

October 1998

A PRIMEDIA Intersect Publication

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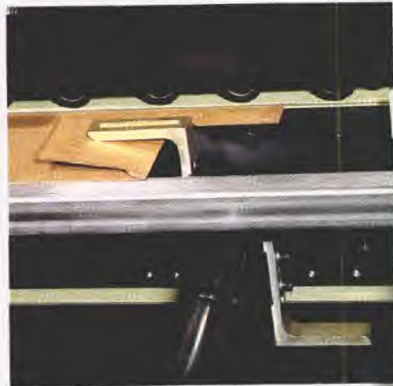
- 12 Steps to Value-Added Selling
- How to Solve Your Customers' Problems
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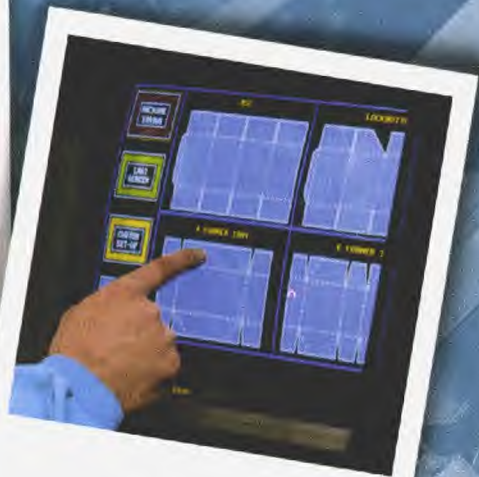
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So your customer's...

Got a Problem with That?

...then it's your job, as the supplier, to offer a solution—not just to make a box and drop it off

by Christine Lyall
BCI Special Projects Editor

In its most basic form, the definition of “value-added” is what can be achieved with a packaging supplier beyond the box it manufactures and the price that the end-user pays for it, said Chris Gerardi, senior manager at Connell & Co. Purchasing Services in Oak Brook, Illinois. End-users want more than a supplier who will quote a price, make the boxes, dump them on the loading dock and drive off, he said.

Connell & Co. is a division of the Westfield, New Jersey-based The Connell Co., a privately held business started in 1926 as a rice importer/exporter. The parent company, which has annual sales in excess of \$1 billion a year, has since diversified into finance, real estate and development, equipment leasing and securities. Connell & Co., however, concentrates on retail food and food service stuffs. It is outsourced by many national and regional companies to assist in sourcing, negotiating, drawing up and administering contracts and purchasing such items as commodities, ingredients, plant supplies and packaging.

“Value-added expands into everything from helping the (customer) at his end in actually packaging the product—that is, ensuring the box performs well in the end-user's plant—to actually helping the end-user manage his business.

“Now that's a broad statement, but that's really what we seek—someone who can step in and become part of the team and extend themselves into the (end-user) organization,” said Gerardi.

THE FUZZY FACTOR

That is indeed a broad statement, and it seems to encompass a lot of those fuzzy busi-

ness concepts that—although they sound good—are often easier said than done.

The business world and its accompanying vernacular is wrought with embellishments, buzzwords and sweeping statements. Take, for example, “open-book policy”, “team management”, “TQM” or “out-of-the-box thinking.” What exactly do those phrases mean and how does one apply them in the daily operations of a company? Furthermore, once a manufacturer has applied those concepts, how can he assure that his competition won't soon follow suit? The answer is, he can't.

While some buzzwords come and go (remember “quality circles”?), “value-added” looks like it might be sticking around for a while, considering the heightened competition that today's businesses face. So what do your customers really want when they say they want value-added products and service? And once you've grasped the concept of those demands, how can you stay ahead in the game?

The answers to those questions seem to float about aimlessly in that stratosphere of loose, subjective interpretation, where rhetoric and reality often conflict. Perhaps you've considered enhancing your customers' structural or graphical box designs, or you've mastered the challenges of warehousing, JIT delivery and shorter lead times—all of which are worthy value-added products and services. But they're also vulnerable to mimicry from your competition, which could then render your services mundane.

There is perhaps one very concrete, plausible way for you to distinguish yourself in the value-added selling arena: Your people—and the experiences and knowledge they can bring to your business and your customers.

