



Foundation for  Strategic Sourcing

Advancing a Value Driven, Strategically Coupled Supply Network in the CPG Industry

August, 2009

Foundation for 
Strategic Sourcing



Agenda

- Background
- F4SS Evolution
- Initiative Teams
- Upcoming Conferences
- Next Steps

What is F4SS?

A non-profit organization serving the Consumer Packaged Goods (CPG) industry,

*up the supply chain between
branded marketers and their
external suppliers*

*(defined as contract manufacturers and
secondary packagers)*

Who is F4SS?

Our Board of Directors:

Procter & Gamble

Johnson & Johnson

General Mills

The Campbell Soup Company

The Hershey Company

Power Packaging

Marietta

Why?

The CPG Outsourcing Industry is in transition:

From: Make-Pack-Ship
to: Full Service

From: Short term execution
to: Long term relationships

From: Isolated
to: Integrated

From: Tactical
to: Strategic

What is driving this change?

Marketers are outsourcing more:

- Shifting organization focus toward core competencies: Marketing, Sales, R&D
- Seeking speed to market
- Suppliers offer flexibility, capability
- Cost savings vs. internal operations

Impact

Demand has increased significantly:

- 90% of marketers outsource¹.
- Outsourcing is growing 10+% annually³.
- 56% of marketers outsource 11-25% of volume³.

¹BC Strategic Advisors, 2006

²AMR, 2006

³F4SS Research conducted by McGill University, 2008.

Impact

Demand has increased significantly:

- 68% of outsourcing CPG companies have seen a reduction in total supply chain costs².
- 52% of companies expect the number of supplier relationships managed to increase as outsourcing increases².

