

## Stretch Wrap

Your current pallet stretch wrap contract is coming to a close. The wrapping machine lease, machine service and wrap were all included in the deal, in the price of the wrap. The wrap was priced per roll. Downtime with the current machines and response time from the vendor has you concerned that it is time to get new equipment. Your current supplier does not make the wrap itself, but they store it nearby at a warehouse.

Here is your annual spend: \$750,000, purchasing two to six pallets per week. A truck holds 20 pallets.

You have had approximately 150 hours service and training over the last contract year. You must have at least two machines to meet shipping's requirements.

Talking to several stretch wrap sales people, you learned many retailers have moved to pre-stretched wrap, which is higher cost per roll but you apparently use significantly less. Each vendor claims their pre-stretched wrap is proprietary, and no one has anything like it. They also claim it is safer to apply in hand wrap situations. You are not sure if you will need a special machine for pre-stretched wrap. One vendor mentioned that 15-inch width pre-stretch rolls could replace 17-inch regular pallet wrap. Most vendors prefer to sell at per roll pricing, but you have learned that some suppliers sell per pound of wrap. Some vendors have offered you indexed pricing, which moves with Petrochemical industry indicators. While you would like to get discounts immediately, you would like to delay increases as long as possible. Some vendors have indicated they change prices quarterly, others monthly, and few offer annual pricing.

You are curious about the conversion rate between the two wraps, and about how much your team may "over wrap" pallets, a common industry issue. Training may be key to using pre-stretched wrap, and you know there is some personnel turnover in the shipping department, which may result in waste.

Your shipping group likes the existing supplier and is hesitant to switch as it will be costly. You have heard that suppliers will bid significantly lower in stretch wrap auctions. You have also learned that truckload quantities are significantly cheaper. Not all suppliers provide pre-stretched product.

### The Challenge

Using the RFX tool, build an RFI that surfaces film conversion rates, service issues, determines who manufactures and who distributes, collects data sheets, and preliminary pricing on different order sizes. The goal is to collect all the information you can to drive the best decision. Develop any issues you may feel influence the decision.

Finally, build an auction that allows the two types of film providers to compete in a single event, and an associated strategy that allows someone who makes both films to compete in the same negotiation.

Contact me with any questions, as you would any vendor.

#### Company questions

Years in business

References

Profitable?

Address, email etc.

Customer Service number, contact

Manager's name and phone number

Credit manager's contact info

Other information regarding lines, products, etc.

Major customers in retail

Major customers local

#### RFX Questions

Do you sell stretch film, pre-stretched film or both

Do you manufacture film?

When you recommend pre-stretched film, how much less do you anticipate a customer will use? 10% or less, 15, 20, 25, 30% or more

Do you sell or lease equipment or both?

Do you offer service on the equipment?

#### Pricing questions

Based on the our specification/application, currently in 17 inch standard stretch film, what film would you recommend and why, and what is the pricing per roll of film for each types? Per pound of film?

based on orders of:

Attach data sheets for both products

2-4 pallets

4-8 pallets

8-10 pallets

10-15 pallets

full trucks

What guarantee do you offer if your conversion rate fails?

How do you change prices to reflect plastic pricing shifts

Do you use an indicator? If so please note which one and the date of reference to tie to this price

Attach a copy of the indicator if you have one

Do you offer any price stability options? Price protection or increase delays?

Hourly service rate?

Location of service personnel

Time to respond to tech support call for a visit

Training

What resources do you offer for training:

Onsite?

Offsite?

Handbook?

Follow up?

Cost for training, hourly basis?

If free, cost for additional training, per hour?