

Your quick guide

Supply Chain Optimization for procuring  
industrial supplies

# Lean Procurement<sup>®</sup>

Streamlining the procurement process

Reducing the dollars spent

Creating accountability



## Supply Chain Optimization - defined

**Supply chain optimization** is the application of processes and tools to ensure the optimal operation of a manufacturing and distribution supply chain. This includes the optimal placement of inventory within the supply chain, minimizing operating costs (including manufacturing costs, transportation costs, and distribution costs). This often involves the application of mathematical modelling techniques using computer software.

Approaches and solutions - The classic supply chain approach has been to try to forecast future inventory demand as *accurately* as possible, by applying statistical trending and "best-fit" techniques based on historic demand and predicted future events. The advantage of this approach is that it can be applied to data aggregated at a fairly high level (e.g. category of merchandise, weekly, by group of customers), requiring modest database sizes and small amounts of manipulation. Unpredictability in demand is then managed by setting safety stock levels, so that for example a distributor might hold two weeks of supply of an article with steady demand but twice that amount for an article where the demand is more erratic.

Whilst most software vendors are offering supply chain optimization as a packaged solution and integrated in ERP software, some vendors are running the software on behalf of their clients as application service providers.

Source: Wikipedia® defining Supply Chain Optimization

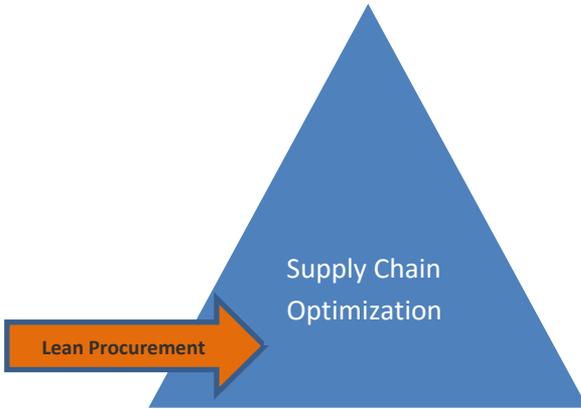
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**Supply Chain Optimization** is "The process of making the supply chain function as effectively as possible from the supplier to the customer." This includes: a streamlined procurement process, extended communication, reduced spending and measured accountability utilizing statistics and simple technology.

By Kenn Fischburg

# The Lean Procurement® Strategy

How does it help  
Supply Chain Optimization?



## It fits right in!

Specifically directed towards procuring industrial supplies

The Lean Procurement® strategy delivers a comprehensive online procurement solution that optimizes your process for procuring a wide range of packaging, industrial and office supplies.

The results are, you receive a streamlined procurement process, reduced spending on a “best-fit” list of supplies and measurable accountability utilizing simple statistics and eCommerce.

Lean Procurement helps you dramatically reduce what you spend on supplies, in time and money.

*The **Lean Procurement strategy** is the name of the registered Trademarked Service of Consumers Interstate Corporation*

## The subjects

- 1. Why is Supply Chain Optimization so important?**  
*Optimization delivers significant reductions*
- 2. Supply Chain Management (SCM) defined**  
*The overall management of materials from origin to end user*
- 3. Supply chain functions need aligned goals**  
*Departmental goals need to support each other*
- 4. The technological solutions**  
*Companies are out sourcing to web-based solutions*
- 5. Three considerations for Supply Chain Optimization**  
*Think globally, core strengths and collaboration*
- 6. How does Lean Procurement fit in? What is it?**  
*An integral part of Supply Chain Optimization*
- 7. What is the mission of Lean Procurement?**  
*Helping you reduce what you spend on supplies, in time and money*
- 8. What is the best culture for Lean Procurement?**  
*A total company culture, a re-design and re-thinking*
- 9. How do we streamline your procurement process?**  
*A Value Stream Map illustrates the wasted steps in the process*
- 10. How can web technology reduce spending?**  
*A budget is displayed online "right at the point of ordering."*
- 11. How do we reduce the cost of supplies?**  
*Review all supplies using the "best-fit" cost effective standards*
- 12. What's inside the Lean Procurement strategy?**  
*Team support with executive sponsors*
- 13. How does it fit into the principles of Lean Manufacturing?**  
*The same principles of common sense and simple technology*
- 14. How do we implement the Lean Procurement strategy?**  
*As a team with experts and the stakeholders at both companies*
- 15. Which departments are improved with Lean Procurement?**  
*Executive, financial, operations, purchasing, end users*
- 16. The results?**  
*More time to focus on more valuable projects and reduced spending on supplies*

Helping you on the journey to Supply Chain Optimization

# 1. Why is Supply Chain Optimization so important?

**Manufacturers** have been forced to evolve or perish when it comes to optimizing their processes as well as navigating the new tools and best practices for Supply Chain Management.

