



How Keurig Green Mountain and WestRock are blending minds to brew bold ideas for supply chain improvement

Real value doesn't come from a supplier.
It comes from a partner.

- Close cooperation creates nearly 10 percent savings around folding cartons in year one.
- Shared passion for innovation drives pricing, service, quality enhancements.
- Alignment around core values ensures agile team-centric approach.
- WestRock honored as Keurig's first Supplier of the Year.

“A company must have strong values, with an underpinning of transparency, if it wants to be successful and sustainable.”

For [Keurig Green Mountain](#) (Keurig), these words from its 2013 Sustainability Report are no simple adage but an unshakable belief that a boundaryless approach can create benefits for all.

In fact, this commitment to collaboration is today driving superior service, reduced waste and improved costs across Keurig’s complete supply chain. In particular, the company has seen measurable gains around managing its folding carton inventory in the Southeast region. For it’s here that Keurig has joined forces with [WestRock](#), a leading packaging solutions provider, to redefine what a supplier relationship can look like inside and out.

After all, it’s what happens when partners work closely alongside each other that equals a true advantage.

KEURIG
GREEN MOUNTAIN



WestRock =



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Partners in success

A changing competitive landscape

In 2006, Green Mountain Coffee Roasters, Inc., acquired Keurig, Inc., and later changed its name to Keurig Green Mountain, Inc., in 2014. The new name, chosen to demonstrate the integration of the two companies, is also symbolic of the strength and unity of its teams.

The years that followed marked a period of hypergrowth as Keurig greatly expanded its consumer base and global capacity. In certain regions, however, rapid success translated to commissioning a new production line and essentially buying out the capacity of end-of-line equipment providers. Increasingly, it grew harder to optimize volumes around a right-size supply base having clear, harmonized specifications as the company focused on simply keeping its product on store shelves.

Then, in 2012, Keurig entered a new competitive environment when one of its patents surrounding its signature, single-serve K-Cup® pods expired.

“For the first time, other companies were able to leverage the same type of concepts and bring their own single-serve beverages to the marketplace,” said Pam Daskalakis, Senior Director of Procurement for Keurig. “We had to become even more competitive and flexible because consumers now had choices outside of the Keurig network of what they would like to put into their brewer every day. Our challenge was to remain just as productive while maintaining the high level of quality we’re known for.”

In response, Keurig turned to its internal teams and supply chain partners to identify the biggest areas for improvement, from driving waste and cost out of the system to implementing processes and programs that would allow the beverage systems innovator to respond more quickly to marketplace shifts and changes in consumer demand.

“That’s where you start to see how partners like WestRock helped drive productivity in our spend with them,” said Daskalakis. “Many of the solutions in place today—a vendor-managed inventory (VMI) program, Six Sigma methodology and putting resources in our plant—are things we’re looking to replicate in other areas of our supply network.”



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“Managing Keurig’s incredible success left little time to focus on value engineering or implement strategic sourcing initiatives like VMI and other more sophisticated, less transactional type programs. Now, as the marketplace has matured, we’ve had more opportunities to start putting these pieces in place, to work closely with partners like WestRock and to take cost out along the way.”

—Pam Daskalakis, Senior Director of Procurement, Keurig

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Teaming to win

Since 2007, WestRock (formerly RockTenn before a July 2015 merger with MeadWestvaco) had served Keurig as a core player in the folding carton space where supplier relationships tended to be transactional in nature. However, as business boomed and volumes skyrocketed in the Southeast region especially, Keurig began to seek out organizations open to a deeper dialog.

For years, Keurig had admired WestRock’s commitment to creating meaningful connections with its customer partnerships, defined not by purchase orders but by a real understanding of individual businesses and industry pain points. Now, the two companies looked to forge an even stronger alliance by creating truly unified, cross-functional teams whose shared knowledge and can-do attitudes could bring about smarter, more relevant solutions for both organizations.

Additionally, Keurig valued WestRock’s unique perspective as an integrated retail supplier. As a manufacturer of folding cartons, corrugated containers, paperboard, merchandising displays, labels and more, WestRock works hand-in-hand with a variety of consumer packaged goods (CPG) leaders and was able to provide Keurig with a breadth of insights based on its experiences, and the latest trends and research.

“WestRock is always thinking about the things that are critical to our brand staying on top,” said Kevin Collier, Senior Manager of Procurement for Keurig. “They come with a knowledge about consumer behavior, packaging satisfaction, brand loyalty and the shopper experience that’s hard to find but gives our teams a practical advantage. What gets us most excited is how WestRock is always willing to share the full view of what they can do for our business.”

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“WestRock is the only folding carton supplier that literally has a seat at our facility, and we’ve taken that to a very strategic level by giving limited access into our forecasting model, which flows into a person with the ability to manage WestRock and Keurig production. They sit in a very unique spot, seeing vantage points both ways, and it is that agility and fundamental understanding of our business that lets the process flow smoothly.”

—Kevin Collier, Senior Manager of Procurement, Keurig

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Working in close cooperation, WestRock and Keurig quickly identified steps for process improvement, and soon agreed to pioneer a novel approach to managing Keurig’s folding carton needs in the Southeast. It was clear to both companies that a forward-looking strategy to monitor and control inventory while reducing complexity was critical to future growth.

“WestRock was in a position to supply our two biggest production sites in Knoxville, Tennessee, and Windsor, Virginia,” said Collier. “What we did was concentrate on moving them into a more strategic relationship and consolidating our efforts, while creating a region that was really single source to WestRock.”





Innovation meets tactical needs

In August 2015, WestRock and Keurig launched a VMI program that saw Six Sigma black belt resources embedded in several Keurig production facilities to directly support the program and drive immediate response on service and quality.

