

The added value of professional purchase by suppliers



Agenda

- Introduction: the importance of professionalizing purchasing
- Propositions based on the survey
- Cornerwork: Exercise in portfolio thinking from the viewpoint of your most important customers

Introduction

- More and more accent on supplychain optimization
→ relayrace as a metaphor
- **Outsourcing** importance for professional purchasing: selecting, driving and developing suppliers
- More and more pressure: quicker, better, cheaper impact on competitiveness!
- And also more external dynamism (eg. globalisation ICT developments, issues within the society)

Treacy & Wiersema



- Operational Excellence → Superb operations and execution. **Focus on efficiency**
- Product leadership → Strong in innovation and brand marketing. **Focus on development**
- Customer intimacy → Excellation in customer attention and service. **Focus on Customer Relationship Management**

Is purchase important for NEVAT membercompanies?

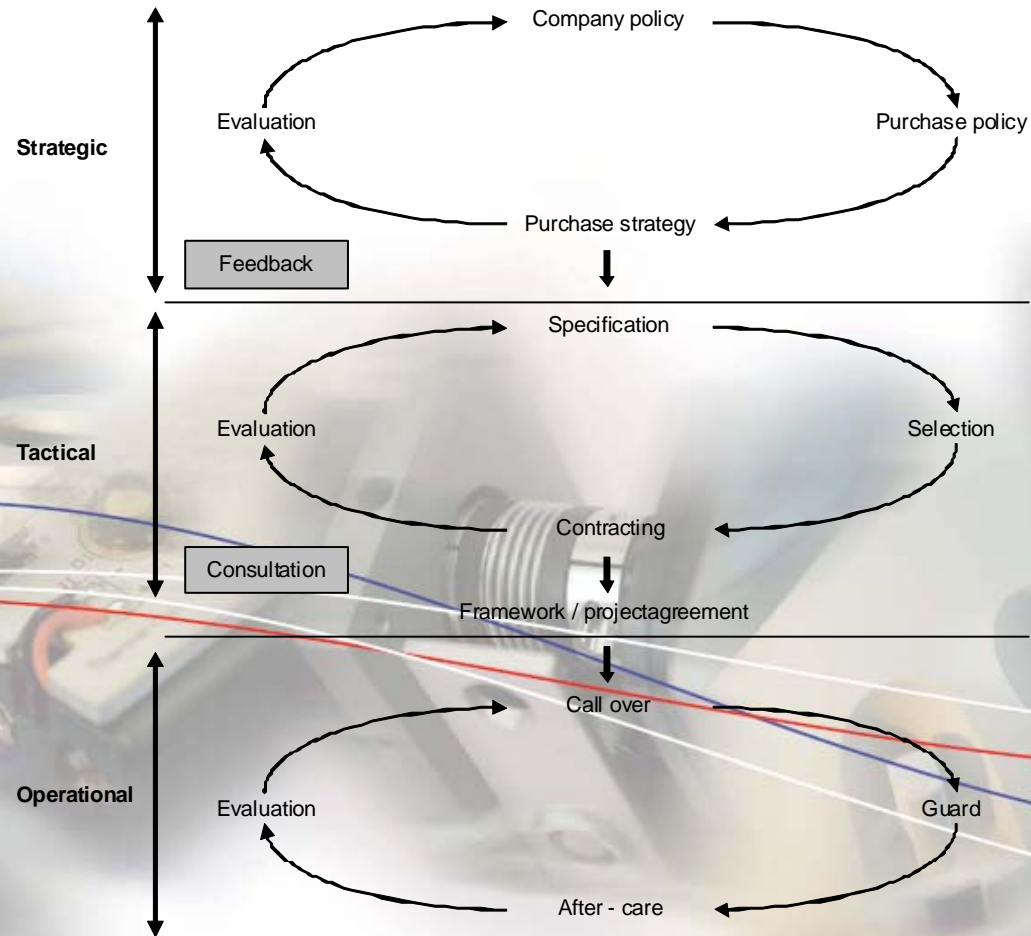
- Response to survey: 69 member companies
- Of which 22 “front runners” with characteristics:
 - Purchase is of strategic importance, **AND**
 - Purchase is a broad accepted function within the company
- Purchase as a % of the turnover: **54%**
- Stock as a % of the turnover: **14%**
- Increase of profitability at 1% lower purchasingcosts : **3%**

Management topics

% Answers by NEVAT-members with a high score

- 64% Relationship with (most) important customers
- 60% Costs
- 46% Level of stock
- 39% Logistical flexibility
- 29% Relationship with (most) important suppliers
- 27% Globalisation
- 27% Supply chain
- 20% Knowledge development
- 8% Corporate Social Purchasing

Strategic, tactical and operational purchase cycle



Characteristics of companies

leading in purchasing (Source NEVI)

- Purchase integrated part of the company strategy
- Broad range of purchase strategies
- Classification of suppliers
- Partnerschaft developed in a formal way
- Possibilities e-procurement used
- Processes with suppliers integrated
- Benchmark for continuous improvements

Agenda

- Introduction: the importance of professionalizing purchase
- Propositions based on the survey
- Cornerwork: Exercise in portfolio thinking from the viewpoint of your most important customers

Proposition 1

Purchase generates more than 50% of your turnover, customersatisfaction, logistical flexibility, profit, etc.