Companies need effective Supply Chain Management. Improving operational efficiency to support their corporate growth strategy, improve gross profit margin and offer new and differentiated value to customers is vital for sustaining a leadership position.

An optimized supply chain can stay lean, reduce costs and respond to customers' needs whenever demands change.

Optimization is driven by internal and external factors.

- Internal factors
  - Responsive customer service, delivery and working capital optimization
  - Having the right inventory correctly positioned
  - New product introductions, changes in demand and new suppliers
- External factors
  - Tax benefits, trade concessions, labor costs, capital subsidies, reduced logistics cost and customer proximity

**Optimization delivers significant reductions**

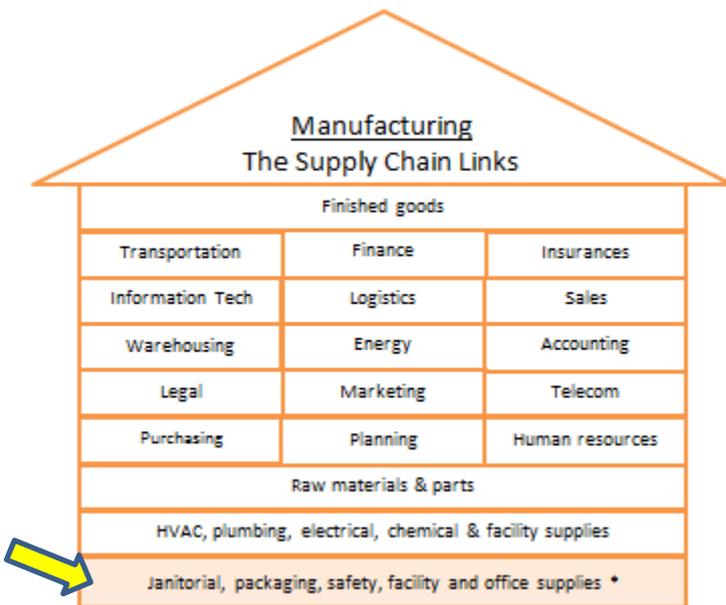
## 2. Supply Chain Management (SCM) defined

**Supply Chain Management (SCM)** is the overall management of materials and the flow of goods and services within and between companies, including finance and information.

All departments are involved.

- Flow of goods - The movement and storage of raw materials, work-in-process inventory, and finished goods from point of origin to point of consumption
- Information flow - forecasting, product demand, inventory on hand, transmitting orders and updating the status of delivery
- The financial flow - of credit terms, costs and payment schedules

**Supply chain** is a connection of many links; suppliers, organizations, people, activities, information, and resources involved in the flow of goods from the point of origin to the customer.



CIC optimizes procurement for this group of industrial supplies

**Low-value, repetitive supplies need to be optimized**

### 3. Supply chain functions need aligned goals

**Supply chain optimization** requires that the goals for the multiple functions in the chain be aligned. Otherwise, conflicts arise. “Sales want more inventory, finance wants less and purchasing is stuck in the middle.”

Alignment is optimal and can produce significant reductions in supply chain costs and major improvements in service levels.

Sales, purchasing, finance, warehousing and delivery all need to have goals that align. Since functions overlap, goals should as well.

The overall objective is an increased service level, responsiveness and on-time delivery while judiciously balancing working capital needs.

- Often, individual (function-specific) goals and company goals are not well defined or aligned.
- Different functions work on their individual goals, often achieving their optimization while adversely impacting the overall supply chain performance.
- As a result the costs associated with certain service levels could become a concern.
- Conflicting optimization goals by functions lead to suboptimal supply chain performance.

**Functional goals need to be in sync to avoid conflicts**

## 4. The technological solutions

**Technological solutions** with sophisticated software systems and web interfaces are competing to provide part or all of the Supply Chain Management (SCM) service for companies who rent their service.

