
Preface

Packaging materials are increasingly causing problems, especially in the Fast Moving Consumer Goods industry (FMCG). This is because the variety of versions (complexity) caused by country and flavour versions has increased as well as the number of versions required for promotions and specific packaging for trade partners. This complexity is an increasing problem for the supply chain, especially for strategic procurement and material planning.

Measures such as the introduction of multilingual labels or the harmonisation of brands across countries have limited the explosion of variants but have not addressed the root cause. With the K-Method which we describe in this book, we want to introduce an entirely new way to manage the situation in such a way that the complexity is no longer perceived as such a problem. The K-Method does not challenge the number of variants of a purchasing category but shows an efficient method to handle the complexity of so many different materials. The benefits are evident when it comes to negotiating prices with the supplier, making call-offs by material planners, invoice control and reporting.

The K-Method is based on technology that has already been around for a while. However, it is rarely applied in practice to the degree explained in this book. You may find approaches you will not only be familiar with but perhaps are already using on a daily basis. With the K-Method, we provide the incentive to walk the full distance. Only then will you be able to take full advantage of the K-Method when handling your packaging materials portfolio.

The K-Method was developed in the end of the 1990s by the authors at Unilever and was tested with corrugated outers as a pilot project. Later, the K-Method was rolled out as a part of a consulting project at LR Health & Beauty Systems in Aalen, Germany. There, the categories labels and tubes were migrated to the K-Method.

The authors know that parallel to their own research, other people are also working on similar approaches, e.g., for printed foils. However, this book is the first to cover the complete approach.

We know that your time budget is tight, so we have tried to be as brief as possible. We are assuming you have a working knowledge of packaging procurement and will not repeat in this book its standard terms and procedures.

We understand that introducing the K-Method is not a simple task. But we also know, once the K-Method is introduced and established, there will be no desire by the buyer or the supplier to return to traditional procurement methods. The investment is definitely worthwhile.

We want to further develop the theory of the K-Method and its implementation in practice. We welcome any kind of feedback: corrections, suggestions on how things could be better explained ideas for further development, problems or even rejections in practice. We will also appreciate any kind of feedback on projects where you have successfully introduced the K-Method or even failed to do so. You can contact us under Daniel.Kossmann@i-TV-T.de and Donald.Kossmann@i-TV-T.de.

We hope this book will lead you to greater success!

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Complexity Management with the K-Method
Price Structures, IT and Controlling for Procurement of
Packaging Materials

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