BEYOND THE BOTTOM LINE

What this all boils down to is end-users want manufacturing representatives who function more as business managers than salespeople, said Gerardi. And in case you're thinking we might again be entering that stratosphere where rhetoric and reality collide, he offered some examples of how salespeople can be more like problem-solvers than price-quoters.

"Part of it certainly is inventory management," said Gerardi. But warehousing and stock inventory management—and the off-shoot of those, JIT delivery—are not where value-added service stops. In fact, they might not even be where it starts, he said.

"We seek suppliers who can help the end-user manage-out obsolescence in his inventory, manage-out costs associated with carrying inventory, and—at the same time—manage-out inventory in their own house, because we know there's a cost associated with suppliers who choose to carry their customers' inventories," and those costs are ultimately charged to the end-user, Gerardi said.

"The supplier needs to think about how he can take inventory out of the system yet also help his client keep his inventory fresh and moving quickly at a low cost," he said. "Warehousing is certainly part of this, but we sometimes think of it as a crutch that people lean on as a way of, in their perception, reducing the inventory burden on the customer."

In this day and age of shorter lead times and customer demands for greater flexibility, suppliers might justifiably argue that cutting inventory out of the system is foolish. Not so, said Gerardi. Yes, warehoused stock might sometimes lend itself to quicker turnaround, he conceded, but in the fast-paced, ever-changing food industry, those boxes might become obsolete within weeks. In addition, if the end-user's inventory is managed well from the start and kept at low levels, there might not be enough to cover an emergency order.

"It might mean something creative like allotting, for example, blocks of time on your converting equipment when only that end-user has access to it," Gerardi suggested. "The supplier would be saying, essentially, 'Now, we might not know from one week to the next exactly what we're going to be running for you, but we know that during this week, this machine belongs to you and you can decide up to the day the machine starts what you need to run.' To me, that's a way of taking lead time out of the system."

Gerardi added that such an approach requires constant communication between customer and supplier, as well as a thorough understanding of the customer's business.

CHALLENGE YOUR CUSTOMERS

Another value-added service is "optimization of specifications," or improving upon an end-user's existing package, either in design, cost, quality or production, said Gerardi. This approach requires, of course, more technical expertise on the supplier's part, but "it's not as if the salesperson who comes in here has to be a technical whiz," he said. "What he must be able to do, however, is assemble the team that can get into the customers' facilities...help them with their packaging equipment and challenge what they are doing with their packaging."

"A good supplier should not accept that a customer is happy simply because he hasn't complained about his boxes," Gerardi continued. "It's a push-the-envelope situation in which the supplier needs to say, 'We've noticed after being in your plant that you're using your equipment inefficiently or you've configured your packaging line in such a way that you're now experiencing some constraints.' And then the supplier should offer some solutions. We find that there's still a need in this industry for those services and capabilities."

PARTNERING REQUIRES SOME PUSHING

Brace yourselves, because here comes another buzzword: Partnering. Suppliers can take some comfort, however, in the fact that this is where Gerardi thinks end-users tend to be a bit more delinquent. Take, for example, an end-user who has pared down his supplier base from 20 to one or two select contacts.

"I think most (end-user) companies then stop with the assumption that because they've given a supplier most if not all of their business, that supplier is going to give them the best price and therefore they are partners," Gerardi said. "That's just scratching the surface. That kind of alliance requires more than just an interaction between the purchasing agent and the salesperson. Partnering needs to extend into a full team. It has to be supported from the top and it has to be communicated to everyone within the organizations so they understand their involvement."

"I think suppliers crave that kind of relationship, but the end-users often fall short," he continued. "So it's generally up to the supplier to push the issue."

A lot of people make boxes, said Gerardi. "But if you start looking at honesty, trustworthiness and creativity," he said, "willingness to step in and solve a problem and willingness to assemble and work with a team, then you're getting the characteristics that we look for in our packaging suppliers."

feature

QUALITY EQUALS CHARACTER

And Gerardi is not alone. Frances Hitzeman, director of purchasing at World's Finest Chocolate Inc. (WFC) in Chicago, Illinois, breaks through the buzzword clutter and makes her needs very clear.

