

# The Development of a Purchasing Cost Model to Enhance Purchasing Efficiency at Tetra Pak Packaging Solutions

*Increased global competition for Tetra Pak has generated new cost reduction targets for purchasing. To manage these targets, a purchasing cost model that facilitates decision-making has been developed and tested.*

A purchasing cost model is a tool used to facilitate decision-making for selection, evaluation and development of suppliers. The model consists of a set of cost components, which at the bottom line constitute a total cost for a certain purchase. Different models cover different areas of purchasing, but in general the transaction of a purchase is central and then additional areas such as supplier market research and production quality can be incorporated among others.

Present academic literature within the field of purchasing, cost management and strategic management accounting describe multiple purchasing cost models with diverse focus. However, we identified that the contextual aspects affecting the use of such a model have not been sufficiently described in today's journal articles. Thus, this became the main focus of our research. In addition, our aim was to describe the benefits & drawbacks of each model studied as well as the application areas in which they could potentially serve. In order to accomplish this, we initiated an interview study consisting of the companies IKEA, Lantmännen, Siemens Turbomachinery, TeleCompany (Anonymous) and Volvo Cars.

The contextual aspects, which drive and enhance the output of purchasing cost models, are industry competitiveness, cost-driven culture, supplier relation strategies, availability of data & enabling software, cross-functional orientation, organisational structure and company size.

With inspiration from the literature review as well as the interview study, a model that fits the corporate environment at Tetra Pak Packaging Solutions CC&SPM was developed. Given their intermediate degree of purchasing sophistication, an extended Landed cost model was chosen. As recommended, the model should serve as a communicative tool, facilitating the collaboration with suppliers in order to find mutual cost reductions. However, in order to successfully manage the purchasing cost model, purchasing at Tetra Pak is recommended to work more cross-functionally.

Our research will hopefully contribute with valuable insights, both for Tetra Pak Packaging Solutions and also to the academic world. If the model becomes fully incorporated, Tetra Pak Packaging Solutions will get a broader view of purchasing costs, which will facilitate collaboration with suppliers and assisting them in reaching the cost targets through transparency. To academics, the research possesses a thorough study of purchasing cost models and the contextual aspects related to these.

Given the structure of our report and the valuable insights from the five case companies, our work can preferably be applied when developing a similar purchasing cost model at other companies, dealing with similar issues as Tetra Pak. Finally, the academic findings themselves can be used for educational purposes.