



LogicSource®

WHITEPAPER

**DERISKING YOUR FINANCIAL FUTURE:
SPEND MANAGEMENT
STRATEGIES TO THRIVE**





SECTION 01

INTRODUCTION

The global economy continues to face uncertainties in 2024, impacting organizations across all sectors. Ongoing geopolitical tensions pose an urgent threat to global supply chains, while consumer trust in businesses, both established and startups, **will decline by a further 10%**, according to Forrester.

An **EY Roundtable conducted at the end of 2023** found that a majority of CFOs (86%) have approached 2024 with caution and prudence, and will continue to do so in addition to keeping a close watch on interest rates and inflation.

Amid this ongoing volatility, organizations must balance cost pressures and shareholder demands for profitability while needing to invest in new product lines and new technology to remain competitive. AI further adds to the list of investment priorities that organizations face while at the same time dealing with continued and increasing pressures on costs and margins.

What can organizations do to drive cost reduction and free up funding for investment priorities or margin improvement? In this whitepaper, we explain how indirect procurement can support both an offensive and defensive approach – whether in times of growth or uncertainty – as well as practical actions to mitigate market volatility and the importance of choosing the right indirect procurement partner.



SECTION 02

PROCUREMENT AS PROTECTION: SHIELDING YOUR BUSINESS FROM ECONOMIC UNCERTAINTY

In these unpredictable times, businesses must confront the financial and operational challenges that this level of continued uncertainty brings. So how can they best prepare themselves?

Every organization's appetite for risk will be different. Leaders must weigh the pros and cons and adapt accordingly – a defensive, conservative approach may save capital in the short term, but businesses risk becoming outpaced by their competitors as industries progress and continue to innovate. On the flip side, overly aggressive investment strategies, particularly those not closely aligned with organizational priorities or supported by a solid business case, can degrade margins and result in wasted utilization of the company's valuable resources. Doing nothing is also not a viable option; business that stand still in uncertain times leave themselves simultaneously vulnerable to market disruptions and unable to capitalize on opportunities.

With the macroeconomic situation for the remainder of 2024 and into 2025 predicted to remain difficult and uncertain, value-driving strategies such as **indirect spend optimization** position companies to invest in growth and innovation when the economy rebounds or to continue driving cost reductions if the economy worsens. It's a strategy that fits either a defensive or proactive approach to brace for the coming year.

Indirect spend includes expenses such as IT, Corporate and Professional Services, Facilities, Distribution & Logistics and Marketing – costs that are not directly related to the production of goods or services.

These can equate to as much as 20% of an organization’s annual revenue but are usually fragmented across various departments, leading to a lack of expert oversight and significant spending inefficiencies.

Adding to the complexity, the scope of indirect expenditures spans hundreds of sub-categories, each of which can be impacted in different ways by changes in market conditions. Organizations typically do not have the market insights, expert resources or organization bandwidth to capitalize on opportunities or manage the risk inherent in these spend areas, resulting in missed cost reduction opportunities and increase continuity risks.



When organizations are equipped to properly address the broad scope of indirect expenditures, they are able to drive rapid and significant profit improvement. Getting it right can lead to significant savings that help fuel growth and investment and give companies the confidence and flexibility to adjust strategies and prioritize new investments as the competitive landscape and economic environment around them continues to change.

In the next section, we will detail four actions that organizations looking to drive profit improvement from indirect expenditures can take to accelerate time-to-value and maximize return on investment.



SECTION 03

FOUR INDIRECT SPEND MANAGEMENT ACTIONS TO MATCH MARKET VOLATILITY

Here are four practical steps for businesses to enhance indirect spend management and build resilience, regardless of market conditions:

STEP 01

DEFINE YOUR GOALS AND OBJECTIVES



First, assess your current position and clarify where you aim to be in the future.

Some questions to ask include:

- Is there an overall cost takeout number that the organization is working towards?
- How much of this can be generated by indirect expense reduction?
- What are the organization's goals in terms of realizing this value by fiscal year?
- Are there additional objectives with respect to continuity, risk or corporate responsibility that also need to be considered?

It's important to have a realistic plan to move forward to achieve goals based on your organization's current state; the rest of the organization will need to be able to support the journey and the right level of sponsorship and executive alignment is critical from the outset.

STEP 02

GAIN A COMPREHENSIVE VIEW OF YOUR CURRENT SPEND



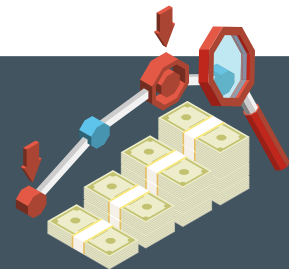
Establishing a baseline of spending across indirect expenditures can be challenging due to multiple disparate data sources, poorly integrated systems, limiting technology, and inconsistent upload or refresh processes. Working with third-party experts who know where to look and how to effectively consolidate multiple data sources can provide you with enhanced visibility into total spending and an accurate baseline to build your programs.

To start, here are some questions you can look into:

- What level of visibility do you have into organizational spending today?
- Does this cover all spending channels (e.g. ERP payments as well as Pcard and Tcard payments)?
- Is what you have actionable, or does it need to be categorized to enable cost reduction initiatives to be scoped?