"I expect any vendor that supplies World's Finest Chocolate to do his job as well as we make chocolate," she said. "For us, quality is an added value.

Created in 1949 as a fund-raising division of the Cook Chocolate Co. (its name was changed to World's Finest Chocolate in 1972), the privately held WFC makes chocolate bars that are sold internationally by schools, churches, youth groups and charitable and community organizations to raise money for their causes.

Because of the cyclic nature of WFC's business, it cannot afford to experience any snags during its operations. Therefore, while services such as warehousing, JIT delivery and shorter lead times are nice, they aren't value-added, Hitzeman said.

"That's SOP for us," she said. "We don't consider those services as value-added because we will give the supplier a contract for a year and we will give him 'have-ready' dates. We are honorable enough to grant that contract a year in advance, so we expect the supplier to be able to make our delivery dates."

If for some reason a supplier cannot make a delivery date, Hitzeman asks that her suppliers be responsible enough to take the initiative in resolving the problem. Like Connell & Co., she believes it's the people who really make the value-added difference.

"I don't want to be anyone's parent," she said. "I don't want to have to call and say, 'I have a problem. You missed a delivery date.' I just want (my boxes) to be here when I said they should be here. That's very important to WFC so that we may provide excellent customer service to our customers. And suppliers will lose business because of that.

"I want somebody who just handles the problem," Hitzeman continued. "I don't want to have to run after someone."

PATCH THE HOLES IN THE ROAD

Problems can occur, of course, anywhere along the production line, from the box manufacturer's facility to the store shelf. The key to success with end-users like WFC and Connell & Co. is attaining and sharing technical know-how and offering packaging solutions—not just a low price on a box.

"We are not packagers, we are chocolate makers," Hitzeman said. "Therefore, we expect our suppliers to tell us where the holes in the road lie. That's what value-added means to WFC." For example, she said one of her favorite vendor representatives will often visit WFC's facility, listen closely to her ideas then carefully dissect them.

"This gentleman will come in here and say, 'How do I marry that idea with the equipment that I have and the capabilities of my plant, as well as meet World's Finest's needs and offer a competitive price?' He's probably not really a salesman, and that's probably why his approach works," she said.

"With the people who 'sell' me, who call me and tell me they can reduce my price on anything, I know I won't be calling them back. That's not what I need," Hitzeman said. "Lowest-price items are not necessarily what we're looking for. We're looking for a whole entire package."

12 Ways to Add Value to Your Products

The following list summarizes some of the more prominent ideas expressed (sometimes repeatedly) throughout these four articles on value-added selling.

- **Learn to function more as a business manager** than as merely a box supplier. Constantly examine ways to streamline order entries, manage inventory or cut cost out of the entire manufacturing system—all the way from your box plant to the store shelf.
- **Develop and share your technical knowledge.** Visit your customers' facilities and examine how your box performs within their production lines. Whenever possible, offer solutions to improve their existing packaging, whether in design, cost, quality or production.
- **Communicate with people at all levels** of your customer's business from the owner to the janitor. This will enable you not only to **become familiar with your customer's business** but to build a network of people who can tackle problems.
- **Assemble a team of problem-solvers.** This is different from the preceding tip because you will include people from your own facility as well as your customers'.
- **Help your customers achieve their dreams**, be they personal or professional, by providing as many resources as you can.
- **Give of yourself.** Provide your time and talent to your customers, other industries, technical associations, educational institutions and the media. This will add value to you and will enhance your sense of self-worth.
- **Engage in life-long learning.** Read about areas outside of your business, and educate yourself continuously about your customers' businesses.
- **Find a mentor.** A business, personal or spiritual mentor can lend support in your endeavors.
- **Send Thank-You notes**, e-mails, voicemail messages or facsimiles. Constant communication is key, and nothing beats a personal touch.
- **Take responsibility for problems**, and be the first to call when they occur. Don't make the customer come after you.
- Consequently, learn to **say you're sorry when you make a mistake**, and—perhaps most importantly—**learn from your mistakes.**
- **Push the envelope** in your business "partnerships." Encourage your customers to take advantage of all of your expertise and service, from design and production to inventory, distribution and marketing. Don't let the notion of partnering stop at the point where your only job is to provide the lowest possible price.