

# Trust and Transparency

## Supplier relationships in the chemical lifecycle

Presented at the  
**Chemical Management Services  
Workshop**

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By  
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# Multiple roles = Multiple perspectives

## TIER II

Technical Sales Rep

Regional Sales Mgr

VP of Sales

President,  
Specialty Additives  
Producer

## TIER I

President,  
Chemical Distribution  
Company

## END-USER

Process Engineer

Production Mgr

Environmental Mgr



**NATURAL  
RESOURCES**



**CONSUMER  
PRODUCTS**

The chemical industry is the primary conduit

# What is *Team Chemistry*<sup>SM</sup>?

## **A vision:**

The chemical industry will play a vital role in the future of the world to the degree it focuses on optimal utilization of resources. Profits will flow to those companies that embody this vision.

# The chemical cost iceberg

COST OF CHEMICALS

SAFETY

TRANSPORTATION

INVENTORY

HANDLING

UTILIZATION

DISPOSAL

LIABILITY



To capture the real cost,  
who needs to be in the conversation?

So in the real world,  
can everyone win?

Can—

End Users *use less inputs* for manufacture?

—and

Tier I and Tier II suppliers *make more money?*

# Case study #1 – How to re-ignite sales growth?

**Objective:** Increase Tier I, II sales revenue

**Strategy:** Enhance process optimization to reduce usage of input per unit of End User output.

## **Tactics:**

- Brewing industry - Technical seminars focused on process optimization to *reduce* kilograms per hectoliter of beer processed.
- Wine industry - Audits of process systems to *reduce* kilograms per hectoliter of wine processed.
- Sweetener industry - Audits and seminars to *reduce* kilograms per metric ton of sugar processed.

# Case study #1 – How to re-ignite sales growth?

	<i>Tons</i>	<i>Price/Ton</i>	<i>Sales</i>
1991	33,655	\$311.99	\$10.5M
1992	31,905	\$322.83	\$10.3M
1993	35,246	\$329.12	\$11.6M
1994	41,147	\$328.09	\$13.5M
% Increase	<b>+22%</b>	<b>+5%</b>	<b>+28%</b>



# Case study #2 – How to grow the top line?

**Objective:** Increase Tier I, II sales revenue

**Strategy:** Process optimization to reduce usage of company's product per unit of customer's output

## **Tactics:**

- European brewing industry - Extensive process trials to *reduce* kilograms per hectoliter of beer processed.
- Plastic film market - hired a consultant to conduct lab trials to *reduce cost* of anti-block per ton of polyethylene.

# Case study #2 – How to grow the top line?

	<i><b>Tons</b></i>	<i><b>Price/Ton</b></i>	<i><b>Sales</b></i>
1999	80,030	\$223.67	\$17.9M
2000	81,704	\$231.32	\$18.9M
2001	79,084	\$244.04	\$19.3M
2002	82,333	\$269.64	\$22.2M
% Increase	<b>+3%</b>	<b>+21%</b>	<b>+24%</b>

# Why did sales revenue grow when product utilization was reduced?

## Case Study #1:

- Volume from direct competitors
- Volume from alternative products
- Customers increased their market share

