

PRGX MARGIN INSIGHT™

PRGX Case Study: Grocery Retailer Global Product Aggregation and True Net Cost



LARGE GLOBAL
GROCERY & GENERAL
MERCHANDISE
RETAILER

BACKGROUND & CHALLENGES

- ◆ Client had no visibility of the true cost (net of supplier income) for an individual SKU
- ◆ Lack of visibility resulted in many different costs for the same SKU across markets
- ◆ No unique global identifiers for its products – a single product number can have multiple barcodes (UPC/EAN) and one UPC/EAN can have multiple product numbers

APPROACH

- ◆ 5-step approach
- ◆ Develop comprehensive and accurate picture of vendor funding
- ◆ Calculate the True Net Cost (TNC) and cost variances at a product level

$$\left[\frac{\sum \text{PURCHASE VALUE}}{\sum \text{PURCHASE VOLUME}} \right]$$
$$\left[\frac{\sum \text{INCOME}}{\sum \text{SALES VALUE}} \right]$$

TRUE NET COST (TNC)



*NOTE SOME OF THESE STEPS RUN IN PARALLEL



RESULTS

PRGX's Global Product Aggregation and True Net Cost capabilities enabled client fact-based savings opportunities

\$1.5B

Amount of supplier income allocated to 38K SKU's to determine True Net Cost

52%

Amount of spend across the 7 markets that were common / matched

\$150M

COGS savings opportunity from GPA and TNC