

PROCUREMENT

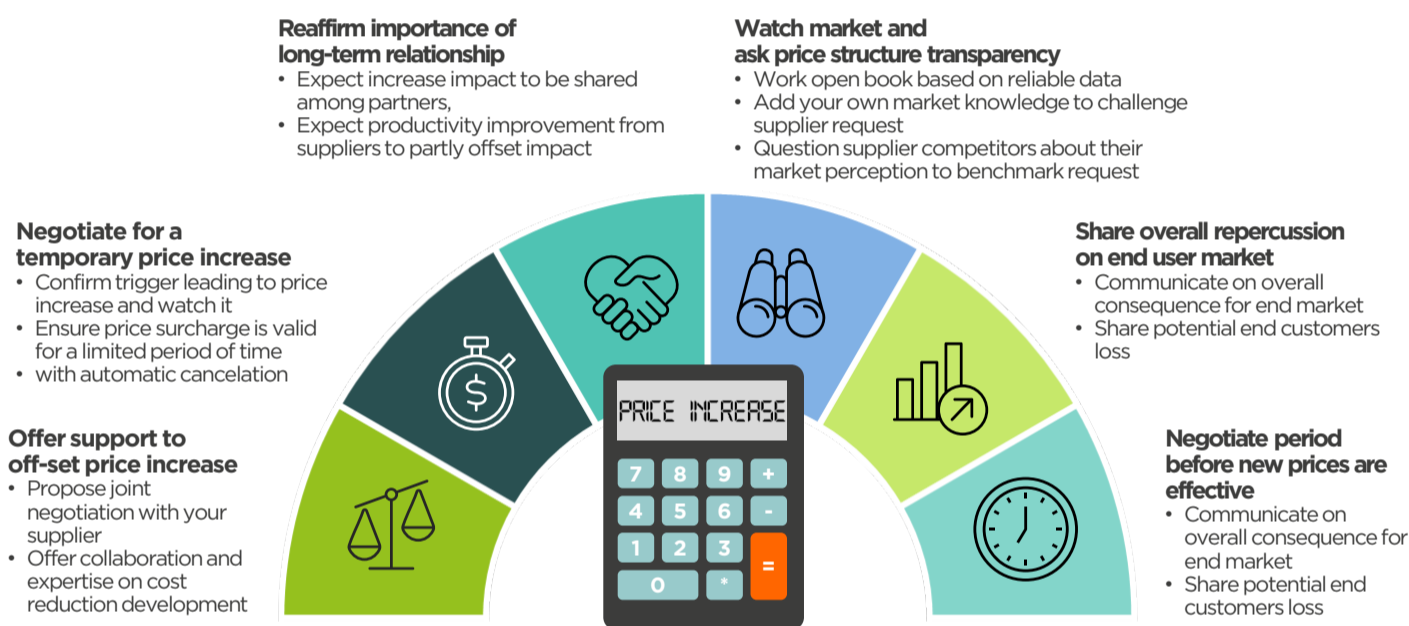
HOW CAN CPOs FIGHT AGAINST PRICE INCREASES?



Already facing the unpredictability of supply chain disruptions, procurement leaders are now being urged to boost financial risk management against the threat of inflation. A whole range of business and cross-functional levers is available to help them adopt a defensive position against price increases. Some levers have immediate impact, while others are forward looking to boost resilience.

► NOW

6 inflation-busting options to mitigate short-term challenges



► NEAR-TERM

Make informed and targeted decisions



Assess risk position per product

- Check level of stock (including in transit, WIP, recovery...)
- Challenge real needs (forecast accuracy, launch plan...)
- Analyze sales at risk and arbitrate to assess profitability possible loss and long-term impact on customers



Assess cost structure

- Use bill of material to get detailed insights
- Or simplified cost structure (material, added costs, SG&A, profit)



Watch and monitor the market

- Create transparency by involving other players
- Check if historical variations (drop/pick) led to price variation in the same order of magnitude to partly offset increase request

► LONG-TERM

Be ready to back-fire



Re-assess internal demand

- Prioritize strategic products involving sales and marketing departments to share launches, high profitability SKU.
- Anticipate and communicate on possible shortages.
- Launch pruning project to rationalize product portfolio and long tail range.



Push price increase to your customers

- Work open book with your partners to reinforce trust.
- Define price increase for each customer segment, in line with their contribution.
- Revisit your distribution channels and privilege direct customers rather than wholesalers.



Challenge your suppliers panel to ensure competitive advantages

- Make sure they benefit from cheap energy sources.
- Make sur they have proven innovation capacities.
- Check production capacities are close to your operations to limit freight costs variations.

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