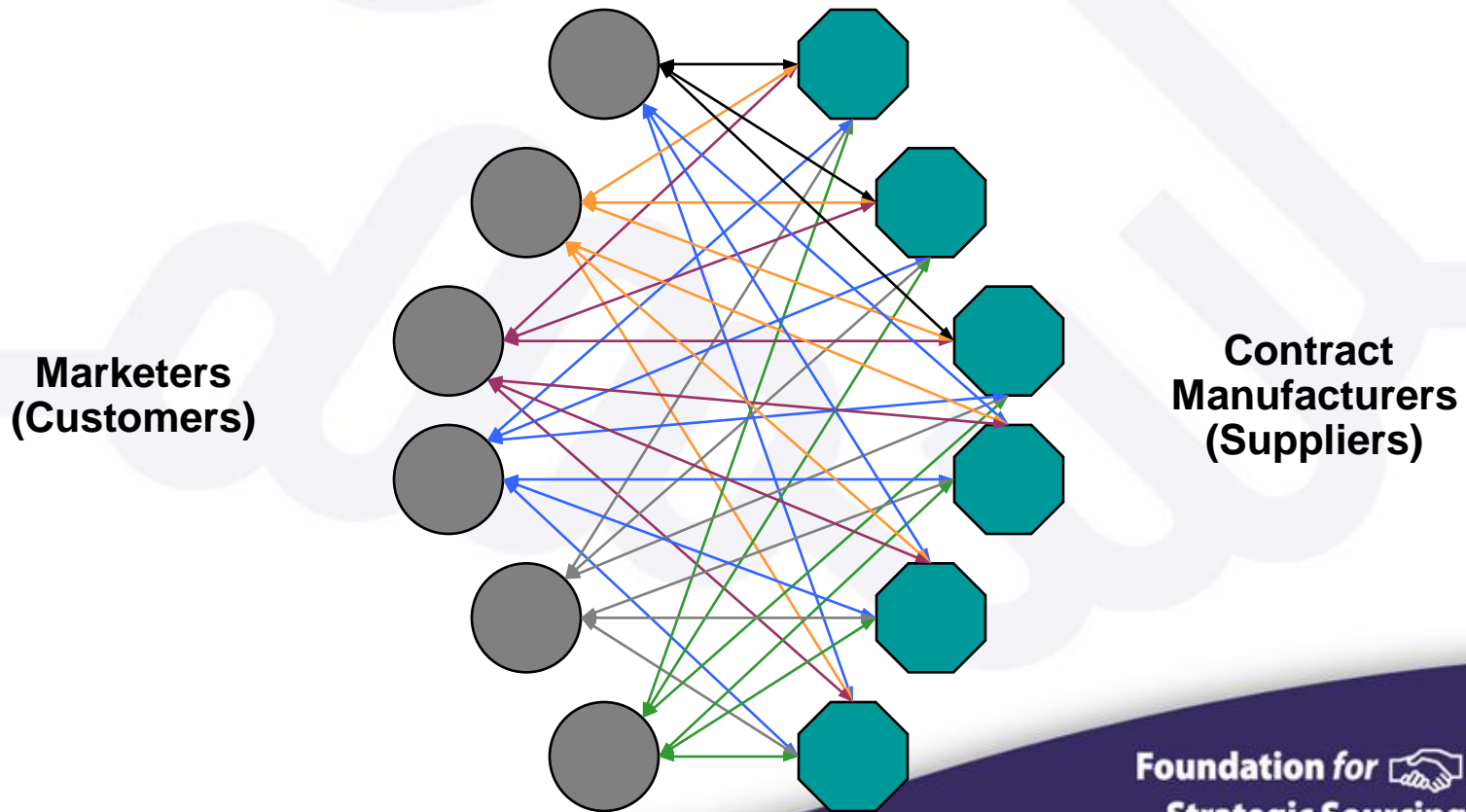
¹BC Strategic Advisors, 2006

²AMR, 2006

³F4SS Research conducted by McGill University, 2008.

Challenge: As Marketers expand their supply base and Suppliers expand their customer base, the level of oversight (and system cost) multiplies

Today's Environment



Intervention

Collaboration and Leadership are required from both marketers and suppliers to generate cost savings:

- Provide a foundation for industry
- advancement
- Establish a platform to insure supply
 - chain reliability
- Identify and work collaboratively to
 - agree on standards and eliminate redundancies.

Intervention

Based on analysis of data collected from F4SS Member Companies, estimated industry savings resulting from standardizing business processes is:

USD \$9+ Billion

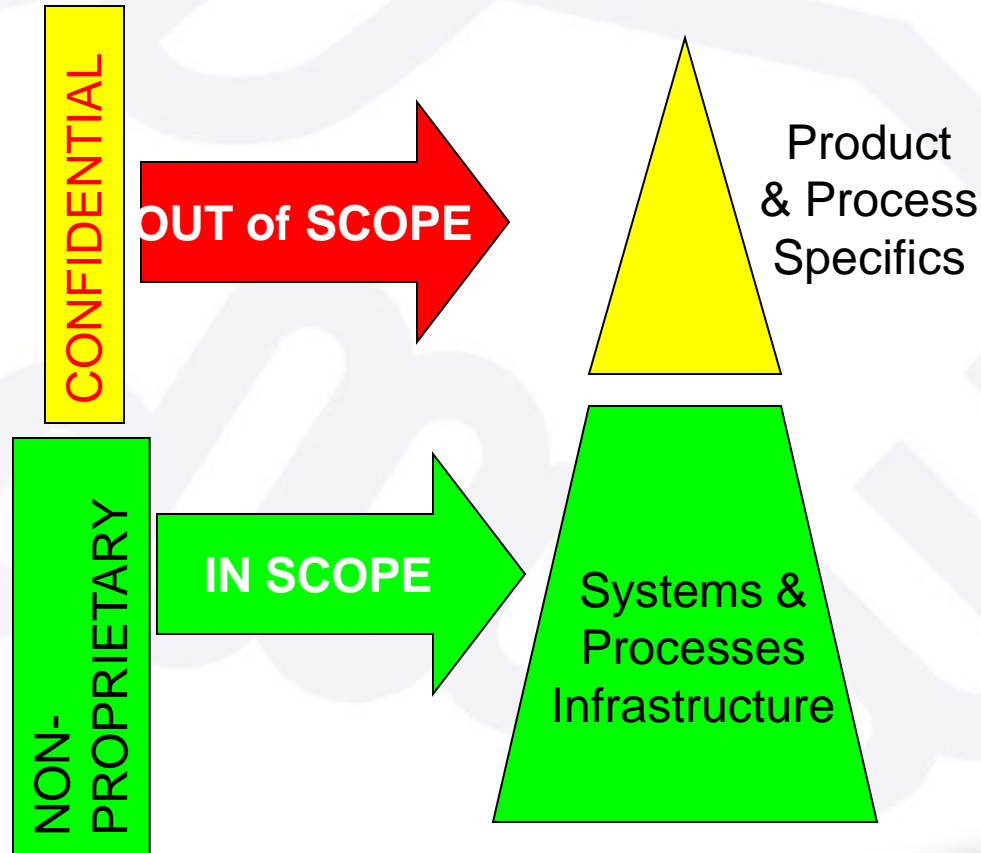
Vision – Transform the CPG Industry

Develop and unleash the CPG industry potential by creating a world class external supply network via collaborative engagement, establishment of industry standards and sharing of best practices to promote healthy, sustainable growth of the total industry and each member company.

The economic development will retain and attract talent needed to challenge business processes thereby supporting a fundamental shift in the CPG industry to one characterized by long term, trusted customer/supplier relationships.

Opportunity

Focus on the 80/20: Non-Proprietary Systems



Evolution

- June, 2006 - Concept developed
- October, 2006 – Four branded marketing companies meet and agree on the foundation.
- February, 2007 – Additional Customers and Suppliers invited to validate assumptions and agree on next steps.
- June, 2007 – Incorporated in New Jersey
- July, 2009 – 40 Members

Members

ATKEARNEY

P&G

CRESCENT
Enhanced Full Service Solutions

SaraLee

HERSHEY'S

ConAgra Foods®

BestSweet



KIK
CUSTOM PRODUCTS



MARIETTA
REFLECTING YOUR UNIQUE HOSPITALITY

GENERAL MILLS



NEWAYS INTERNATIONAL

Accupac
Your New Leader in
Liquid Contract Manufacturing

Kellogg's®

VEEPAK, INC.

KENRA.



Johnson & Johnson



Elizabeth Arden



THE
STRIVE
GROUP

Cadbury



KLEEN TEST PRODUCTS

Ryt-way
INDUSTRIES, INC.

Power Packaging
An Exel Company

HANEY PRC
PACKAGING RESOURCE CENTER



Trillium
Health Care Products

Roskam Baking
Company

Faribault Foods

CREST
FOODS

THE
visual pak™
companies



LEK INC
personal care solutions

Unilever

BERNER
FOODS

Surefil
LLC

PRTM

HEARTHSIDE
FOOD SOLUTIONS

Campbell's

Initiative Teams

- CSOP - No Touch Replenishment
 - Scorecard Harmonization
- Quality Assurance
- Building Trust and Collaboration (TAC)
 - Commercial Terms
- Capital Expenditure Options
- Sustainability (SIT)

Members choose in which to
participate

No Touch Replenishment (est Feb. 2007)

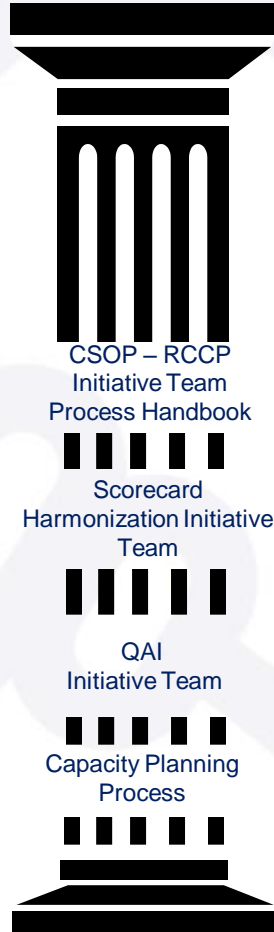
Second Step: Define No Touch Vision

1. Defined Business Models
Traditional, Full Service, VMI
2. Developing Business Process Models:
Age Management, Change Management, Supply Plan
3. Developing Data Transaction Profiles to support models/processes.