## Case Study #2:

- Producer pricing based on End User functionality

# The *Team Chemistry* survey:



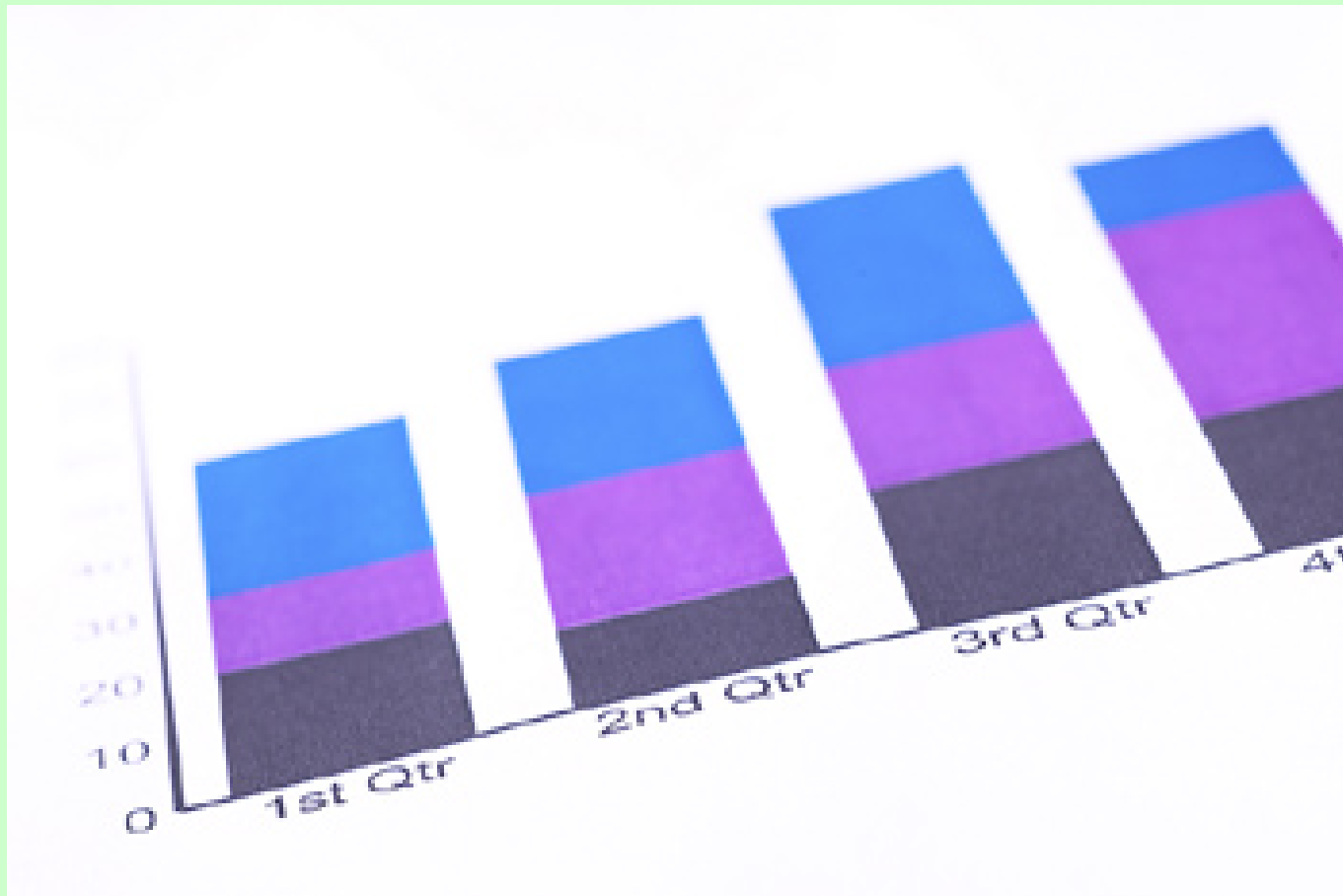
- Why?
- How?

# The survey: what did we ask about?

- The producer-distributor relationship
- Information flow between them
- Marketplace strategy
- Environmental stewardship



The relationship:  
How important is it?



# The relationship:

# What is important?



# From their relationships

producers want...

distributors want...

