PROCUREMENT COST REDUCTION: Value Creation Through Sourcing & Supplier Management

Why focus on procurement cost reduction?

Competitive positioning no longer resides with one's own internal capabilities, but rather with the relationships and linkages that the firm can forge with organizations outside their immediate sphere of control. Increasingly companies in diverse sectors of the economy, such as consumer products and retail, manufacturing, engineering, construction and financial services have concluded that for the foreseeable future it will be supply chains that compete, not companies.

To improve your competitive edge, ISCP Sourcing and Supplier Management (SSM) service line is designed to quickly assess, analyze and address the individual needs of its client base in orchestrating the increasingly complex networks of inter-company relationships.

Business Forces

- Competition
- Customer Focus
- Cost Containment

What types of benefits can be achieved?

Sourcing & Supplier Management excellence knows no industry barriers and offers a significant improvement to business profitability…typically 3% - 10% or more to the bottom line.

Other contributions include:
- reduced product time to market
- higher adherence to target cost/functionality
- 3-7% purchase price reduction per annum
- reduced inventory levels/quality problems
- improved factory/delivery performance
- lower asset levels due to core competence focus
- greater contributions from the extended enterprise
  …technology
  …market access/penetration
  …innovation
What is the basis of Sourcing & Supplier Management?

The goal is to improve overall operational efficiency while maintaining or enhancing service levels. By applying structured analyses to a company’s existing sourcing-related processes and policies, ISCS maps specific actions for achieving immediate tactical savings that improve cash flow. These savings can be used to fund longer term, strategic investments in transportation, logistics and sourcing improvement. Oftentimes firms manage individual suppliers or policies, but do not manage sourcing and supplier management from an enterprise-wide perspective.

When is Sourcing & Supplier Management improvement needed?

Competitive pressures from the market provide the strongest evidence of the need to improve sourcing and supplier management capabilities. Typical indicators include the following:
- Product cost targets are not met
- Savings programs fall short of expectations
- Difficulty consistently identifying and developing sources for key materials and services
- Product development efforts frequently plagued by delays and cost overruns
- Lengthy and costly negotiations with suppliers

What is the path to high performance Supplier & Sourcing Management?

Based on our proven methodology and SSM experiences, ISCS works with its clients to provide solutions to their most pressing issues and assist them in identifying and implementing significant reductions in material and service costs while enhancing service levels and revenue through a four-phase process:

- Rapid Opportunity Assessment
- Sourcing Capabilities Assessment & Spend Characterization
- Focused Improvement
- Implementation of Strategic Design Initiatives

Please contact Frank Wilhelm or Dick Keirnan to learn more about how ISCS
can help your company improve its sourcing and supplier management performance.