



## PGW NEW IDEAS PROGRAM

**OBJECTIVES:**

- Build closer relationships with suppliers
- Reduce total supply chain costs
- Improve quality, e-commerce and cycle times
- Promote continuous improvement
- Increase value added services with suppliers

PGW's New Ideas Program challenges its suppliers to implement New Ideas and saving proposals equal to at least five percent, or more of their annual sales to PGW.

Type	Category	Description	Measure	New Ideas Results
<b><u>Pricing/ Payment terms</u></b>	Spend	Year over Year Unit Cost	Price reductions from prior year end price or last price paid	Supplier tally confirmed by buyer. Savings = Old price - New price x Annual quantity purchased (cost savings for 1 full years annual purchases only) YOY=(OP-NP)*AQP
	Working Capital	Payment Terms	Incremental improvement in pay terms. Savings from improved cash flow	Differential calculated between old terms vs. new terms, Payment terms savings = Annual spend / 365 days x the number of days that we increased x cost of money 10%. One time annual cash flow savings. PTS=(AS/365)*(ID)*.10
	Spend	Rebates	Improved rebate over prior year lowers actual net price	Supplier rebate or incremental rebate confirmed by buyer and accounting and credited to supplier for applicable period
<b><u>Process Improvements</u></b>	Spend	Energy Efficiency	Less energy consumed due to supplier's proposed change	Plant operations, accounting verifies lower energy bills paid. (cost savings for the 1st full year only)
	Spend	Yield/Process Improvement	Improved throughput, waste minimized in production process	Confirmed by buyer, plant operations. Process improvement = Cost of original process (prorated over 1 year) - Cost of modified process (prorated for 1 year) + Costs associated with implementing the process improvement PI=(CO-CM)+CI
	Spend	EDI, Internet	Elimination of planning for material, order placement, COA entry etc.	1% of total dollars transferred to EDI annually (cost savings for the 1st full year only) EDIS=TDT*.01
<b><u>Inventory</u></b>	Working Capital	Inventory Reduction/Material Consolidation	Inventory levels are reduced by either a consolidation of parts or an actual reduction in inventory	Confirmed by buyer, plant operations. Inventory reduction = Old average quantity of certain item kept in inventory - New average quantity of certain item kept in inventory x Current price of certain item x Carrying cost 10% (cost savings for the 1st full year only) IR=(OAO-NAQ)*(CP)*.10
	Working Capital	Vendor Owned Inventory - Consignment	Actual working capital removed from ledger. Reduced carrying cost	Buyer, plant operations, accounting verifies. 10% monthly cost multiply by on hand inventory eliminated. VMIS=IE*.10
	Spend	Vendor Managed Inventory – Free Stock	Elimination of planning for material, order placement, etc.	\$900 per quarter per plant for inventory, stocking and managing PGW inventory
<b><u>Quality / Innovation</u></b>	Spend	Supplier Technical / Design Support	Unique project for PGW where supplier lab and technical personnel used	\$500 cost savings one time per project
	Spend	Specification Changes	Change in specification for a product or service where we pay a lower price than was paid in the past for the same product or service.	Plant operations, technical and buyer confirm. Spec change = Old spec price - New spec price x Annual quantity purchased (cost savings for the 1st full year only) SC=(OSP-NSP)*AQP
	Spend	Substitution	Actual cost reduction multiplied by the annual purchases	Confirmed by buyer. Substitution savings = Old price of product or service - New price of new product or service x Annual quantity purchased (cost savings for one year purchases only) SS=(OP-NP)*AQP
	Spend	Alternate Condition	Alternate condition or non new version (used, repaired, remanufactured)	Supplier/buyer/plant personnel confirmed. Alternate condition = New price for new condition product x New quantity for new condition - Alternate price for alternate condition product x Alternate quantity to be purchased in alternate condition (cost savings for the 1st full year only) AC=(NP*NQ)-(AP*AQ)
	Spend	Training	Supplier training of PGW personnel	\$1,000 cost savings one time per project, buyer, plant personnel to confirm training
<b><u>Supply Chain Logistics</u></b>	Spend	Packaging Optimization and Recycling	Actual reduction in waste, production, or conversion costs	Supplier/buyer/plant personnel confirm. Savings = Old price - New price x Annual quantity purchased (cost savings for the 1st full year only) S=(OP-NP)*AQP
	Spend	Fee Waiver	Not being charged for incidental fees (shipping, expedited freight, set up, etc)	Fee Waiver = Amount of fee x Number of times fee is waived FW=AF*NT