Case Study

Commodity Price Risk Management in Consumer Healthcare Packaging

Service(s) offered: **Procurement Digital Transformation, Supply Risk Management**

Sector/Industry: **Healthcare**

Building Supply Resilience and Cost Stability Through Strategic Commodity Risk Management

The client, a global leader in consumer healthcare, relied on complex multi-material packaging, including blisters, cartons, sachets, tubes, PET/HDPE.PP bottles, foil/laminates, adhesive labels, metal, and glass. Considering regulatory and quality constraints, this makes managing raw material volatility especially crucial for maintaining healthy margins.

Sourced from suppliers across Asia, the US, and the EU, the packaging supply chain faced repeated volatility in crude oil, resin, paper, and metal prices, causing unpredictable cost surges that disrupted margin forecasts and strained operational budgets.

Suppliers across different global regions put quarterly and bi-yearly price changes which impacted overall packaging budget of the company and led to difficult sourcing decisions due to constant commodity fluctuation risk and price increase.

Procurement and supply teams sought a structured approach to monitor commodity trends, stabilize pricing, and protect gross margins while maintaining product quality and regulatory compliance.

Case Highlights

- Reduced price volatility impact by 42% across top 3 packaging materials (PETG, HDPE, Paperboard).
- Enabled quarterly price adjustments through transparent index-linked contracts with 6 key suppliers.
- Cut negotiation cycle time by 30%, improving supplier responsiveness and forecasting accuracy.
- Protected over USD 5.2 million in potential margin erosion through blended hedging and strategic inventory.
- Launched two co-developed sustainable packaging alternatives, reducing dependency on virgin PET/PP/HDPE.
- Established real-time commodity dashboard driving proactive decision-making by procurement and finance teams.

Challenge

The client faced multi-dimensional challenges across its packaging procurement landscape:

- High exposure to volatile input commodities such as PET, HDPE, aluminum, and paperboard.
- Limited visibility of material-level cost breakdowns and supplier pricing drivers.
- Reactive price negotiations, leading to delayed decision-making, and missed cost-saving opportunities.
- Regulatory constraints limiting rapid material substitution or reformulation.

Building supply resilience and cost stability through strategic commodity risk management

Solution

The Nexdigm team implemented a comprehensive commodity risk management program designed to stabilize packaging costs and strengthen supply continuity across all categories.

Process Analysis and Documentation

- Conducted detailed mapping of existing packaging categories and spend exposure to raw-material volatility.
- Identified key cost drivers such as resin, aluminum, and paperboard indices that directly affected supplier quotations.
- Developed standardized cost-breakdown templates for all packaging suppliers to ensure transparency and traceability.
- Documented workflows for quarterly price-review and approval cycles to reduce delays in decision-making.

Standardization Implementation

- Established **formula-based pricing templates** linking supplier prices to published commodity indices.
- Introduced standardized **Supplier Cost Decomposition Sheets** to capture material, conversion, and logistics costs uniformly.
- Developed **SOPs for index monitoring and adjustment** with clear trigger thresholds for escalation.
- Created a **central repository** for packaging cost data integrated with procurement analytics tools.

Automation and Visualization

- Implemented an interactive commodity dashboard integrating resin, paperboard, and metal price indices with supplier contract data.
- Planted automated variance alerts in Power BI to highlight risks associated with any ±5% fluctuation in key indices.
- Enabled real-time visualization of forecasted impact on packaging spend, improving finance–procurement alignment.
- Built a digital tracker for hedging, inventory coverage, and supplier exposure by material type.

Governance Structure

- Set up a Commodity Risk Review Group including Procurement, Finance, and Supply Chain teams to review trends monthly.
- Defined structured approval mechanisms for price revisions and index resets.
- Developed escalation protocols for high-impact materials exceeding risk thresholds.
- Established a yearly audit and refresh of the index-linking mechanism to ensure accuracy and compliance.

Quality Improvement

- Achieved greater than 90% data accuracy in material level cost tracking and price adjustment validation.
- Enhanced transparency and supplier accountability in pricing discussions.
- Reduced manual intervention by 60% through automated data capture and validation.
- Improved consistency of cost updates across global business units.
- Strengthened audit readiness and compliance documentation for regulatory reviews.

Impact

- Strengthened collaboration among Procurement, Finance, and Supply Planning teams.
- Empowered stakeholders with real-time dashboards and price-impact simulators.
- Improved executive visibility and decision-making agility through standardized risk reporting.
- Built a repeatable best-practice model for other packaging and indirect categories.
- Elevated procurement’s strategic role in margin protection and supply continuity.

For more information on this case study, please write to us at:

ThinkNext@nexdigm.com

You can also visit our website to know how our services resulted in tangible business benefits:

www.nexdigm.com