Career path...

...or career maze?

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Economic insight and purchasing strategies to combat the significant fluctuations in the price of crude

Supplier innovation and data
Putting concepts into practice and focusing complex practices on producing results

Paying the difference
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Beauty product manufacturer Elizabeth Arden is utilising new data analytics technology to enhance product line visibility and improve supply chain efficiency to achieve greater value in its manufacturing processes, writes Richard Edwards.

Improving purchase order accuracy is something that all procurement and supply chain functions aspire to, but while it may just be a goal for many, one of the world’s leading beauty product companies has implemented a change in its processes that has made this a reality.

Through the utilisation of enhanced data analytics, Elizabeth Arden – which sells its products in more than 120 countries – has enhanced visibility across its product lines and driven efficiencies throughout its supply chain.

The New York-based company relies on third-party contract manufacturers to carry out its transactional buying of raw materials and packaging based on the requirements set out by a procurement team led by William Babuschak, senior vice president of global planning, procurement and manufacturing.

And while it’s a system – referred to by Babuschak as the directed turnkey method – that has worked well in the past, the disparities between the data systems used by various manufacturers has presented challenges in the past.

“In the year prior to implementing this programme, the purchase price variance file was more than 45,000 lines of transactions that were conducted by our third-party manufacturers on our behalf,” says Babuschak.

“In terms of data management, and being able to do some thorough analysis and uncover what some of the root causes of bad management were, was tricky. We just didn’t have the analytical horsepower to go through the data in any organised way to come up with some corrective action to make sure we were accurate in setting up our standards year after year.”

Data systems

That has now changed, with the company able to drill down into areas that were previously out of reach. Babuschak says: “Mostly, what people do, and what we had done in the past, was get reports on a monthly basis, based on receipts. So, essentially, you saw that variance reporting after it had already occurred. You have no ability to look forward at a bad buy that could be about to happen because all the transactional data is housed outside your own environment.”

KEY TAKEAWAYS

- US beauty product giant has enjoyed huge improvement in order accuracy following introduction of new technology.
- The Smart Cube solution is enabling the company to track variances in purchases to a greater extent than ever before.
- The group is looking to utilise data analytics for greater control over inventory.

Case Study Elizabeth Arden
Now, thanks to the company’s utilisation of a solution from The Smart Cube, Elizabeth Arden’s procurement operation has the ability to improve order accuracy by tracking variances and identifying the underlying causes.

According to Babuschak and the company’s manager of global sourcing, Jessica Waiters, who was instrumental in setting up the programme, that order accuracy has been improved by more than 32%.

And while transactional accuracy is being tackled head-on, the company is also finding itself better able to manage large transactional volumes and differing sources of data.

“We have a network of suppliers, all using different enterprise resource planning environments and transacting on our behalf,” Babuschak says. “At any one point in time we can have as many as seven systems transacting with our vendor base. We need to keep some measure of control to make sure that they’re buying against our standard parameters.”

**Greater visibility**

Having gained a valuable insight into current spend, Elizabeth Arden’s procurement organisation has also been able to gain greater foresight.

“For the first time since implementing the directed turnkey model, we received consolidated analysis that provided visibility into $110m of future purchases that were being made on our behalf,” says Babuschak.

“Given the scale of this amount, it showed how this analysis could best be used to improve our company’s efficiency and profitability.”

The technology also provided the firm with a perfect platform to drive compliance and minimise inventory liability, an area that the company had seriously struggled with in the past.

“What was shocking when the data started coming through, for me, was the escalation of liability based on minimum order quantities,” says Babuschak. “We would place an order for 10,000 parts of a finished good and the manufacturer might have 5,000 pieces on hand. They would need another 5,000 but would hit a component minimum order quantity of 25,000.

“They would then have to go and buy these extra pieces because that was the minimum order for that particular component. When you go through that across thousands of components, there’s an escalation that occurs in terms of the inventory liability.”

That improved inventory management is an area that Elizabeth Arden will be looking to exploit as it continues to utilise the solution.

Improved predictive cost is another area where Babuschak and his team are hoping to benefit. Before the first compliance report was generated, up to 82% of the company’s purchases resulted in some variance to the master data and expected parameters. The variance is now 50%.

These improvements are clearly part of an ongoing process, but they have enabled procurement to take a far more proactive approach than would have otherwise been possible.

“Essentially, through the process we’ve established, we do variance reporting and coding every month on the transactions that are about to occur based on the new purchase orders that are placed,” says Babuschak. “Every month, we’re refreshing and cleansing our view on what our standards should be. Now, if a purchase doesn’t match our master data, we are able to code things as a one-off occurrence, so if we’re paying a higher price we know why we’re paying it.

“We’re essentially cataloguing just how good and accurate our standards are throughout the year. We’re able to measure whether these price variances are a one-off or whether they’re consistently happening. If they are happening consistently then that price variance pretty much becomes our new standard.”

With that kind of data it’s little wonder that Elizabeth Arden is looking to a future bright with possibilities.