

## Commodities Strategy and Management

*Development of commodities management capabilities in a large general merchandise retailer in order to drive down product costs.*

### The Client

A \$400B+ general merchandise retailer, operating globally in 15 countries.

### The Challenge

The retailer sought the capability to proactively drive down input costs in their merchandise through strategic sourcing and active commodity management.

Their challenge was to build a team, the necessary infrastructure and information systems to gain insight into their costs and the ability to affect those costs through the management of commodities.

The initiative was owned by the retailer's Global Strategic Sourcing division, which is responsible for aligning resources, leveraging scale, and restructuring supplier relationships, to offer even more competitive pricing on merchandise.

### The Parker Avery Solution

Parker Avery developed a strategy and approach designed to develop commodity management capability that could leverage cost reporting and knowledge of the commodity markets to manage cost.

Key activities included:

- Defining a commodities management strategy & tactics
- Defining organizational roles

- Training the client on techniques for managing commodities
- Building administrative & governance infrastructure
- Developing information & reporting systems

Parker Avery was able to deliver a clear 3-year roadmap for the client designed to drive significant product cost reduction and competitive advantage.



### The Result

As a result of the project, the client has projected cost savings of over \$25M over the next 3 years. Additionally, a dedicated commodities team is in place handling market research, reporting, sourcing decisions, and identifying further savings opportunities.