Some SCM applications are based on open data models that support the sharing of data both inside and outside the enterprise (this is called the extended enterprise, and includes key suppliers, manufacturers, and end customers of a specific company).

By sharing this data "upstream" (with a company's suppliers) and "downstream" (with a company's clients), SCM applications have the potential to improve the time to market of products, reduce costs, and allow all parties in the supply chain to better manage current resources and plan for future needs.

Increasing numbers of companies are turning to websites and web-based applications as part of the SCM solution.

- Planning applications use advanced algorithms to determine the best way to fill an order.
- Execution applications track the physical status of goods, the management of materials, and financial information involving all parties.
- This shared data may reside in diverse database systems, or data warehouses, at several different sites and companies.
- Collaboration with suppliers and customers has risen in importance.
- Lean Procurement provides a web-based solution for procuring industrial supplies

**Companies are turning to web-based solutions**

## 5. Three considerations for Supply Chain Optimization

**Think globally** – This is not only a geographic reference.

- Standardize processes and align Supply Chain goals throughout your enterprise.
- Use lean thinking suppliers who can handle multiple facilities.
- Companies increasingly must think in terms of global opportunities for procurement of goods and services.

**Focus on core strengths**

- Outsource all other activities.
- Many organizations try to do too many things or don't realize that they can outsource repetitive tasks.
- Often it seems as though an organization's internal resources are able to do a better job in the short run. Most often, by relying upon a specialized third-party provider, a better value will be realized in the long term.
- Focusing on your organization's core competencies will help you increase revenue and profitability.

**Improve collaboration**

- Between Manufacturer/Supplier and Retailer for Demand Data Driven Forecasting and Inventory Management.
- Help reduce inventory, improve fulfillment rates and product availability at point of purchase.
- Ensure a lean supply chain, improving margins and profitability.
- Today, technology provides a myriad of opportunities for collaboration.

Global thinking is also comprehensive thinking

## 6. How does Lean Procurement fit in?

Lean Procurement helps you reduce what you spend on supplies, in time and money.

**The journey** towards Supply Chain Optimization includes streamlining the processes in multiple departments. One important process is for the procurement of a multitude of repetitive supplies needed to run your business.

### **What is the Lean Procurement strategy?**

The **Lean Procurement strategy** delivers a comprehensive solution by optimizing the procurement of a wide range of low-value repetitive industrial supplies used to run your business every day.

This high-velocity repetitive group of supplies includes: packaging, janitorial, safety, breakroom and office supplies.

The procurement of these commodities consumes an inordinate amount of time relative to their value. Your procurement team should be freed up to devote more time on higher value projects like raw materials, freight, etc.

Being a low-risk group of commodities, successfully optimizing the procurement of these supplies is a good first step towards achieving Supply Chain Optimization.

The Lean Procurement strategy optimizes the large group of industrial supplies helping to dramatically reduce what you spend.

**It's an integral part of your Supply Chain Optimization**

## 7. What is the Mission of Lean Procurement?

The Mission is “helping companies reduce what they spend on supplies in both time and money.”

This group of repetitive low-value industrial supplies includes: Packaging, janitorial, breakroom, safety and office products.

The Lean Procurement strategy helps you in your journey towards Supply Chain Optimization.

Here is how it helps.

- **Streamlines your procurement process** - provides your procurement team with more time to focus on more valuable core materials and projects.
- **Reduces your cost of supplies** – optimizing your list of supplies based on the “best-fit” standards ensuring that the most cost-effective products are used.
- **Reduces spending** – implementing a monthly spending budget online for each buyer that dramatically constrains overordering.
- **Provides measurable accountability** – online reports measure the company’s spending versus their budget. And a supplier representative provides strategic advice and data at scheduled executive business review meetings.

**More time for more valuable purchasing**

## 8. What is the best culture for Lean Procurement?

The culture required is a philosophy that embraces continuous improvements.

Supply Chain Optimization affects multiple departments. Old relationships and previous processes are changed. This may not be easy for everyone.

Respect for the decision, the participants and the objective is important to sustain morale.

The improvement culture is good and tough.