## TRUST and TRANSPARENCY

Enough time for my line

Respect for distributor territory

Full disclosure of sales information

Turnover of leads and contacts

Consistent market feedback

Distributor role valued by producer

## COMPETENCY

Broad access to the "right" customers

Consistent strategic direction

Technically-competent distributor staff

Responsive technical support

## SALES PERFORMANCE

Volume growth

Distributor gross profit growth

Gross profit growth

Sales (margin) support

Target (new) account growth

Responsiveness

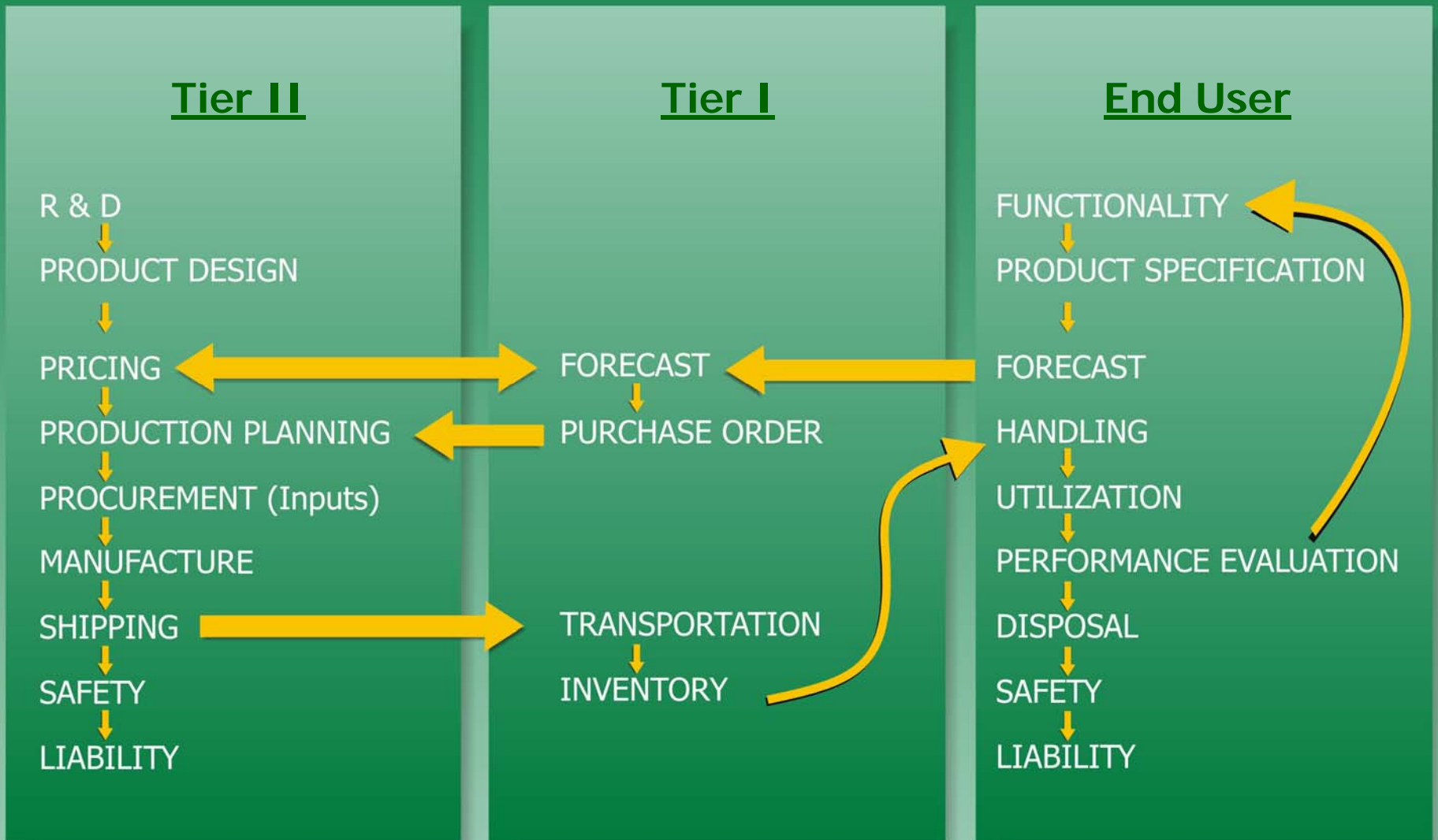


# Information exchange:

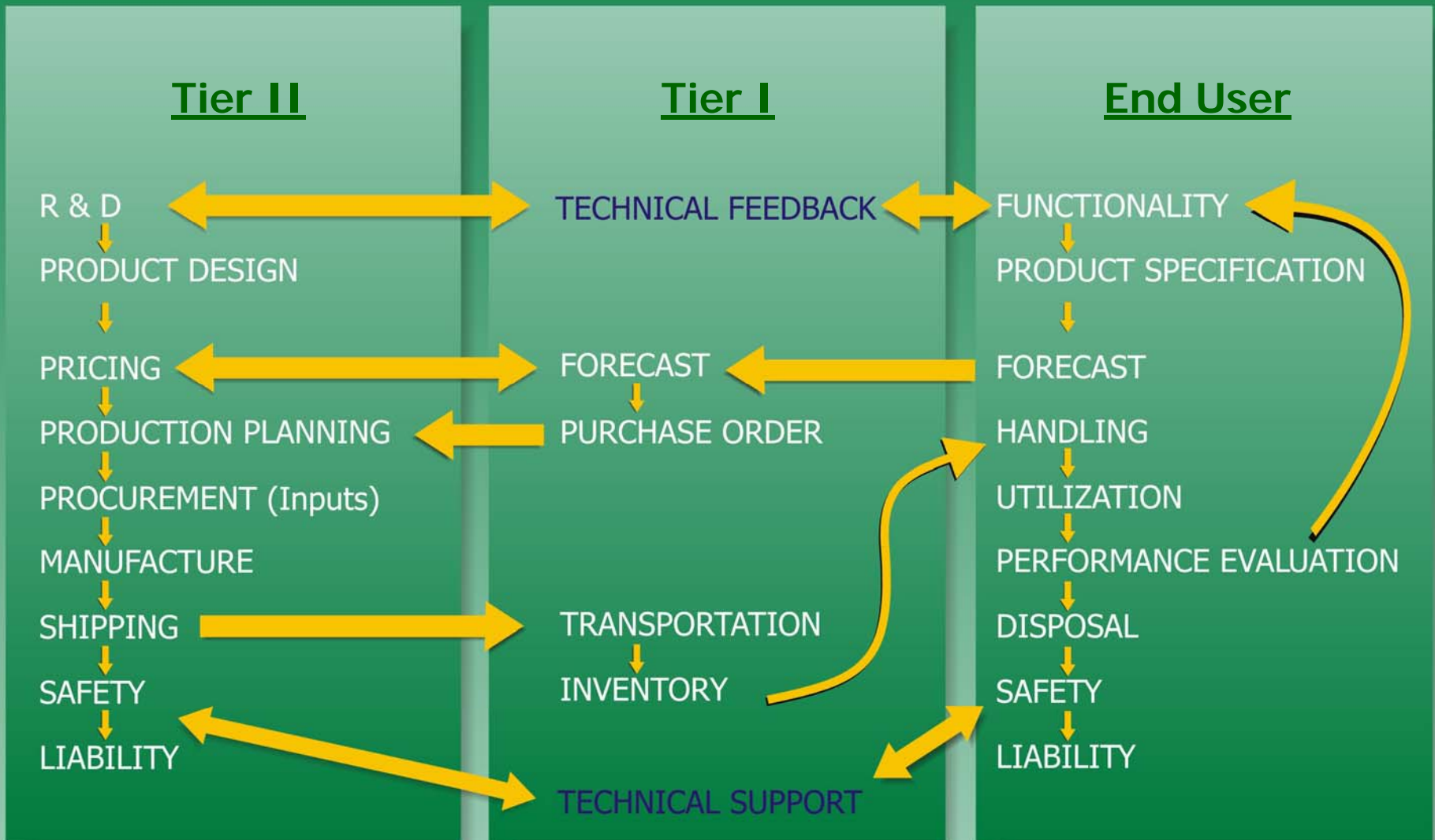
## Are we getting any?



