



# ADDRESSING INDIRECT EXPENSE TO DRIVE REVENUE GROWTH

**Learn why increased sales revenue and indirect spend optimization are two sides of the same coin when it comes to improving an organization's financials.**

Businesses in today's economic climate are constantly performing a balancing act. The cost to do business is rising, driven by inflation, increased commodity prices and labor shortages that all combine to decrease profit margins. Businesses have responded with short-term measures to cut costs, primarily through headcount reduction -

**but is this enough?**

# TOP LINE REVENUE CONTINUES TO SEE DOWNWARD PRESSURE



## ECONOMIC PRESSURE IS REDUCING SALES VOLUMES

No matter the industry or market, sales revenue is slowing as customers withhold spending amidst fears of inflation. **According to McKinsey**, over 60% of customers are downgrading their purchases, while 44% have postponed purchases of non-essentials. Relying on sales alone to improve margins and spur growth will be a tough road for most businesses.



## CUSTOMER INDECISION OVER PURCHASES

Businesses can expect customers to take a longer time to buy, as the duration between decision and purchasing lengthens. Due to lower purchasing power and a greater number of options, the **buying process** for the average customer has become significantly longer. As business leaders adapt their sales engine to this new dynamic, they must look elsewhere to bolster margins.



## MOUNTING PRESSURE FROM TALENT SHORTAGES

The current labor shortage has made **hiring qualified salespeople harder**, along with other roles vital to the sales engine. Businesses will struggle to meet sales targets without good people at the helm, while also paying more to keep existing talent from leaving – and joining a competitor.

All this isn't to say that businesses should reduce their sales efforts – far from it. But to fully realize sales revenue gains, business leaders must keep operational costs reasonable without slashing the resources and people that made those gains possible. And they can do so by focusing on a commonly ignored cost category: **indirect spend**.

# FREEING UP INVESTMENT DOLLARS WITH INDIRECT SPEND OPTIMIZATION

Indirect spend describes the cost of goods and services that enable organizations to be in business - like Corporate Services, Facilities, IT, Marketing, Logistics and Distribution, which can typically equate to as much as **20% of a business's total revenue**.

While indirect expense is a necessary part of any business, spend in this area tends to be less visible, more fragmented and more poorly managed than an organization's direct product expense. This represents risk, because indirect costs can overrun without warning - especially in an inflationary cycle - but also opportunity, because cost optimization in this area can free up significant dollars for reinvestment.

## COMPANIES THAT SUCCESSFULLY ADDRESS INDIRECT SPEND HAVE SEEN:

**>3% PROFIT LIFT**

during and after indirect spend evaluations

**7-15% SAVINGS**

on average per spend category

**4-20x ROI**

within the first fiscal year





# GET STARTED ON INDIRECT SPEND OPTIMIZATION

Businesses could tackle the indirect spend challenge by themselves, but leaders looking to purposefully optimize indirect procurement for the long-term would be better served by a strategic partner like LogicSource. Unlike traditional advice-based consultants, we execute on behalf of our clients to make sure cost reduction value is realized, generating significant profit improvement and ensuring ROI.

## As an innovative leader in procurement services and technology, we provide:

### ✓ INVESTMENT-BASED APPROACH

Upfront investment in the form of a no-cost, no-obligation Mutual Value Assessment; a six-week deep-dive into your current spend and procurement practices. At the conclusion, we present a detailed partnership proposal – including sourcing strategies and benchmarks – outlining how we will deliver the proposed value.

### ✓ CATEGORY EXPERTISE

More than 120 dedicated and highly-focused indirect category experts from our Center of Excellence that live and breathe your indirect sourcing and procurement challenges, day in and day out, and come armed with the insights and data to drive innovation, best-practices, cost savings initiatives and more.

### ✓ EXECUTION-BASED MODEL

Engagements where we either take full control of your operations to achieve sustainable profit improvement, or join forces with your existing procurement teams to achieve best-in-class capability.

### ✓ MARKET INTELLIGENCE

A treasure trove of valuable data that includes access to \$85 billion in managed spend and pricing from across our client-portfolio, providing your organization with actionable market data and price benchmarks.

### ✓ SOURCE-TO-PAY TECHNOLOGY

A best-in-class, practitioner-built procurement technology platform designed to enable and automate the Source-to-Pay process in a single, integrated user experience.

### ✓ SUPPLIER ECOSYSTEM

A network of thousands of proven and pre-vetted suppliers, with preferred status to ensure competitive tension and below-market pricing.

**Reach out to learn how LogicSource can support your indirect spend optimization efforts and maximize the revenue impact of your sales initiatives today.**

**CONTACT US TO LEARN MORE**



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