

Tailored Procurement Strategy Brings Revenue Enhancement In Any Organisation

In the current economic environment many businesses are looking to cut costs and create savings in order to remain profitable. Successful procurement strategy means obtaining the required goods and services from appropriate suppliers in an economic and efficient manner. Strategic procurement that includes a well targeted purchasing and sourcing approach can deliver savings and even go beyond to deliver additional benefits. Procurement in any organisation can be part of managing and improving the business and controlling spend with a view to value-add along each step. Many decisions taken in any organisation have an impact on the cost and price paid for services and resources.

In any market condition strategic procurement and sourcing can deliver significant cost reductions and significant benefits. Increasing global competition means that organisations need to concentrate on what they do best, their core business. In many organisations procurement strategies, intelligent purchasing and improved supply management provide strategic positioning advantage and revenue enhancements.

This White Paper presents an overview of the procurement function and the advantages a procurement strategy brings to an organisation through a suitable procurement framework to ultimately enhance value to any business. This paper will also show that a successful procurement strategy is one that identifies, creates and maintains value relying on sourcing and procurement management that is strategic to the organisation from the bottom to the top.

Procurement, purchasing or sourcing is the process of obtaining supplies, goods and services at the best price reasonably available with a reduced cost to the organisation. It has been repeatedly proven that spending based on a well thought strategy has a direct impact on the profit of the organisation while disorganised purchasing can be adding to costs due to fragmented procurement.

One of the main reasons companies have embraced procurement frameworks is to reduce costs, increase productivity and make it easier for users to get the supplies that they need. This is to say that a strategic procurement approach in any organisation can help manage suppliers, secure supplies and improve the bottom line. By applying a strategic procurement approach and a successful purchasing methodology based on strategic objectives a more profitable organisation can emerge.

A good procurement strategy has been proved to be more than managing supplier relationships and procuring everything that an organisation needs. This is when an organisation pays the right price for the right solution. Purchasers need to purchase goods and services of the right quality, at the most cost effective price, in the most economic quantities and ensure that they are available when needed.

However companies often focus their efforts simply on strategic sourcing but strategic sourcing alone cannot drive sustainable benefits. A limited focus on strategic sourcing may initially reduce costs for the buyer but it may not ensure long-term realisation of those benefits. More importantly, if executed in a manner where cost is the only focus, strategic

sourcing can result in damage to the organisation and a supplier relationship that may become critical in times of supply constraints. Instead, the focus should be on enhancing long-term value obtained from suppliers rather than on simply finding the lowest price. As such strategic procurement combined with strategic sourcing and supplier management can lead to advantages to any organisation.

Strategic procurement will bring wide success through alliances with suppliers and also identify new product opportunities, bringing access to new markets or technology and providing new intelligence for strategic decision making. Strategic procurement means reducing costs and creating value starting on the supplier side for an organisation via strategic sourcing as well as achieving supplier rationalisation through negotiation and collaboration. Failure to make procurement a strategy that an organisation embraces can lead to suppliers not contributing through better cooperative relationships.

A well planned procurement approach that can deliver reduced costs and increased value add should include:

- a strategic approach to procurement from all areas;
- a managed procurement risks;
- a developed contract strategies; and
- a well managed supplier relationships.

A procurement strategy can be designed where it can assist in achieving the best outcome for a business or even enhance survival during an economic crisis. Procurement main focus remains in developing sophisticated strategies with suppliers, working across functions and delivering value source, being innovative, achieving long term relationships and ultimately achieve measurable results.

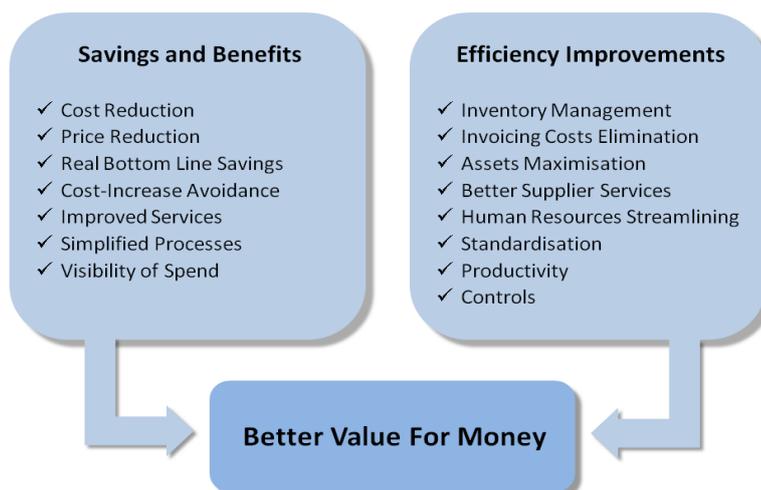


Figure 1-shows interaction between savings and efficiency to bring better value for an organisation

Procurement develops effectiveness in the management of costs and services as a driver of efficiency where clients achieve measurable changes in performance. Effective procurement strategies and well managed supply chains enable organisations to focus on developing and delivering products and services that exceed customer expectations. Strategic procurement rather than ad hoc sourcing of supplies ensures cost reduction, quality improvement, access to new resources and eventually leading to enhanced sales, value end-product competitiveness as well as establishing relationships with leading suppliers.

In order to remain competitive, organisations can rely on consulting procurement experts to assist in forming and developing appropriate and practical strategic procurement framework.

Procurement consultants can be used to efficiently supplement current resources and tailor fit the solutions to an organisation. This is achieved as procurement consultants are able to reduce costs for goods and services, obtain better prices and quality, improve spending, employ industry best practices, reduce duplication of time and effort based on pre-agreed service and delivery conditions and all without the organisation taking on the risks to achieve such results. Procurement services include comprehensive managed procurement services, outsourcing advisory, procurement capability health check, rapid cost takeout and supply chain management.

The procurement process begins with an expenditure analysis and then develops approaches around each category of spend with a view to enable the organisation to extract value. However, every organisation is unique and there is no single solution that works for all organisations and thus a customised and targeted solution often yields more results with less tension for an organisation. As such procurement experts can assist by carrying out in depth analysis and looking beyond dollar savings and into potential impacts across the entire supply chain further ensuring that quality as well as certainty is maintained. A procurement expert can provide insight on spending patterns, suggest and implement changes, negotiate with suppliers and use proven industry best practices. Furthermore, experts in procurement can help manage suppliers to ensure that their performance meets or exceeds contractual commitments.

Some of the key benefits of using procurement experts is that they can use their market knowledge and purchasing expertise to remove the hassle and time constraints of managing purchases in any organisation. This is achieved by:

- searching the whole market for the most suitable contracts.
- giving recommendations to guide choices of new contract term, supplier, rate structure.
- negotiating prices and contractual terms, clarifying terms and conditions.

Other savings and benefits that procurement consultants bring to any business include:

- reducing purchasing costs.
- increasing procurement capability.
- improving service quality.

- simplifying processes.
- managing suppliers effectively.
- reducing cost of buying goods or services by streamlining procurement and finance processes.
- establishing a group of vendors in a particular area.
- reducing the level of stocks held.
- getting maximum value with an increased level or quality of service at the same cost.
- avoiding unnecessary purchases.
- ensuring that user needs are met.
- suppliers cost-effective and innovative solutions.
- continuous cost and quality improvements.
- collaborating to obtain the best deals.

A holistic procurement strategy can improve the bottom line and deliver value through enhanced sourcing, supplier relationships and managing costs which can become a core competency for any organisation; sometimes beyond any expectation.