



## *What is tail-end management?*

This business model is primarily introduced for companies with many different packaging suppliers. Currently we apply this packaging management concept for bigger companies, mainly multinationals.

Tail-end management is a concept based on the Pareto principle, often referred to as the 80/20 rule. The Pareto principle states that, for many events, approximately 80% of the effects come from 20% of the causes.

This rule can be applied to many business practices such as:

- **80% of your profits come from 20% of your customers**
- **80% of your sales come from 20% of your products**

It also has a specific and demonstrable effect on many business supply chains where by:

- **80% of your suppliers will account for 20% percent of your spend.**

**Regarding the number of suppliers, you have the 'vital few' (A and B suppliers, which represent 20% of your vendors and 80% of your spend) and the 'necessary many' (C-suppliers, which represent 80% of your vendors and 20% of your spend).**

The 20% of your spend is known as 'tail spend' or 'long tail'. Tail-end management is the art of managing your tail spend supply chain to optimize procurement and supply chains.

## *Why is tail-end management important to you?*

In every organisation, procurement has limited resources and one must set priorities. When it comes to optimizing the supply chain it often makes sense to focus on the areas where the largest impact can be felt, namely the largest spend categories and the top contracted suppliers.

This leaves a 'tail spend' which typically accounts for 20% of spend and yet accounts for 80% of all suppliers. This can represent the majority of transactions (volume and labour) a large business can make, which can cover a huge range of packaging product categories.

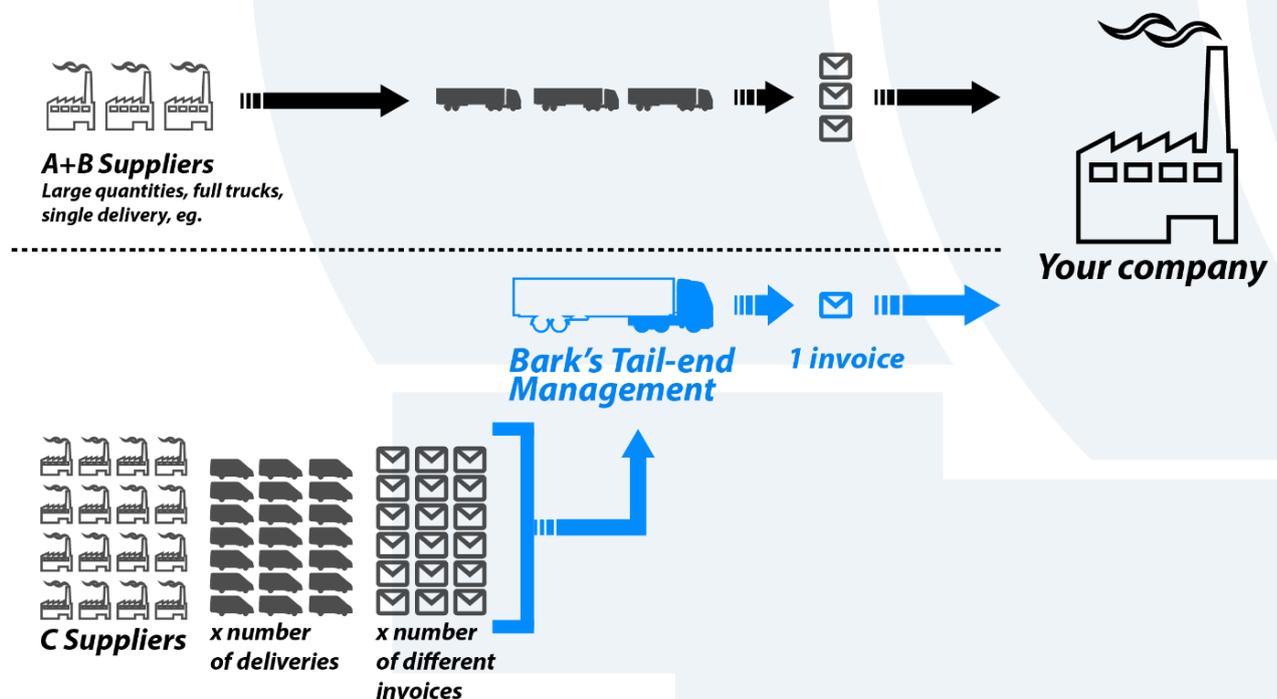


Analyzing disturbance in the supply chain, you will often notice that this disturbance is caused by tail-end suppliers. For you they are not the highest priority and vice versa for them. You do need the 'necessary many' to enable your core business operation, but both know there is no 'strategic match', what makes it difficult to manage these suppliers.

Due to time and people constraints many companies have failed to address this 'non critical' tail spend, assuming incorrectly that the investment in time and resources needed to review the tail spend, would not justify the end savings and advantages. This is a misconception, as optimizing the tail spend supply chain can bring significant (consequential) cost savings and provide the following benefits:

- Reduce the cost on your procurement process
- Deliver up to 80% vendor reduction (consolidation)
- Increase purchasing control, results in less supply chain disturbance
- Increase visibility of total spend
- Improve efficiency through one order, one invoice and one delivery
- Reduce risk / increased compliance
- Outsource for reduced headcount and administration

By using us as your tail-end partner, we transform and consolidate your group of C-suppliers into one strategic partner.





How to implement your tail-end management is depending on your requirements and the required service-level. Within this concept we can apply the following three models:

- [Outsourcing](#)
- [Procurement Support Services \(or Procurement Single Sourcing\)](#)
- [Customized sourcing \(fully tailor-made\)](#)