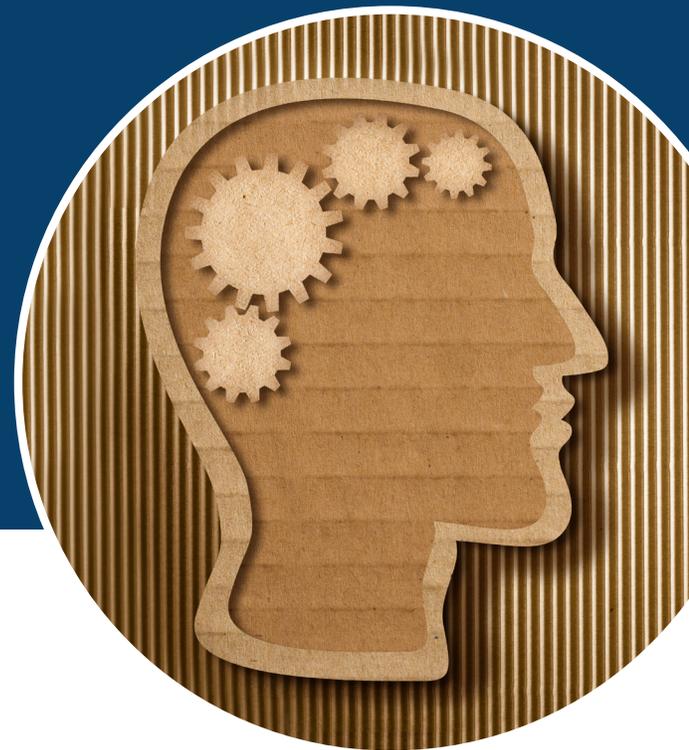




MARKET ADVISORY

It's Time to Rethink Your Corrugated Strategy

Increased capacity coming on-line, and general market softening present a Corrugated sourcing opportunity not seen since pre-pandemic times.



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SUMMARY OF OPPORTUNITY

Wary buyers of Corrugate packaging, numb to price increase after price increase over the past two years, are waking up to a rapidly transitioning market—one where buyers find themselves with power for the first time in several years. While many organizations' standard agreements will contain mechanisms (e.g., formulaic pricing adjustments based on RISI 42 lb Linerboard index) to capture market relief, additional value can be unlocked by shifting to the offensive and leveraging your buy through a competitive market event.



WHAT IS THE CATALYST?

The combination of new linerboard—the paper used to make boxes—capacity coming onboard in 2022 and H1 2023 (e.g., Cascades in Ashland, Virginia) and investments in new box plants by major corrugate suppliers (e.g., WestRock in Longview, WA) are finally driving supply to better match demand, and even risking oversupply. Recession concerns have suppliers more interested than ever in securing contracts and booking business into the future to minimize the risk of underutilization.



WHAT TO DO ABOUT THIS?

Category managers are relishing the opportunity to report corrugate pricing relief to finance with RISI dropping in November and December 2022 (and more relief expected in H1 2023); however, solely accepting formula-based price adjustments will not maximize the opportunity that exists in the swing from a sellers' to buyers' market. Many organizations are capturing an incremental 5-15% savings in excess of index-based relief by taking a proactive approach to sourcing, leveraging total volume and a competitive market event to identify best-fit partners able to meet requirements at market-competitive prices. Additional levers to consider are improved/optimized price adjustment language, non-price terms such as rebates, and payment terms.



WE CAN HELP

If you're interested in more information or are seeking help with your Corrugate category strategy, contact us.

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