts with the 2 major suppliers were not well negotiated
- √ Internal management team did not have efficient tracking tools to understand and document the expenditures by display type and supplier

## Strategies Implemented:

After the data was reviewed and analyzed, SSA and the client evaluated potential savings strategies. Two separate approaches were developed and implemented to reduce overall display expenditures. The Process Strategies focused on creating more efficient displays ordering and forecasting methods. The Supply Base Strategies were aimed at purchasing high quality displays at a lower cost.

### 1. Process Strategies

- √ Implemented an Annual Forecast Process
  
- √ Instituted Minimum Order Quantities and Controls
  
- √ Implemented Effective Universal Display Component Program (negotiation of standard components to fulfill a wide array of display requirements)
  
- √ Enhanced Centralized Purchasing Resource Involvement

### 2. Supply Base Strategies

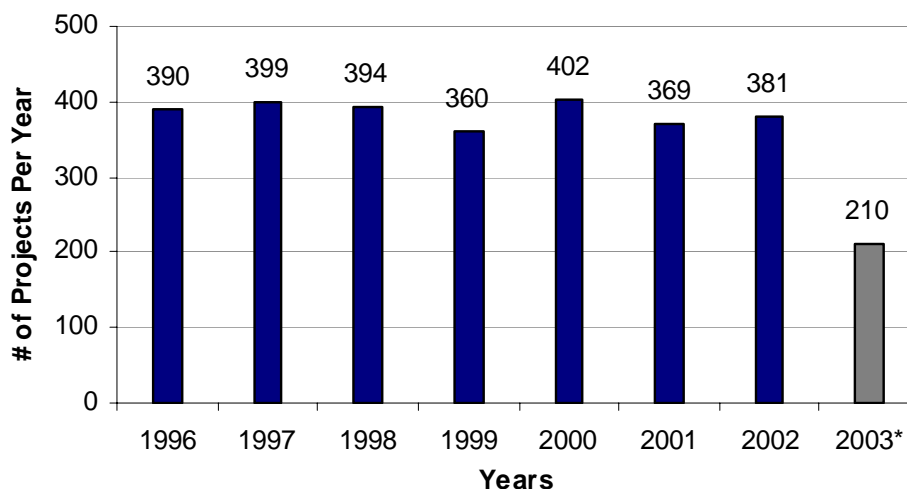
- √ Negotiations with Key Suppliers
  
- √ Ongoing Bidding of Custom Requirements through use of Electronic Tools (allows for consideration for design value and well as total cost)

## Results:

<b>Original 2003 Expenditure</b>	<b>\$22.4 mm</b>
<b>Savings Achieved:</b>	
Supply Base Strategies (negotiation, bidding)	\$1.5 mm
Process Strategies (forecasting, quantity control)	\$1.0 mm
<b>Total Savings Achieved</b>	<b>\$2.5 mm</b>
<b>Percentage Saved</b>	<b>11%</b>

High expenditures were associated with customized display projects that were often ordered in low quantities and with short lead times. Therefore, SSA developed and implemented process efficiency strategies to reduce the number of customized display projects and the high cost associated with processing and fulfilling these requirements. Below is an example of the impact of these strategies that SSA tracked with our client following completion of the project effort:

### Number of Display Projects Initiated Per Year



\*Based on 1st & 2nd quarter actuals and 3rd & 4th quarter projections