### The good

- It's a total company culture, a re-design and re-thinking
- Total team support for improvements at all levels
- "All the fish" swimming in the same direction
- "Can do" positive attitudes are exciting
- Looking forward is helpful

### The tough

- Trivial distractions by negative members need to be eliminated
- Breaking the strategy of "doing things the way we always do them"
- Some long-term employees may find the changes difficult
- Old relationships may end
- Issues are opportunities to solve, not problems to complain about

**Embrace continuous improvements**

## 9. How do we streamline your procurement process?

**All the steps** in the process are reviewed.

Our teams examine all the steps “end to end” in your current procurement process for industrial supplies and create a better one that is streamlined.

We use a Value Stream Map to clearly illustrate the steps and time associated with each step, just to place an order for an industrial supply item. Starting with “I need” to “the invoice is paid,” the process is measured end to end.

- **The Procurement Process**
  - A “Value Stream Map” illustration shows all the steps
  - Eliminate wasted steps that have no value
  - A new streamlined process is proposed using eCommerce
  
- **Consolidate and eliminate**
  - Eliminate low-value suppliers
  - Consolidate invoicing activities
  - Less paperwork, fewer deliveries
  
- **Calculate the time saved - 50-85%**
  - Current process vs a new streamlined process
  - Calculate the time spent on all orders in a month
  - One supplier, one process, fewer orders, fewer steps and just one monthly invoice
  
- **Time equals money**
  - Assuming \$30/hour cost in time plus benefits (avg.)
  - The total cost to process an order can be reduced from \$110 to \$15\*

**A Value Stream Map illustrates wasted steps**

## 10. How does CIC's technology reduce product spending?

**The Silent Supervisor™** is your online stop sign. It displays your buyer's monthly spending budget "right at the point of ordering". It adjusts after every order is placed and lets your buyer know exactly what is available and where they stand towards their monthly budget.

It is a proprietary online technology developed by Consumers Interstate Corporation for use on [www.SuperSupplies.com](http://www.SuperSupplies.com).

- **A budget is defined** as "the total amount of money allocated or needed for a particular purpose or period of time."
  - You can reduce what you spend by setting reduced monthly spending budgets.
  
- **How is the reduced budget for supplies established?**
  - A benchmark is created based on previous annual spend
  - The reduced budget is established in collaboration with your procurement team, your executive and your supplier
    - ✓ The budget can be adjusted during the year based on revenue and forecasts
  
- **How does the online budget work?**
  - Each buyer's monthly spending budget is entered into SuperSupplies.com
  - The budget displays online "right at the point of ordering"
    - ✓ What dollars remain available to spend
  - It recalculates after each order is placed
  - A "stop sign" warning is displayed when approaching the monthly budget
  
- **How do you know how the buyers are doing?**
  - A performance report is available 24/7 online
  - Compares the performance of each buyer's spending to their monthly and annual budgets

**Reduce what you spend on supplies by 5-15%**

## 11. How do we reduce the cost of supplies?

**Product Utilization Studies** can uncover cost-effective alternatives that work better and cost less. Using the “best-fit” standards help you discover the most cost-effective supplies.

A continuous review is directed by the CIC supplier product expert. Almost every product has an alternative. When one is discovered, a cost savings can range as much as **60%**.

This group of repetitive low-value industrial supplies includes: Packaging, janitorial, breakroom, safety and office products.

### **Establish the company’s priority**

- All supplies are ranked by your business needs
  - Cost, productivity, health & hygiene, sustainability & image
- Savings opportunities are directed by these business priorities

### **Product Utilization Studies – costs reduced by 10-60%**

- Supplies are evaluated to find the “best-fit” alternatives
  - A better glove may be twice as expensive but lasts four times longer
  - The user is safer and the cost is **50%** less
- By comparison, the traditional bid process can squeeze the supplier 2 - 4% leaving him searching for other ways to make up the lost profit.

### **A core list of supplies**

- The approved list is developed and approved by the team
- Compliance is enforced to only order the approved supplies

### **Placing orders online – SuperSupplies.com**

- Each buyer has their own unique product list online
- Or multiple buyers can access and order from one list
- An online approval process can be installed

**Reduce product costs by 5-60%**

## 12. What's inside the Lean Procurement strategy?

**The principals** of Supply Chain Optimization and Lean are inside the Lean Procurement strategy. It's a comprehensive solution that streamlines the procurement process for industrial supplies, reduces spending and implements accountability. It includes cultural and operational benefits.