Relationship Development



Supply Chain Standardization



Communication Simplification



\$ \$ \$ **Cost Savings** \$ \$ \$

Scorecard Harmonization (est. February 2008)

GOAL: Establish an industry-wide scorecard to focus execution on KPIs and simplify reporting systems.

Process:

1. Share member scorecards.
2. Solicit feedback from other sources/subject matter experts.
3. Develop recommended category KPIs (in process)

QA/GMP Harmonization (est February, 2007)

Goal -

- Food: Participate and further the Harmonization Initiative based on Codex (GFSI)
- HHBC: Leverage learning from and collaborate with Food to establish a cross-category approach.

Also:

- Create a community of practice of quality leaders from the industry.
- Benchmark current industry practices.
- Establish a business case for cost savings (via redundancy and waste).

QA/GMP Harmonization (est February, 2007)

Results -

Leadership Team meeting Q3 2009:

- Evaluate possible market and proprietary standards to serve as a basis for a cross category approach
- Standards being evaluated:
 - » ISO 22000 + PAS 220
 - » BRC
 - » SQF
 - » P&G
 - » GMI
 - » Rx360
 - » PCPC ISO Standard

.Estimated Industry Savings: \$6.4B

Building Trust and Collaboration (TAC)

(est Vision Team August, 2007, Building Trust Team est February, 2008)

Established Vision 2012

Conducted Gap Analysis: root issue is lack of trust between customers and suppliers.

Solution: TACK – Trust and Collaboration Kit which provides practical solutions in four key areas:

Estimated Industry Savings:
\$500M

Building Trust and Collaboration Kit



Commercial Terms

Analyzed current industry contracts.

Reviewed terms and conditions.

Currently working on recommended standard industry language.

Ultimate goal:

Industry Boilerplate Contract

CapEx

Collected current industry best practices on capital funding.

Outlined implications for customers and suppliers.

Currently working on collecting industry practices regarding balance sheet implications.

Sustainability

F4SS Sustainability Initiative Team Charter

Opportunity 1

Develop working prototypes on how sustainability components are measured to facilitate consistent reporting throughout the supply chain

IMPACT / MISSION

With recognition of the industry-altering sustainability landscape by branded marketers (customers), suppliers, consumers, and the government over the use and abuse of finite natural resources and the availability and health of human capital in CPG manufacturing, the mission of the Sustainability Initiative Team (SIT) is to explore the environment and social impact that the CPG industry is or may be having and collaborate toward effective and profitable solutions in response

Opportunity 3

Allow for the setting of new targets based on the resulting Sustainability Metric

Opportunity 2

Where the customer / supplier relationship intersects, develop a prototype Sustainability Metric for scoring sustainability practices

"Cradle to Cradle"
Life Cycle Analysis

Triple Bottom Line
(People, Planet, Profit)

Water, Energy, Air, Waste
Management, Freight, Packaging,
Reclamation, Sourcing,
LEED/High Performance

Create a marketplace for transfer or sale
of unwanted, excess, or obsolete inventory
of chemicals, packaging, equipment, and
other resources

Supplier Capabilities (est. February 2008)

Provides searchable website functionality to identify supplier member capabilities.

Process

1. Template has been developed.
2. Website data input enabled for each supplier.
3. Functionality enabled and populated.

Contributions

Member's Meeting Participation

- Time
- Travel Expenses
- Meeting Fees (semi-annual meetings)

Dues Structure* (Based on Annual Sales)

< \$500 Million	\$7,500
\$500M - \$1B	9,000
\$1B – 5B	10,500
➤ \$5B	12,000

*cash or check price

Membership Benefits

- Your company should be among the first to realize cost savings from **streamlined practices** between customers and suppliers.
- Your organization will contribute to the formation of recommended **industry standards**/platform of the future.
 - Positions your organization as one shaping industry standards.
 - Insures your organization's POV on key issues will be represented.