STEP 03

IDENTIFY AND PRIORITIZE THE COST-REDUCTION OPPORTUNITIES



Once you have established a comprehensive view of your current spend, it's time to identify and prioritize the potential cost reduction opportunities. This may involve analyzing spending patterns and identifying areas with room for improvement or consolidation.

Some questions to ask include:

- How and where can strategic sourcing drive cost optimization across the scope of expenditures?
- Are there any categories where spending can be consolidated across departments to reduce costs?
- Are there any areas of excessive or unnecessary spending that could be optimized?
- Are there any opportunities for strategic partnerships with vendors to drive innovative solutions and reduce costs?

By conducting a thorough analysis, organizations can identify key areas to focus on and prioritize cost-reduction initiatives based on their potential impact.

STEP 04

UNDERSTAND THE RESOURCES NEEDED TO ADDRESS THE OPPORTUNITIES



To effectively address these opportunities, organizations need to question the depth of their internal capabilities and whether they possess the necessary data, technology, category expertise, and resource bandwidth.

At this stage, questions you should ask include:

- What data analytics capabilities exist within your organization to support cost reduction initiatives? Is your current technology stack capable of providing the insights needed?
- Do you have the in-house expertise to analyze spend data, identify savings opportunities, and implement cost-reduction strategies?
- Considering the scale of potential savings opportunities, does your organization have the bandwidth to pursue these initiatives effectively?
- If upskilling or hiring is necessary to fill gaps in data analysis, procurement expertise, or project management, how long will it take to staff appropriately?
- How does the timeline for building in-house capabilities align with the priorities and objectives you defined in Step 1?
- Can your organization afford the delay in realizing cost savings while it develops the necessary competencies?
- Given the rapid pace of technological advancements and market changes, how will you ensure your team remains current and that your strategies are adaptable?

If you realize you have a staffing gap, engaging third-party consultants may seem like a solution to bridge this. However, consulting engagements often conclude with a list of high-level recommendations in a Powerpoint report. Organizations are left with the same problem as they started: they don't have the resources or the expertise to realize the value.

An expert procurement services and technology partner will accelerate time to value and maximize savings potential to ensure the organization's priorities are achieved.

The right partner will bring market intelligence, benchmark data, expert resources, enabling technology and execution bandwidth to rapidly create value for the organization.



SECTION 04

THE POWER OF PARTNERSHIPS: CHOOSING THE RIGHT THIRD-PARTY PROCUREMENT PARTNER

In today's fast-changing landscape, having a trusted partner who can act as an extension of your procurement team can add tremendous value to your organization. A best-in-class third-party procurement partner brings expertise, resources, and market insights that can help organizations respond effectively to market volatility and drive cost savings while maintaining operational performance.

A strategic alliance with a partner like LogicSource can be instrumental in enabling businesses to withstand market threats and hone a competitive edge.

LogicSource focuses exclusively on the sourcing and procurement of indirect goods and services, which typically represents the area of greatest spending inefficiency. Tested time and again in the marketplace, our engagement model builds profitable partnerships that achieve 4-20x ROI.

01

INCREASING EFFICIENCY AND COST SAVINGS

We place a laser focus on indirect expenditures, areas where costs can be reduced without impacting the quality of services or products that organizations deliver to customers. By optimizing these categories of spend, businesses can enhance efficiency and realize significant cost savings.

Our ready-to-deploy category expertise, onsite program management, and pre-built tools and technology help our clients accelerate time-to-value and realize significant bottom-line improvements. Partnering with us frees up valuable resources, allowing organizations to focus more on top-line business functions and strategic initiatives.

02

CUTTING THROUGH THE COMPLEXITY OF INDIRECT SPEND MANAGEMENT

LogicSource's unique approach to indirect spend management cuts through the complexity, rapidly identifying opportunities for cost savings and executing to realize the value.

With over 150 highly-focused indirect category experts in the market daily, we harness \$100B in pricing data to execute 20,000+ sourcing events annually. It's a level of cross-industry expertise, scale, and leverage that would be too cost-prohibitive for most internal procurement teams to achieve on their own. Armed with these insights, businesses can make informed decisions that boost bottom lines while maintaining operational excellence.

03

PROVIDING OPTIONALITY TO NAVIGATE ECONOMIC SHIFTS WITH EASE

Regardless of the economic climate, LogicSource provides businesses with the flexibility needed to manage indirect expenditures efficiently. When growth opportunities abound, LogicSource can help organizations invest wisely to fuel expansion. In periods of economic contraction, LogicSource's strategies can aid in cost reduction, enabling businesses to scale back spending without compromising financial health. We empower businesses with the optionality to adapt to market changes swiftly and effectively, ensuring sustained success in any economic environment.

By assembling proven and pre-built assets, including a world-class supplier ecosystem, sourcing and procurement Center of Excellence, and leading OneMarket Source-to-Pay platform, we execute rapidly deployable, customized solutions that deliver immediate savings and sustainable value.

Our fully transparent, investment-based model ensures you don't spend a dime until you see results. We begin all engagements with a **Mutual Value Assessment (MVA)**, a free, detailed evaluation of your current resources, processes, systems, and supply chain that allows us to come up with a clear, actionable roadmap to achieve substantial long-term value for your organization.

Get in touch with us to find out more, or schedule your free assessment with us [here](#).

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