- Team support
  - Both supplier and customer collaborate as a team
  - One clear team objective
  - Continuous executive sponsorship
  - An assigned project manager
  - Complete member support
- Standardization
  - The same ordering process for all buyers
  - An approved core list of “best-fit” cost-effective products
- Accountability
  - Scheduled management business reviews
  - Documented improvement activities
  - Assigned buyers take responsibility for their spending
  - Simple statistics measure the success
- Consolidation
  - A smaller supplier base
  - Reduced invoicing activities
  - Reduced paperwork
  - Fewer deliveries
- Budgeting
  - Optimal inventory levels for supplies
  - Monthly spending goals for each buyer
- Compliance
  - All buyers follow the plan
- Negative hurdles
  - Team members that create trivial distractions
  - Lack of commitment to implementation timelines
  - Diminishing executive support
  - Rogue buyers
  - Poor documentation of active projects

**Efficiency, budgeting, and accountability**

### 13. How does it fit into the principles of Lean Manufacturing?

**The Lean Procurement strategy** is a common sense approach with simple technology. The same principles are inside Lean Manufacturing.

They focus on elevating efficiency and reducing costs by:  
Eliminating wasted steps, improving safety, standardizing the processes and reducing inventory.

Lean thinking for improvements is the culture.

- Commitment
  - Success requires “top-down” commitment
  - Success requires commitment from all departments
- Objectives
  - Desire to help your company
  - A focus on continuous improvement
  - All departments can benefit from lean thinking
  - Every process can improve
- Teamwork
  - All departments depend on each other
  - All employees must participate and all should be heard
- Education
  - Processes can be either transactional or production
  - Processes can be on the plant floor or in administrative offices
- Technology
  - Simple technology must be embraced
- Results
  - Measurable results create accountability
  - More time for more valuable projects
  - Better customer service

**Common sense promotes efficiency**

## 14. How do we implement the Lean Procurement strategy?

Collaborate “**As a team** with a plan”

Your procurement team works with the CIC team to follow a documented plan with assignments and a timeline.

Executive support for the team is essential.

- Reach a consensus to optimize
  - Your procurement team
  - All employees
  - Work with your supplier
- Your spending budget
  - Determine benchmark - previous annual spending
  - Establish your new reduced budget
- Reduce consumption and over ordering
  - Using the Silent Supervisor® online budget
- Optimize supplies
  - Discover the most cost-effective products
- Streamline the process
  - Eliminate steps that have no value
  - Implement eCommerce
  - Easy ordering, reports and data
- Implement accountability
  - Simple performance statistics and scheduled business reviews with the procurement team
  - Training provided by supplier reps
- Successful implementation using your supplier
  - CIC reps participate actively and are held accountable for success and for ongoing improvements

**Experience, vision and commitment**

## 15. Which departments are improved with Lean Procurement?

Multiple departments are affected by the procurement process of supplies. The Lean Procurement strategy optimizes the procurement of this large group of expense supplies.

**Executive** – Provides more time for the procurement team to focus on higher value projects

**Financial** – Implements a budget and accountability

**Operations** – Transitions your procurement process painlessly

**Purchasing** – Buyers have a clear spending budget for the low-value supplies and more time for the high-value projects

**Buyers** – A web-based and streamlined process throughout your facilities makes ordering easy and accurate

**Accounting** – Speeds up the reconciliation process. Multiple invoices are reduced to one per month. A purchasing report is created using your G/L codes

**The End User** –The Lean Procurement strategy dictates that the users have the right products that do the best job

**Supply chain manager** – Supply Chain Optimization is a key objective. Lean Procurement is a good area to start. This large group of supplies is low risk. You streamline the procurement for this group of products and implement accountability giving you assurance that it's under control.

**Lean Procurement of supplies improves all departments**

**The Results** - Lean Procurement helps you dramatically reduce what you spend on supplies, in time and money by 10-25%.

Who is accountable for this cost reduction implementation?

The CIC supplier team

Who is accountable for the ongoing success?

Both teams

How do we get a report on the savings?

Spending performance reports are on [www.SuperSupplies.com](http://www.SuperSupplies.com).

How is the procurement process streamlined?

A Value Stream Map is created which points out the wasted steps.

How much time can be saved with a streamlined process?

Process time can be reduced over **50%**.

How do we stop buyers from over ordering?

The Silent Supervisor™ is your automatic, online spending stop-sign.

How much can the Silent Supervisor budget reduce spending?

Spending can be constrained by **5-15%**.

How much money can we save on the cost of a product?

