

Distribution Factsheet 4: Consolidated Purchasing Issues

A consolidated approach to meet specific packaging requirements, even to the same supplier, can often lead to cost reductions. As a starting point, all potential participants should be approached and a determination made as to their level of interest. For those processors wishing to go to the next step, preliminary data should be collected on the types of material to be considered. This list could include glass jars, corrugated cases, packaging and shipping bags and other supplies that are required by more than one participant within the region. Each processor that opts to continue *Consolidated Purchasing* should also provide a preliminary indication of anticipated quantities for each item over the upcoming season.

Results should be compiled into a *Consolidated Purchasing* “request for quotation” package that can be presented to a short-list of packaging companies for their response. The short-list should be based on the current list of suppliers providing the required packaging materials. We recommend that the requests be made in face-to-face sessions with potential service providers. The type of collaborative relationship that was explored under the section entitled “Working with Transportation Salespeople to Negotiate Effective Rates” applies under this category as well. During the launch of a *Consolidated Purchasing* program the participants must agree how yearly needs are to be handled. In other words, will the group order as needed or on a one-time basis with regular draws from inventory as required?

Answers to the ordering process question will open the door to discussions with packaging suppliers as to the savings potential of annual purchases of large quantities versus frequent and smaller re-orders. This may also lead to a discussion of who might provide space if annual purchases are opted for and each processor is faced with minimal space within their operation. One solution is to request this value-added service as part of the *Consolidated Purchasing* package negotiated with suppliers. Another option would be for the group to locate storage space within the Peace Region and then questions arise such as:

- Who will provide the space?
- Where will the space be located?
- Who will handle inbound and outbound packaging materials?
- Who will maintain accurate inventory records so that all participants are kept informed on the status of their materials?
- How much will such a service cost?
- How will liability be handled in the instance of loss or damage?
- How will cost be allocated so that all participants benefit in the win-win scenario?

There may also need to be discussions around such business processes as:

- Annually collecting details for packaging material requirements?
- Issuing request for quotation documentation and conducting face-to-face meeting with short-listed service providers
- Selecting the “supplier of choice” and maintaining an ongoing collaborative relationship
- Sharing of administration and process costs

It is important that the relationships entered into both with other participants and the supplier-of-choice be open and focused on the mutual benefit of all those involved.