



# PROCUREMENT BULLETIN

January 2017 Issue

## In this issue of Premium Procurement Bulletin...

- [Case Study] Reebok Pioneers More Efficient Way to Design and Manufacture Shoes
- Staple Grains See Record Harvest Levels in 2016
- [Case Study] Kellogg's Plans to Grow in Latin America
- Gold Is Proving Resilient, but Will It Continue?

## [Case Study] Reebok Pioneers More Efficient Way to Design and Manufacture Shoes

Reebok has been manufacturing shoes since 1958. The company has always focused on innovation, and it's now changing the way that it designs and manufactures shoes. The new manufacturing process could mean Reeboks that boast better performance and lower costs.

### Situation: Reebok's Liquid Factory Process



Image via [Flickr](#) by teakwood

For the past 30 years, the footwear manufacturing process has largely remained the same, with rubber and expensive molds forming outsoles. The Reebok Future team partnered with chemical giant BASF to create a new manufacturing process that speeds up the production of footwear. Known as Liquid Factory, the process involves software that draws footwear in three dimensions and then uses robotics to complete assembly. Reebok uses a specially designed liquid material to create the shoes without a mold. This process is leading the way for a whole new generation of footwear.



# PROCUREMENT BULLETIN

January 2017 Issue

Reebok is pioneering this change to lower production costs. [Bill McInnis](#), Head of Future at Reebok, said, "With this new process, we were able to program robots to create the entire shoe outside, by drawing in layers with a high-energy liquid material to create the first ever energy-return outsole, which performs dramatically better than a typical rubber outsole. The all new Liquid Factory process is also used to create a unique fit system that stretches and moulds around the foot, providing a three-dimensional fit."

## **Approach: Focus on Speed and Proximity to Customer**



Image via [Flickr](#) by brettlohmeyer

Reebok recently started selling a pair of shoes made with the Liquid Factory process. The first shoe, known as Liquid Speed, is designed for runners. It features an energy-return design that provides sensory feedback for the entire foot. The limited run of 300 costs \$189.50 per pair. In the future, however, shoes made with this process will cost less.

One of the best things about Liquid Factory is its improved speed. Using this process, the company can create customized shoes to match customers' specific needs without the high costs.

In collaboration with AF Group Inc., Reebok plans to build a new manufacturing lab to house its Liquid Factory in the United States. [Fortune](#) reports that the manufacturing lab will open in Lincoln, Rhode Island, in early 2017. Many shoe brands are opting to move their manufacturing processes to the U.S., and this move should also help Reebok build brand awareness and increase approval. As McInnis said, "Getting faster and closer to the consumer is 100 percent what we are after ... If you can take out shipping and molds that take time to formulate, it moves you closer to the consumer."



# PROCUREMENT BULLETIN

January 2017 Issue

## Impact and Advantage



Image via [Flickr](#) by kikfoto

Reebok has focused on innovation since the company's inception. Following this lead, the Reebok Future team relies on engineers and designers to enhance product performance in all areas. All major shoe brands have design teams, but Reebok is leading the way in terms of cutting-edge developments.

Other footwear brands have also experimented with 3-D printing, but those shoe launches have had limited production runs and high product costs. Reebok's Liquid Factory is a game changer because of its speed and low cost. You can expect to see other shoe brands experiment with this process in the future.



# PROCUREMENT BULLETIN

January 2017 Issue

## Staple Grains See Record Harvest Levels in 2016

Staple grains like wheat and rice were produced in record numbers in 2016. This high level of production has helped stabilize the global food market and keep the world food import bill low. This is good news for consumers who have faced increasingly higher prices for staple grains over the last few years.

### A Look at Wheat and Rice Production Levels



Image via [Flickr](#) by kinnia

In 2016, [wheat production levels were up 1.5 percent](#) and rice production levels were up 1.3 percent. Other crops, such as soybeans, sugar, and cassava, also saw higher yields. This trend is expected to continue in 2017 with an all-time high of 742.4 million tons of wheat and 497.8 million tons of rice.

The increased crop production for staple grains will keep consumer prices low and inventory levels high. For instance, in the United States, wheat and rice cereals probably won't see a price increase because wheat and rice levels are at their lowest price since 2008. Economically vulnerable countries won't see the lower prices as quickly, though.

Wheat production is up around the world, but India, the U.S., and the Russian Federation are the largest exporters of these commodities. Farmers are finding more and more ways to increase production levels to keep up with demand. Several advances in farming, such as robotics and genetic research, have contributed to the increased production rates.



# PROCUREMENT BULLETIN

January 2017 Issue

## Research in Wheat Growing Methods and Best Practices



Image via [Flickr](#) by Infomastern

Wheat fails to thrive when exposed to high temperatures, which is why hot weather is one of the greatest challenges that wheat farmers face. Heat severely affects their crop yields. However, [Harold Trick and Allan Fritz from Kansas State University](#) have found a way to increase wheat's heat tolerance.