So treat it is as a strategic tool

What did our members say?

% NEVAT-membercompanies that state there is a strategic plan, including benchmarks and monitoring:

	<u>Entire NEVAT</u>	<u>Frontrunners</u>
• Organisational policy:	72%	91%
• Purchase policy:	40%	73%

Proposition 2

With ordering you don't win from your competition.

The importance of purchasing is in a good strart of the purchasing proces.

So give it all your attention!

What did our members say?

% NEVAT-member who state that this activity is being carried out allways by their pruchasing department (or on a regular basis)

	<u>Entire NEVAT</u>	<u>Frontrunners</u>
• Ordering	86%	86%
• Negotiating	80%	100%
• Marketresearch	52%	90%
• Specification and strategy	39%	76%

Development purchasing

- Strategic, integral part of company policy
- Personal skills more important
- Increase of better (higher) educated buyers
- Hardly any difference in profiles between sectors

Profiles of buyers

- Larger part higher educated (Bachelor / Master)
- Knowledge of organisation activities/processes
- Well educated in purchase
- Solid knowledge of the purchasing proces and purchase strategy
 - marketanalysis
 - supplierstrategy
 - selection and tendering
 - contract- en relationship management
- Proces manager
- Change manager

Purchase is a craftmanship.

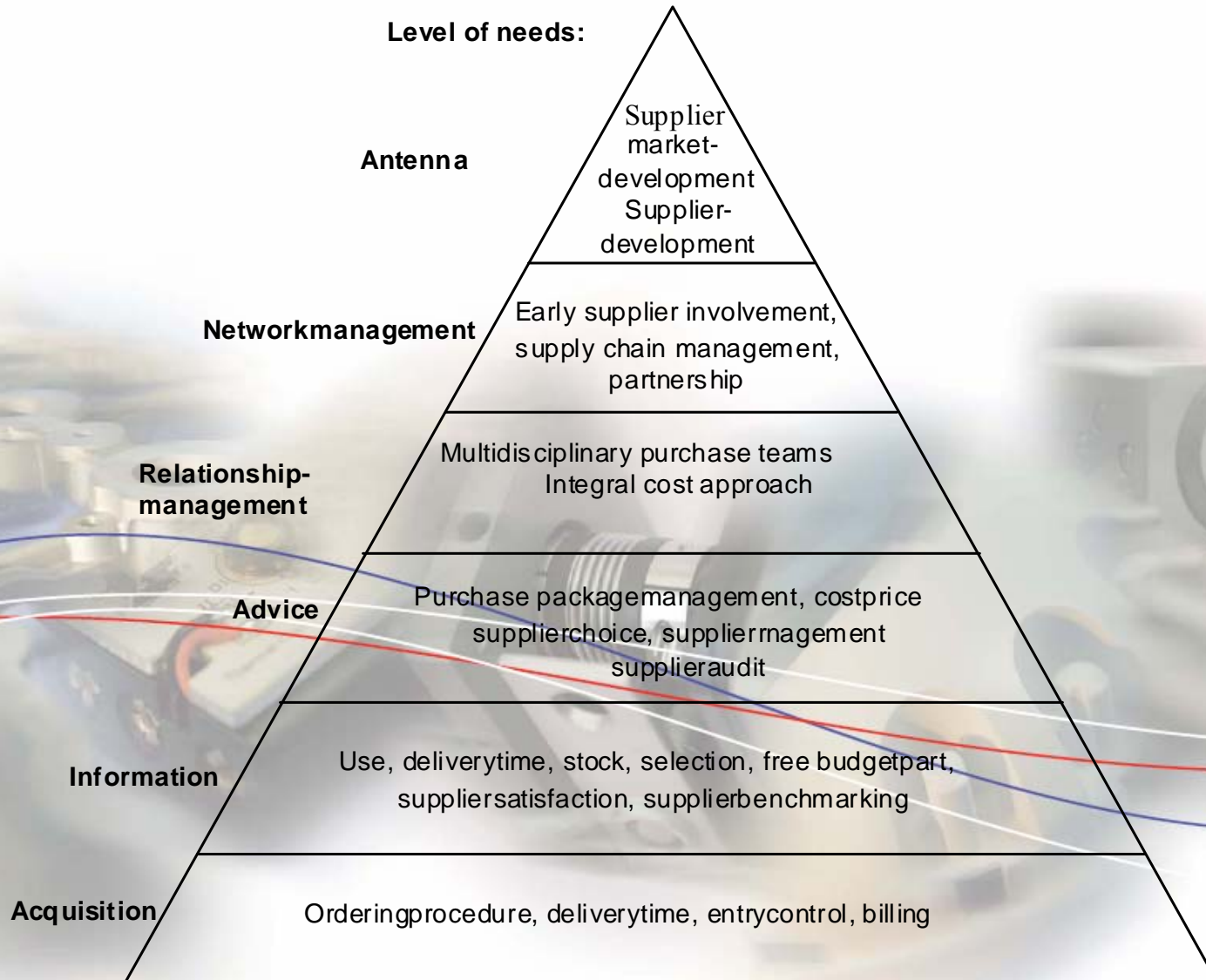
Because of the importance of purchasing you look for well educated people from the right level with sufficient experience.

