

**INSIGHTS FROM PROCUREABILITY'S
Q1 2017 CORPORATE SERVICES INDEX:**
Benefits of Market Intelligence in Negotiations



PROCUREABILITY™ WHITEPAPER

1. INTRODUCTION:

Benefits of Leveraging Market Intelligence

A comprehensive, category-specific approach to market intelligence helps procurement professionals develop high-impact sourcing strategies, mitigate risks, and understand important market trends affecting their spend categories.

Sourcing professionals can leverage market intelligence in a variety of ways:

- *Reduce the cost of spend categories for bottom-line impact*
- *Increase budget accuracy and improve cost-savings planning*
- *Raise credibility with internal stakeholders*
- *Drive fact-based negotiations*

The power of fact-based negotiations cannot be underestimated. Knowing which spend categories are experiencing slower price increases than others and which ones are on the decline opens up awareness about which suppliers will be more receptive to price negotiations. Additionally, understanding margin movements over time provides insight into how much negotiating room certain suppliers may have.



There is just no substitute for data-driven preparation as you enter into supplier discussions or contract negotiations. Your supplier certainly knows what's moving their category, and so should you. ”

Sherry Barnes, Director, ProcureAbility

Each quarter, ProcureAbility™ publishes its Corporate Services Index (CSI), which is available to ProcureAbility Intelligence subscribers as well as those engaged in projects such as a Procurement Assessment.

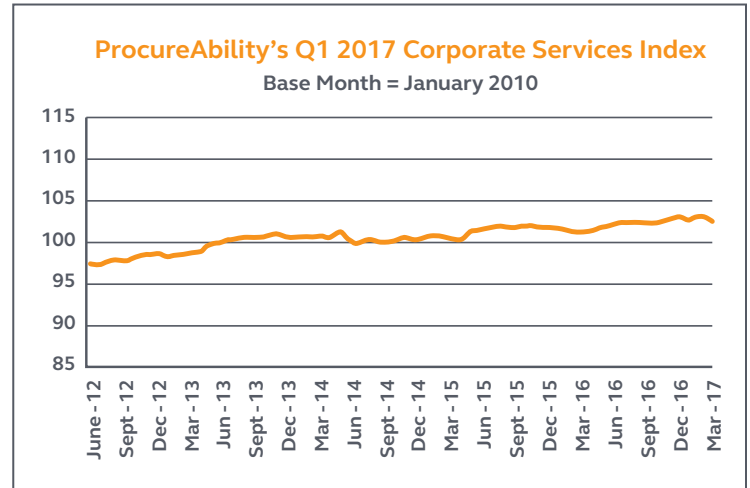
ProcureAbility's Market Intelligence analysts work hand-in-hand with advisors and consultants to add value to each engagement by ensuring that clients have access to the right data and insights—such as category-trending and supplier-specific data—when and where they need it.

Following are key insights from the most recent CSI.

2. PROCUREABILITY'S Q1 2017 CSI: Select Insights

Corporate Services Index: Trending Upward

ProcureAbility's CSI is comprised of a weighted cross-section of common corporate spend categories. This built-in variability generally reflects the trend direction of broad economic conditions and inflation. As such, the index as a whole has been trending upward for the past five years. The CSI posted an increase of 1.2% quarter-over-quarter (q-o-q) in the first quarter (Q1) of 2017.



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The CSI covers 14 of the 77 categories currently analyzed by ProcureAbility. This high-level publication offers a quick but comprehensive look at how prices for these categories are trending and why, based on the happenings in key cost and demand drivers.



SPOTLIGHT: Professional Services

The professional services index, a feeder into the overall CSI, has shown growth for the past 11 quarters when comparing year-over-year (y-o-y) data.

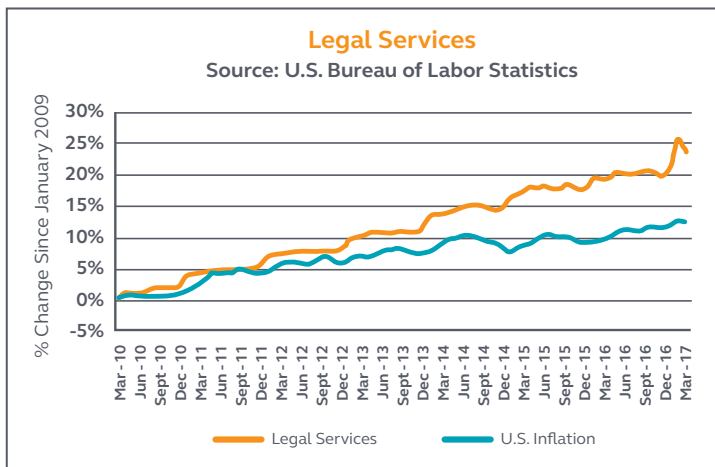
Professional services saw a q-o-q increase of 23.6% in Q1 2017, compared to a q-o-q increase of 14.0% in Q1 2016.



This is to be expected because the main driver of this increase is labor, which is the largest component cost within professional services. That said, most professional services component categories have increased in price and some are increasing at a rate greater than inflation.

Price Increases Greater Than Inflation

Legal services and healthcare benefits have been trading at prices greater than inflation for the past several quarters.