The Kansas State University researchers studied the soluble starch synthesis of wheat and found that the proteins in wheat deactivate at high temperatures, much like an overheating car. Other plants, such as rice, perform much better in heat. Trick and Fritz isolated the heat tolerance gene in rice and injected it into wheat, with the intention of growing wheat with a higher heat tolerance. Growing wheat with the added rice gene has helped increase yields and profits for farmers. This is one reason that record levels of wheat grew in 2016.



# PROCUREMENT BULLETIN

January 2017 Issue

## What to Expect From Wheat and Rice in the Future



Image via [Flickr](#) by cascade\_of\_rant

It's likely that wheat and rice production levels will continue to increase in the coming years. It's difficult to make a definitive prediction about inventory levels and prices, however, since crops are subject to natural disasters and other events that can affect crop yields. Pending any major events, consumers will continue to enjoy lower prices for wheat and rice products in 2017.

As farmers see higher yields and greater profits, they are likely to invest in technology that improves their efficiency. Agrobots and genetic research are quickly becoming essential to farmers' success. American farmers tend to be very proactive about improving their farming technology, but farmers in other parts of the world still have far to go.



# PROCUREMENT BULLETIN

January 2017 Issue

## [Case Study] Kellogg's Plans to Grow in Latin America

Kellogg's is the largest cereal maker in the United States, but the company has recently switched its focus to snack foods. In October 2016, Kellogg's announced its plan to acquire Parati Group, the leading Brazilian food producer and largest snack company in Latin America. The acquisition serves to further Kellogg's goals of expanding into emerging markets and becoming a global snacking powerhouse.

### Situation: Kellogg's Acquires Parati Group for \$430 Million



Image via [Flickr](#) by mikebarry

Parati Group owns a range of brands, including Zoo Cartoon, Minueto, Hot Cracker, Parati, and Pádua. Many of these brands include products that align with Kellogg's offerings in the U.S. The Brazilian company also makes powdered beverages, instant noodles, and pasta with net sales of \$190 million.

[John Bryant](#), Kellogg's Company Chairman and CEO, stated, "With its outstanding portfolio of popular consumer brands, Parati Group is an excellent strategic fit for Kellogg and our business in Latin America. . . Brazil is the largest economy in Latin America and this acquisition will allow us to accelerate our growth and improve our margins in the region. This means more growth for the core Parati Group business and our well-loved Kellogg brands."

The two parties expect the acquisition to be complete by the beginning of 2017. Parati Group sold for \$430 million, and Kellogg's plans to reduce its 2016 buyback program from \$750 million to approximately \$550 million for a limited time. Parati Group will account for 15 percent of Kellogg's total net sales. Kellogg's has high hopes of expanding the Parati brand as Brazil starts to recover from its worst recession on record.



# PROCUREMENT BULLETIN

January 2017 Issue

## **Approach: Partner with a Strong Brand in an Emerging Market**



Image via [Flickr](#) by nathanwberry

Parati Group has a strong presence in small- to medium-size retail stores in Brazil and several other outlets in Latin America. This is key to [Kellogg's goal to expand into snacking in this emerging market](#). Parati Group also has two working production facilities and five distribution centers that Kellogg's will look to strengthen.

Kellogg's acquisition of Parati Group is a strategic move, as expanding into a foreign market without help can be difficult due to the cultural and corporate differences. This is the fourth major acquisition Kellogg's has made in emerging markets over the last two years. Kellogg's also acquired Bisco Misr and Mass Food Group in Egypt and purchased a major stake in Multipro in Nigeria and Ghana.



# PROCUREMENT BULLETIN

January 2017 Issue

## Impact and Advantage



Image via [Flickr](#) by Jeepersmedia

Kellogg's owns major brands such as Fruit Loops and Special K, but a couple of years ago, the company began to see slumping sales. As a result, Kellogg's devised a strategy to expand its snacking business. The company acquired the Pringles brand in 2012, and today, Pringles makes up 50 percent of Kellogg's sales. Acquiring Parati Group is yet another a move by Kellogg's to expand further into snacking.

Consumers are changing the way they eat, and Kellogg's wants to stay ahead of the trends. Cereal sales are down, but snack sales are up. Parati Group will help Kellogg's capture this strong market share.



# PROCUREMENT BULLETIN

January 2017 Issue

## Gold Is Proving Resilient, but Will It Continue?

Gold is one of those precious metals that has remained popular throughout history. The demand for gold has gone up and down, but overall it has experienced an upward trend. The price of gold saw a sharp increase in 2016, and it's proving to be resilient in foreign markets. Analysts continue to debate if the trend will continue.

### Why Is Gold Considered so Valuable?



Image via [Flickr](#) by sprottmoney

Gold doesn't tarnish or corrode like silver and copper, and it isn't soluble in normal acids and solvents. That's why people during ancient times considered the metal indestructible and used it in all sorts of industrial and decorative projects. [Gold is rare and difficult to extract in large quantities](#), but the precious metal is fairly easy to process.

Today, people still consider gold valuable both because of ancient tradition and because it serves as a commodity. Platinum is much more rare than gold, but many people still opt to collect gold most of the time. The decorative appeal of gold is what has made it so valuable and coveted throughout history.



