

INDIRECT PROCUREMENT:

6 ACTIONABLE STEPS TO TURN YOUR PROCUREMENT TEAM INTO A STRATEGIC PROFIT CENTER



Indirect spend references the goods and services required by organizations to operate day-to-day – like Marketing, IT, Corporate Services, Facilities, Distribution and Logistics – and typically equates to as much as 20% of a company’s annual revenue. It is also a significant (and often untapped) area of cost reduction opportunity for many businesses.

Effectively managing indirect spend is a critical component of any cost-reduction effort, yet many businesses struggle in this area, primarily due to lack of expert resources, limited technology and poor visibility into total spending.

Companies without these capabilities will struggle to achieve sustainable bottom-line savings; a high-performing indirect procurement team will unlock savings opportunities, extend budgets, and turn procurement from an administrative cost center into a strategic profit center.

HOW TO GET STARTED

To get started on your own Indirect Procurement initiative, here are six actionable steps to achieving the value that a high-performing Procurement function delivers:

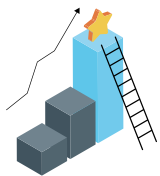
1



Collect, categorize and analyze your supplier contracts and spend data.

Understand what is being bought and from whom and build a comprehensive view of spend by supplier and by category and sub-category. Align this procurement view to your business unit customers and their cost centers.

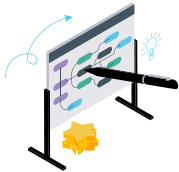
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Benchmark your current capability.

Review your capabilities against external benchmarks. How is the business invested in procurement today? How is procurement performing versus best-in-class standards? What does the business need from procurement today, and how will this evolve over time? What investments in procurement are required (and when) to support this journey?

3



Build the sourcing plan and quantify the value that an upgraded team can deliver.

What are the short, medium and longer term cost reduction opportunities over the next 36 months at the project level? What value will they yield, and when? How will this be realized to the P&L and when? How do these translate to ROI on your desired procurement investments?

4



Build your business case.

Map your top-line sourcing value and your bottom line investments into fiscal years and quarters to show what investments you are requesting (and when), how they translate to tangible ROI to the business and when the value will be realized.

5



Define your success metrics.

Fiscal year cost reduction is the base metric for any procurement organization, but think through other important areas such as spend under management, spend under contract, cost of procurement as a percentage of addressable spend and softer metrics such as stakeholder relationship strength and supplier relationship management.

6



Sponsorship, sponsorship, sponsorship.

Identify the person in the organization who can best sponsor your initiative (this will typically be the CFO). Present your business case and success metrics and request their support to sponsor your initiative as you roll it out across the organization. Ask them for their support to resolve issues that require escalation and to champion the initiative through organizational communications and ongoing governance meetings with budget-owning department heads.



These six steps are just the beginning. However, setting the foundation for an indirect procurement initiative is critical to its long-term success. All too often **procurement initiatives fail** due to lack of adoption, stakeholder resistance and poor organizational governance. This ultimately results in wasted investment in resources and technology, with procurement drifting back to being an administrative cost center versus a strategic profit center. Make sure you set your initiative up for success.



Getting started with the above can be challenging for companies that lack the resources, technology, and expertise to manage an indirect procurement initiative internally. Look for a high-performing indirect procurement partner who can bring in technology-enabled services, category market intelligence and pricing data, expert resources, and change management expertise to help you successfully launch and maintain your procurement capability.

LogicSource is the leading provider of procurement services and technology, helping some of the world's most recognizable brands optimize their indirect spending. By combining decades of sourcing and procurement expertise, superior market intelligence, cross-portfolio spending leverage, and their OneMarket® Source-to-Pay technology, LogicSource executes custom solutions that rapidly accelerate time-to-value and achieve significantly greater savings than organizations can achieve on their own.

Now's the time to access the untapped value within indirect procurement and drive measurable and sustainable improvements to your bottom-line.

To learn more about LogicSource's services and kickstart your journey to buy better, visit the link here.

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