sertus

Client Snapshot | Region: Americas

Industry: Beverages

BEVERAGES

Development of an Efficient, Cost Effective Dry Goods Supply Chain

Setting

- Recently, higher input costs (including corn and glass) have put increasing pressure on alcoholic beverage companies to manage highly efficient cost structures
- The larger players are able to leverage scale in spreading fixed costs over a larger volume/revenue base. This dynamic makes it difficult and expensive for smaller players to compete effectively.
- Small cap alcoholic beverages tend to have tighter margins than their large cap counterparts so reductions to dry goods COGS is critical to maintaining competitiveness.

Challenge

- Sertus was approached by a private equity fund with a controlling interest in a small cap spirits company looking to reduce COGS on its bottles and to eliminate the costs related to quality issues in its dry goods supply chain
- Management was spending too much time on the procurement and QC resolution activities related to dry goods procurment, hours that could be spent on its core business – developing, selling and marketing spirits
- The company uses intricate bottles that are inherently expensive to make due to fire on decals and low volume quantities

Solution

- Sertus evaluated the current bottle schematics and ongoing quality issues to recommended certain design improvements
- Sertus completed a full review and audit of several suppliers in China for each of the key components (bottle, capsule, cork, necker and security strip, color box and labels)
- Contracts, NDAs, Supplier Agreements and a Roll-Out Plan put in place, bringing production on line within 60 days from engagement

The Results

A streamlined supply chain, reliable production schedule, transparent open-book pricing while reducing dry goods COGS by over 50% and returning valuable time to management for core activities.