# PROCUREMENT BULLETIN

January 2017 Issue

## Gold Prices Spike in 2016



Image via [Flickr](#) by mandiberg

Gold prices went up nearly 20 percent in 2016, but consumers think uneasiness about American interest rates could cause the price to decrease again. Despite consumer speculation, commodities analyst [Simna Gambarini](#) says that the upward trajectory of gold will likely remain in 2017. When the Federal Reserve raises rates, the price of gold typically falls, but only temporarily. For instance, when the Fed hiked rates in December 2015, the price of gold only dropped for a couple of months.

There are several reasons that Gambarini thinks gold prices will remain high overall even though interest rates in the U.S. have started to climb again:

- Interest rates are still low in comparison to a few years ago.
- Banks outside the U.S. don't always follow the lead of the Fed and are subject to different stimulus programs.
- Political uncertainty in the U.S. and Europe will keep the market in a state of limbo.



# PROCUREMENT BULLETIN

January 2017 Issue

## Will Gold Prices Drop in 2017?



Image via [Flickr](#) by stevendepolo

The price of gold never really stabilizes because it's a volatile asset. That makes it hard to predict future prices. Gambarini could be right in that gold prices will continue to be bullish in the first half of 2017, but [Taki Tsakianos](#) from Investing Haven makes some good points that indicate a bearish trend in gold prices in 2017.

Tsakianos states that fear drives the gold market. Political uncertainty related to events like the U.S. presidential election and Brexit increase that fear. Tsakianos predicts gold could drop to \$890 before it turns around and evolves into a strong bull market again.

In December 2016, the Fed increased the interest rate and people started to sell their gold. This confirms that gold prices reflect fear. It's still unclear how temporary the drop will be, though. Gold has remained resilient in foreign markets, and it could recover quickly depending on what happens in the United States and around the world.



# PROCUREMENT BULLETIN

January 2017 Issue

## Related Procurement Events

### **Certified Procurement & Purchasing Specialists (CPPS)**

- 9 January-28 February 2017 - Online Distance Learning
- 20-23 February 2017 - Lagos, Nigeria
- 3 April-31 May 2017 - Online Distance Learning
- 25-28 April 2017 - Singapore
- 7-10 May 2017 - Dubai, UAE
- 3 July-31 August 2017 - Online Distance Learning
- 24-27 July 2017 - London
- 21-24 August 2017 - Kuala Lumpur, Malaysia
- 23-26 October 2017 - London, UK
- 4 September-31 October 2017 - Online Distance Learning
- 6-9 November 2017 - Lagos, Nigeria
- 19-22 November 2017 - Dubai, UAE
- 27-30 November 2017 - Singapore
- 4-7 December 2017 - Hong Kong

Download the full details: <http://www.ethanhathaway.com/training/certified-procurement-purchasing-professional-specialist-cpps/>

### **Certified Chief Procurement Officer (CCPO)<sup>TM</sup> Training Course**

- 23-25 April 2017-Dubai UAE
- 15-17 May 2017 Amsterdam,Netherlands
- 17-19 July 2017 Singapore
- 24-26 July 2017-London, UK
- 16-18 October 2017-London,UK
- 13-15 November 2017-Dubai
- 6-8 December 2017-Singapore
- 11-13 December 2017-Hong Kong

Download the full details: <http://www.ethanhathaway.com/training/certified-chief-procurement-officer-ccpo/>



# PROCUREMENT BULLETIN

January 2017 Issue

## Related Procurement Events

### **Certified Corporate Compliance Specialists (CCCS)**

- 9 January-28 February 2017 - Online Distance Learning
- 3 April-31 May 2017 - Online Distance Learning
- 23-26 April 2017 - Dubai, UAE
- 16-19 May 2017 - Kuala Lumpur, Malaysia
- 3 July-31 August 2017 - Online Distance Learning
- 17-20 July 2017 - London, UK
- 14-17 August 2017 - Lagos, Nigeria
- 21-24 August 2017 - Nairobi, Kenya
- 4 September-31 October 2017 - Online Distance Learning
- 17-20 October 2017 - London, UK
- 13-16 November 2017 - Singapore
- 19-22 November 2017 - Dubai, UAE
- 4-7 December 2017 - Hong Kong

Download the full details: <http://www.ethanhathaway.com/training/certified-corporate-compliance-specialist-cccs/>

### **Certified Big Data Analyst (CBDA)<sup>TM</sup> Training Course**

- 3-7 April 2017-Singapore
- 26-30 June 2017-Hong Kong
- 15-19 October 2017-Dubai
- 6-10 November 2017-Hong Kong
- 4-8 December 2017-Singapore

Download the full details: <http://www.ethanhathaway.com/training/certified-big-data-analyst-cbda/>

### **Successful Project Management**

- 15-17 May 2017- Kuala Lumpur
- 17-19 July 2017- Singapore
- 6-8 November 2017- Kuala Lumpur
- 19-21 November 2017- Dubai
- 11-13 December 2017- Singapore

Download the full details: <http://www.ethanhathaway.com/training/successful-project-management/>