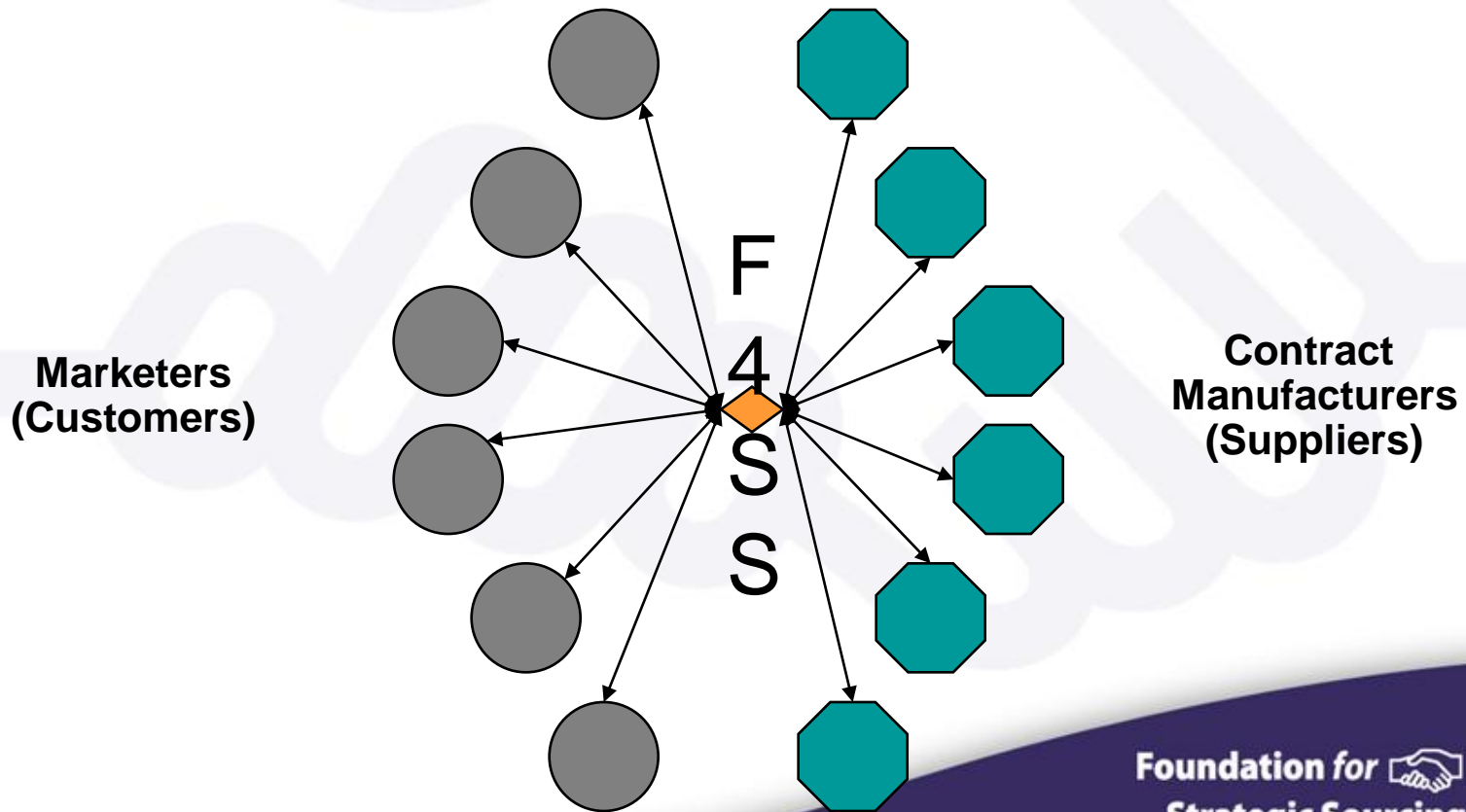
Membership Benefits

- Your organization will benefit from first hand access to information on industry **best practices and research**.
- **Networking:** Your organization's functional leadership will develop relationships with the peers, thereby contributing to the "open-source" model emerging in the industry.

F4SS is the only organization which facilitates interaction with senior leaders in this industry segment.

F4SS can facilitate cost savings and reduced complexity within the industry.

“Ideal” Environment



Upcoming Events

Innovation Conference

- October 5-7, 2009
Orlando, Florida

Sustainability Summit

- February 22-24, 2010
San Diego, California (USD – SCMI)

Contact

Lisa Shambro
Ishambro@F4SS.org
201.677.1254