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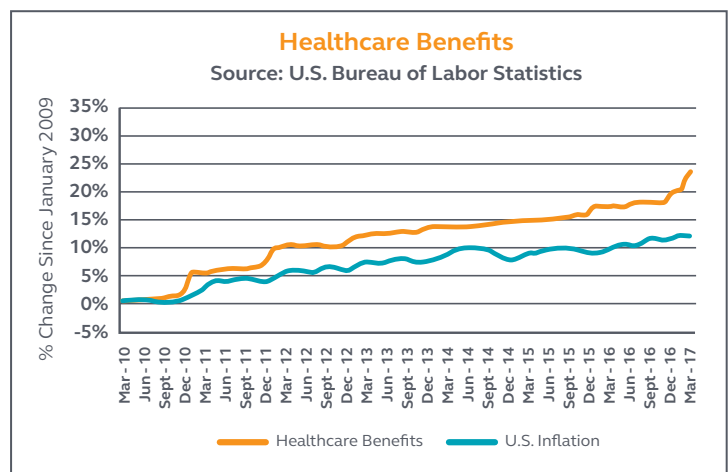
Legal services prices increased 2.9% q-o-q in Q1 2017. As legal services are consultative, their cost is driven by rapid economic expansion in various sectors including automotive, consumer goods, pharmaceutical, and healthcare. Additional

mandates for global regulatory compliance, coupled with an increasing need for legal advice on M&A and litigation cases, are expected to continue to support the segment.

Interest in offshoring as a cost cutter is growing, while law departments in the U.S. are bringing more work in-house and using legal process outsourcing to gain a deeper expertise in multiple content areas.

Traditional law firms are expanding their range of services to stay competitive. Large firms are focusing on M&A as a major strategy; smaller firms are concentrating on alliances, network expansion, and referrals to defend market share.

Improving economic conditions that lead to increased corporate activity and profits, and a rising volume of commercial transactions, are anticipated to drive legal services price growth in next couple of years.



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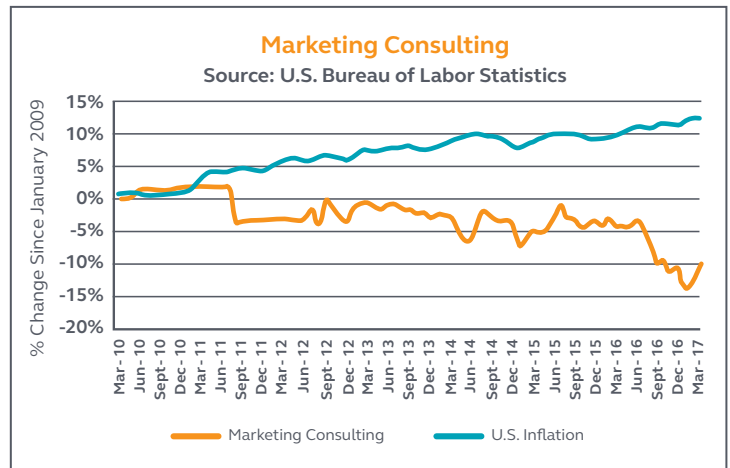
Healthcare benefit prices have increased steadily for the past five years. Regulation changes, first from the Affordable Care Act's provisions and mandates and now from the move away from the ACA, have been a constant driver of outsourcing of professional healthcare benefits management.

According to research from the Society for Human Resource Management, the average deductible for a preferred provider organization (PPO) health plan in 2017 increased more than 8% for individual coverage and 9% for family coverage compared with 2016 plans.

After several periods, this relentless upward cost expansion has had some interesting effects. For instance, PPO plan average deductibles are now only a couple hundred dollars below the IRS thresholds for a plan to be considered a high-deductible health plan (HDHP). As such, “traditional” health coverage through a PPO plan still carries lower deductibles and higher premiums than a typical HDHP, but the distinction is becoming less clear.

Favorable Price Trend

Marketing consulting prices are trending down. This might largely have to do with the way the Internet has changed business by providing both a larger labor pool and greater price transparency. As the number of vendors available for this category increases, price competitiveness in the market drives down cost. The marketing services area is characterized by restricted price movement with thin margins, as well as intense competition in a consolidated market, creating downward price pressure for suppliers.



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“Marketing services are down 9% year over year.”



3. CONCLUSION:

Strengthen Your Negotiation Position, Know Category Price and Margin Movements

This may sound odd at first, but it doesn't really matter which direction prices are moving: information powers procurement strategy and supplier negotiations. Having a detailed analysis on a category that is a main component of your cost structure allows you to be better prepared to effectively manage that category and get in front of directional changes.

Knowing which categories are increasing in price more slowly than others or which ones are generally declining helps you understand which of your suppliers will be more willing to negotiate on price. Additionally, understanding margin movements over time gives you insight into how much room your supplier has to negotiate.

There is just no substitute for data-driven preparation as you enter into supplier discussions or contract negotiations. Your supplier certainly knows what's moving their category, and so should you. It's the best thing you can do to level the playing field.

ProcureAbility's detailed category reports include information on industry margins, key cost and demand drivers and their cost trends, as well as applicable knowledge that helps you to be more effective in today's negotiations while getting a heads-up about what's coming tomorrow.



MARKET INTELLIGENCE

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Get a **FREE trial** of ProcureAbility's Q2 2017 Corporate Services Index!

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PROCUREABILITY ASSESSMENTS

Leverage our category-specific intelligence in a procurement assessment.

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ABOUT PROCUREABILITY

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

Our delivery model is unique. Clients have 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:

- **Work with strategic or tactical experts** who can deliver a wide range of solutions, from consulting to staffing.
- **Scale a team to fit requirements**, from individual resources to complete project teams.
- **Add value as needed** from a deep and broad library of procurement insights.
- **Choose remote or on-site support options**—or both.

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

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