# Information flow: Who is sharing what with whom?

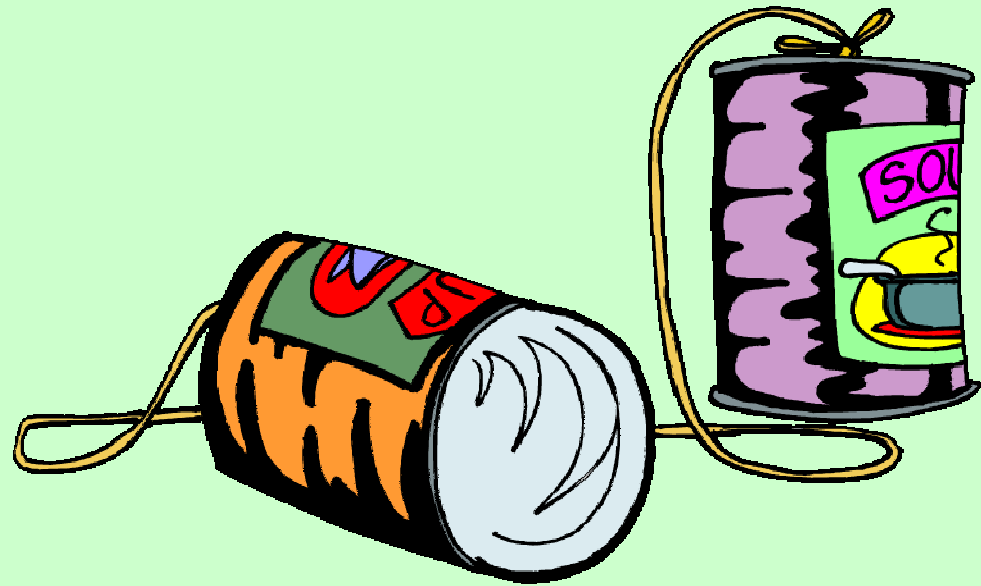


# Information flow: Who is sharing what with whom?



# What tools are used for information exchange?

- Telephone
- E-mail
- Periodic visits



# How does information get exchanged?

<b>Producer gets from Distributor</b>	<b>Distributor gets from Producer</b>
Monthly sales volume report	Ad hoc response to request for support
Call reports	Joint customer calls
Requests for support (price, technical)	Quarterly sales review
Target account progress report	Tech data sheets
Competitive intelligence	End-use applications info
Rolling forecast	Web-enabled support data
Annual meeting	Annual meeting
Distributor council	Distributor council

# Marketplace strategy formulation and performance measurement



- What?
- How?
- Who?



Strategic clarity:  
how do we know  
who's on first this week?



# Strategy formulation: who gets to play?





# What gets measured? What gets shared?

## *Measured objectively and shared between producers and distributors*

- Volume growth
- New account growth
- Business retention

## *Measured objectively—but not shared*

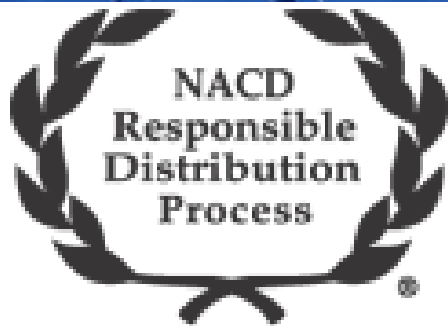
- Producer profit growth
- Distributor gross profit
- Distributor price responsiveness

## *Measured subjectively by some distributors, discussed informally*

- Producer rank vs. others
- Producer responsiveness

Environmental Stewardship:

RDP— an industry-wide initiative  
that works



Quality • Responsibility • Stewardship

# What we heard about best practices:

- Relationships based on trust and transparency win over the alternative
- Robust, multi-directional information flow is the lifeblood of the relationship
- Technology-enhanced information systems can lessen the burden on “good representatives”
- Measure what matters, share what you measure
- Industry-wide standards can work

# How are you doing?

Your goals

RESOURCE  
EFFICIENCY

PROCESS  
INNOVATION

SIGNIFICANT  
COST SAVINGS

The way to get there

CUSTOMER  
INTIMACY

THIRD PARTY  
EFFECTIVENESS

OPTIMAL  
UTILIZATION

# What is *Team Chemistry*<sup>SM</sup>?

## **A vision:**

The chemical industry will play a vital role in the future of the world to the degree it focuses on optimal utilization of resources. Profits will flow to those companies that embody this vision.

## **A body of core beliefs:**

- Boundaries limit effectiveness and efficiency.
- Less can be more.
- Systematic, multi-directional information flow is a key success skill.
- Over time, right metrics beget right actions.

## **A toolset for collaboration focused on developing:**

- Customer intimacy
- Third party effectiveness
- Right metrics

# Questions?

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