

Five Strategies to Achieve Tangible Savings with Strategic Sourcing

PART ONE



ProcureAbility

ADVISORY + TALENT YOUR WAY

Introduction

Today's economy presents a buyer's market across most spend categories. Goods are plentiful, and demand is weak; therefore, buyers can influence material and services pricing.

Most sourcing and procurement professionals experienced significant price increases from 2003 to 2008, yet many haven't renegotiated contracts or re-sourced spend to lower prices that reflect today's economic reality. The following chart includes a variety of category price decreases year-over-year for August 2009.

Buyer's Market: Act now or you may lose out

	Category	Aug. '09 Y-O-Y% Price Change*
Fuels	Crude Oil	-39.1%
Metals	Aluminum, High-Grade	-30.1%
	Steel Sheet, Hot-Rolled	-52.8%
Wood	Plywood Sheathing	-11.9%
Facility Services	Main. & Repair Construction	-8.5%
Manufactured Goods	Steel Pipe	-31.0%
	Wire & Cable	-10.6%
Transportation	Ocean Freight	-24.4%
Travel	Airfare	-11.6%
Hardware	Laptops	-23.5%

*These are just a few of the many categories that have dropped dramatically.
Y-O-Y Change: Year-over-year average percentage change

Those taking an aggressive approach to contract renegotiation and re-sourcing are helping their companies compete in the downturn. Others are challenged with overworked teams and multiplying demands and have yet to maximize their contract renegotiation and re-sourcing potential.

Don't leave savings on the table because you think it too onerous, costly, or time-consuming to renegotiate or re-source now.

Contact ProcureAbility

Learn more about how ProcureAbility's RAPID Sourcing program can help you deliver savings in just 3 to 6 weeks.

Five Strategies for Tangible Savings

ProcureAbility uses five tangible strategies to accelerate savings in weeks rather than months.

1. Understand and use supply market intelligence
2. Develop a robust attack plan
3. Use fit-for-purpose approaches
4. Aggressively manage in-flight sourcing activities
5. Plan for the future

This whitepaper is the first in a series focused on how ProcureAbility uses these strategies to achieve costs savings quickly with its RAPID Sourcing methodology.

The RAPID Sourcing Methodology

ProcureAbility's RAPID Sourcing methodology, based on a formal, fact-based approach, optimizes value creation quickly and delivers significant return on investment.

ProcureAbility targets and quickly reviews current contracts, renegotiating those that are most likely to yield savings. The process leverages in-depth supply market intelligence, innovative sourcing methods, and process breakthroughs.

RAPID Sourcing simplifies the sourcing process, as illustrated below.

Sourcing Timeline: ~~3-6 Months~~ 3-6 Weeks



FOCUS

Validate Opportunity

- Attractive spend
- Contractually available
- Competitive supply base
- Negotiation levers exist
- Requirements available