Optimizing a product to be the “best fit” can save **5-60%**.

Why are industrial supplies a good project to optimize?

Too much time is allocated to procurement relative to their value.

How much money can be saved with Lean Procurement?

Having more time to focus on reducing costs on valuable raw materials can save enough to pay for all your industrial supplies.

What are the results of the Lean Procurement strategy?

Time is saved, spending is reduced. Accountability is enforced.

What does Lean Procurement do for my company?

Your team will have more time to spend on more valuable projects.

How does it help you achieve Supply Chain Optimization?

Lean Procurement takes a heavy brick off your load.

**More time to spend on more valuable projects**

**LeanProcurement®**

**Lean Procurement fits into Supply Chain Optimization by helping you dramatically reducing what you spend on supplies, in time and money.**

**The principles in Supply Chain Optimization and Lean Procurement**

- Team consensus required
- Executive sponsor is vital
- Full buyer compliance
- Promote accountability
- Use measurable statistics
- Align department goals
- Eliminate excess paperwork
- Consolidate the supplier base
- Eliminate redundancies
- Use “best-fit” products
- Give buyers a spending budget
- Position inventory correctly
- Elevate the efficiency in your processes
- Communicate openly with suppliers
- Prioritize purchasing on valuable projects
- Time can be equated to actual dollars
- All the fish swimming in the same direction
- Embrace technology to your benefit
- Higher levels of thinking support improvements at all levels

**Providing a streamlined process for ordering supplies, reduced spending and measurable accountability**

**The time allocated to procure supplies far exceeds their value**

**Consumers Interstate Corporation** is a pioneer in ecommerce developing the groundbreaking Internet Procurement Method™ for ordering supplies online in 2001 with SuperSupplies.com and has been a leader in online innovative solutions for procurement. Their trademarked Lean Procurement strategy launched in 2005, streamlines the procurement process for supplies helping customers reduce what they spend in time and money.

CIC is a company of dedicated people who are passionate about helping customers. It is a progressive wholesale distributor delivering an innovative online solution that dramatically helps customers reduce what they spend on a large group of industrial and office supplies.

Privately owned by Kenn Fischburg and established in 1947; CIC delivers supplies nationwide to hundreds of business customers. Their focus is helping customers significantly reduce their costs and achieve their Supply Chain Optimization objectives by optimizing their procurement process, online.

They launched the innovative business-to-business website [www.SuperSupplies.com](http://www.SuperSupplies.com) in 2001 and [ToiletPaperWorld.com](http://ToiletPaperWorld.com) one of the first retail websites to offer business supplies wholesale. [SupplyTime.com](http://SupplyTime.com) was launched in 2013. It is an effective small business online solution delivering thousands of business supplies, next day.

In 2007, they developed the innovative web feature; the “Silent Supervisor” online budget that displays a buyer’s spending budget “right at the point of ordering.” This dramatically constrains spending.

Most suppliers want you to buy more, we help you spend less.

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The author - Kenn Fischburg is the CEO and owner of Consumers Interstate Corporation in Norwich, CT, est. 1947. Kenn developed multiple registered trademarks such as: Lean Procurement, The Priority Program, Tomorrow Comes Today, Silent Supervisor, Revolutionizing the Buying Process and SuperSupplies.

This booklet is combination of Supply Chain Management intelligence from *IndustryWeek* magazine, other experts in the field and his experience working in the industrial distribution business since 1971 as well as growing up with his father Jack who started the business. “Watching procurement objectives move from strong local relationships to the consolidation principal, corporate contracts into Lean Manufacturing principles then merging with Supply Chain Optimization objectives leaves one common thread of importance: helping customers grow in good health.”



*Kenn Fischburg*

The US registration is for the use of the **LEAN PROCUREMENT** trademark in association with its services, namely: “On-line non-downloadable software for use in database management, maintenance, inventory tracking and the ordering of goods specific to particular users, in the field of paper products and products for the maintenance and operation of office, commercial and industrial buildings,” as recited in its US TM Reg. No. 3,522,538.

**LeanProcurement®**

*Tomorrow Comes Today®* - the corporate strategy of  
Consumers Interstate Corp. - Thinking about tomorrow, today

# LeanProcurement®

**A strategy that helps you dramatically reduce what you  
spend on supplies, in time and money**

Efficient procurement of supplies is an integral part of  
Supply Chain Optimization