“We currently have an account coordinator, a WestRock employee, who is based in Keurig’s facility in Knoxville. He works with their multisite buyers and planners to help interpret planning requirements, make PO recommendations and manage other details of the VMI program to optimize production and product flow to Keurig,” said Dick Farren, National Account Manager, Folding Cartons, for WestRock. “Based on the multiple carton sizes, common multi-site requirements and significant number of product SKUs, order complexity became an issue, so we met early on as a Joint Process Improvement team to collaborate and implement a more strategic production process.”

As Keurig’s largest supplier in the Southeast, it was not uncommon for WestRock to receive an order from one Keurig facility, then another similar order from a separate facility the next day. Beginning with “A” (high-volume) items, it was agreed WestRock would transition from an everyday or PO-driven production schedule to a two-week cycle that allowed its folding carton team to manage the overall requirements, thus eliminating significant cost from the process by reducing the total number of break-ins and line setups.

“It pushed us here at Keurig to work closely with them on our forecast and planning signals,” said Collier. “WestRock was able to build up on high-volume items by leveraging a campaign in production as opposed to running ad hoc when they received purchase orders; so this got everyone synchronized quickly, and we started to consolidate our collective spend.”

Seeing immediate results, including greater flexibility, improved service and measurable cost reductions, Keurig put a similar program in place only six months later with a supplier on the West Coast. While an on-site coordinator is not required, the process works much the same and has been likewise successful in uncovering opportunities for improvements.



Breaking down barriers

Team-building exercises bring Keurig and WestRock employees together in a fun environment where learning and understanding can happen naturally. A recent event in Knoxville also gave WestRock staff the chance to tour Keurig's facilities, and vice versa. The spirit of camaraderie attendees take home translates to being a better teammate to business partners.



Rigorous execution equals results

After one year, Keurig has seen a nearly 10 percent savings around folding carton inventory with WestRock, primarily as a result of consolidating activities across its Knoxville and Windsor sites (reducing order redundancies and leveraging economies of scale) as well as implementing VMI with biweekly run campaigns (reducing lead times and layout waste).

A key output of the VMI program was eliminating complex order tier pricing in favor of flat pricing, regardless of order volume. This helped Keurig to dramatically reduce purchase price variances.

An enthusiastic response from its supplier base, meanwhile, has encouraged Keurig to take further strides to foster collaboration with external partners.

"We're allowing this cooperative working style with WestRock personnel looking at our data and plugged into our numbers, and we're finding the more we share information both ways, the more we uncover simple things like understanding if there's an opportunity to put more cartons on a truck for instance," said Daskalakis.

"Today we approach the marketplace in a very consistent and, we believe, best-in-class way of being a true resource and having a focus not just on tactical procurement, but strategic sourcing."

Results lead to recognition

Based on a combination of high performance, demonstrated commitment to Keurig's values and a significant achievement deserving of recognition, Keurig recently named WestRock its first-ever Supplier of the Year for 2015.

The award, presented at Keurig's second annual Top 100 Supplier Conference, comes after a rigorous evaluation of suppliers' performance over the past year and embodies the [company's core values](#) of partnering for mutual success, innovating with passion, playing to win and brewing a better world.

"We worked hard at defining our values to really reflect what we believe our purpose is and how we live our work every day," said Daskalakis. "I think that's relevant to WestRock becoming the first company to receive this honor."

Today, nearly 10 years later, Keurig and WestRock continue to navigate the demands of the beverage marketplace together, building an ever-stronger partnership based on teamwork that puts no boundaries on what's possible.

“I think Keurig’s value of partnering for mutual success really comes into play here,” said Ken Seymour, Senior Vice President of Sales for WestRock. “If you think about Keurig as a whole, they act as a supplier to a number of companies who also compete on shelves with their brands. Yet they’ve committed to letting others know them as an organization and feel part of something bigger. You could say it’s in their DNA. They want to win in the marketplace, to have the best brands and costs, but they also want to ensure that everyone in the network is successful.”

“We believe the more suppliers understand about our business, the more they’ll be interested to support us,” said Daskalakis. “That was the genesis of the Top 100 conference in 2014. The first year was really about introducing the Supplier Relationship Management program and a score-carding process as part of that. This year, we wanted to reward those suppliers who took our strategies to heart and thank them for being great partners.”

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“Like Keurig, values are the heart of our business and shape everything we do. WestRock doesn’t support its partners from a distance; we join them on the front lines so that they can depend on us to drive growth, minimize risk, lower total cost and reduce environmental impact the right way, every day. This is ingrained in our culture; it’s who we are, and we’re deeply honored to be recognized by Keurig for our contributions.”

—Ken Seymour, Senior Vice President of Sales, WestRock

About Keurig Green Mountain, Inc.

Keurig Green Mountain, Inc. (Keurig), is reimagining how beverages can be created, personalized and enjoyed, fresh-made in homes and workplaces. We are a personal beverage system company revolutionizing the beverage experience through the power of innovative technology and strategic brand partnerships. With an expanding family of more than 70 beloved brands and 445 beverage varieties, our Keurig® hot beverage system delivers great taste, convenience and choice at the push of a button. As a company founded on social responsibility, we are committed to using the power of business to brew a better world through our work to build resilient supply chains, sustainable products, thriving communities and a water-secure world. Keurig is a private business owned by an investment group led by JAB Holding Co. For more information, visit: www.KeurigGreenMountain.com.

About WestRock

WestRock Company (NYSE: WRK) aspires to be the premier partner and unrivaled provider of paper and packaging solutions in consumer and corrugated markets. WestRock’s 39,000 team members support customers around the world from more than 250 operating and business locations spanning North America, South America, Europe and Asia. Learn more at www.westrock.com.