Prepare Bid Package

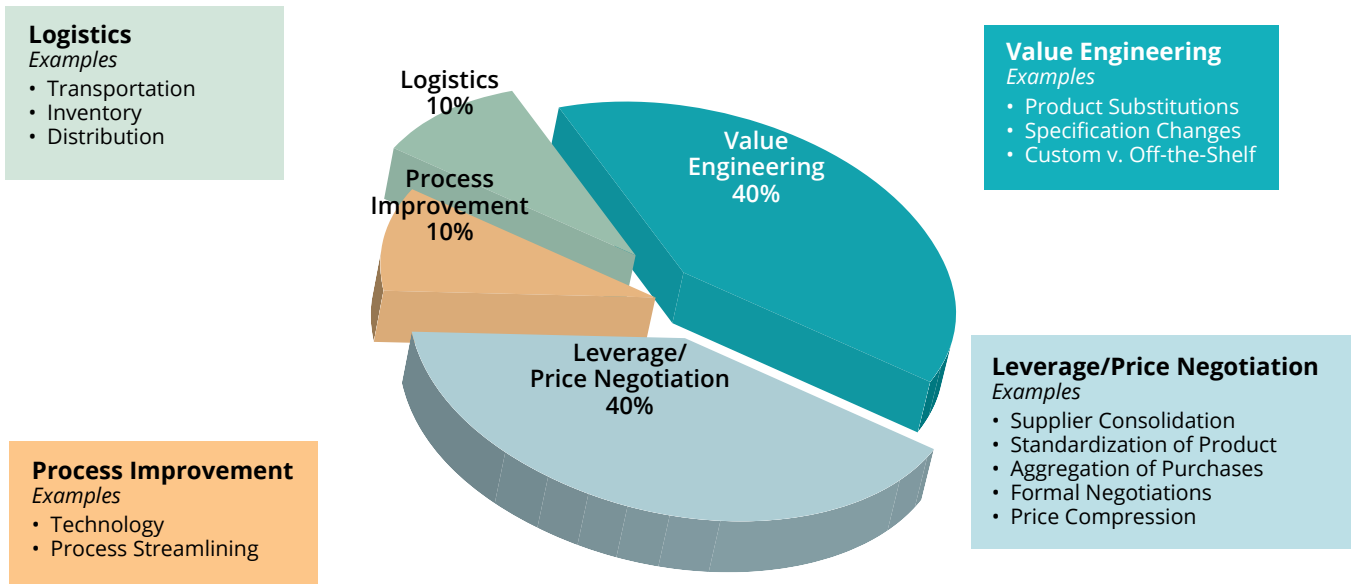
- Requirements
- Specs
- Pricing sheet
- Terms & Conditions

Competitive Bidding

- Conduct a qualifying round
- Online competitive bidding
 - Multi-round with feedback
 - Reverse auction
- Cost breakdown sheet

In addition to simplification, the RAPID Sourcing program focuses on logistics and leverage / price negotiation to deliver results quickly.

Typical Sources of Strategic Sourcing Savings



Typical RAPID Sourcing focus areas for accelerated results
(Some value engineering opportunities may be considered as well)

RAPID Sourcing targets categories by reviewing contracts that have included price-adders, premiums, surcharges, and index-based increases over the past two years. The process taps ProcureAbility's in-depth, category-specific market intelligence to support fact-based negotiations.

For example, fuel prices and surcharges have declined. Have you renegotiated your specific fuel and transportation category pricing according to decreases? Prices have decreased on raw materials, such as metals like aluminum, steel, and copper. If you purchase engineered products with a high percentage of metals-based raw materials, has your pricing decreased? Has it decreased in the correct proportion? Consider the future. As the economy recovers, your spend may increase, so explore tiered pricing.

Conclusion

Now is the time to re-source and renegotiate contracts that contain outdated pricing structures. This savings process can take weeks rather than months by using in-depth supply market intelligence with a simplified, focused, and targeted approach.

Remember, the pendulum will swing back, and suppliers will once again have market power. Protect those strategic supplier relationships; however, don't negotiate your suppliers out of business. The smartest cost reductions come from a fact-based approach to market realities and opportunities for both supplier and buyer.

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About ProcureAbility

ProcureAbility™ transforms traditional, outdated consulting and staffing models by offering our clients advisory and resource support on their terms.

Our delivery model is unique. We give clients access to unbundled resources, plus the ability to selectively add value through leading-edge methodologies, the latest best practices, and specialized insight and advice—an approach unheard of in traditional consulting and staffing firms.

ProcureAbility's customer-focused delivery model allows for a wide range of flexibility:

- **Working with strategic or tactical experts** who can deliver a wide range of solutions, from consulting to staffing
- **Scaling a team your way**, from individual resources to complete project teams
- **Adding value as needed** from a deep and broad library of procurement insights
- **Choosing remote or on-site support options** — or both

Since 1996 we've focused only on procurement's success. **It's all we do.**

For more information on ProcureAbility services, visit ProcureAbility.com or call **(888) 824-8866**.