What did our members say?

% NEVAT-members stating what the average level of purchase education or experience in years is

	<u>geheel NEVAT</u>	<u>Frontrunners</u>
• Not or basic	40%	11%
• NEVI 1 (medium)	30%	37%
• NEVI 2 of 3 (higher)	30%	53%
• <10 years experience	65%	40%
• >10 years experience	35%	60%

Level of needs internal customer



Proposition 4

For purchased development all your staff is necessary.

3% of your organisation is/are buyer.

The other 97% recognize the importance of purchasing.

What is purchasing according to our members

% NEVAT-members that state how they look as internal customers to their purchasing department

	<u>Entire NEVAT</u>	<u>Frontrunners</u>
• Ordering	37%	5%
• Contracting	23%	25%
• Specification / selection	27%	45%
• Strategic	13%	25%

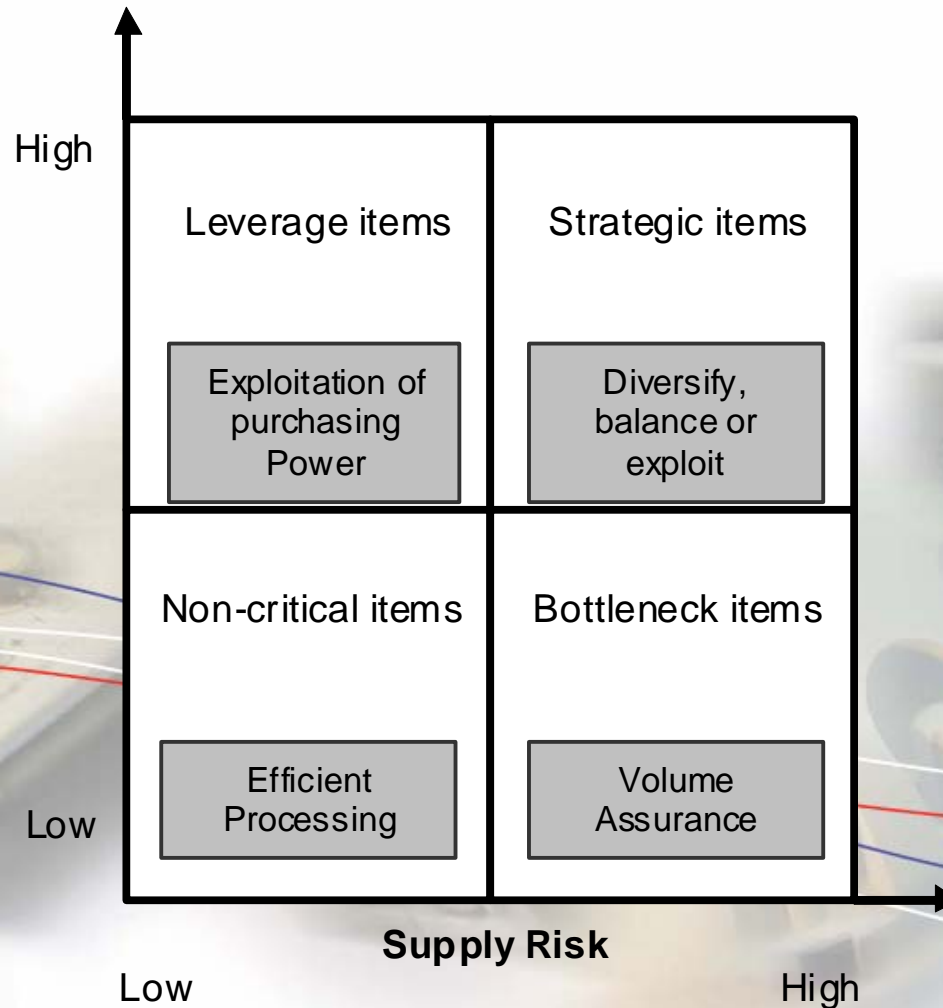
Trends in supplier management (Robert M Moncska)

- Continuous decrease of number of suppliers
- Increase in consolidation of the purchase volume
- Long term contracting will keep on growing
- More attempts to improve supplier performance

Four basic strategies for supplier relationships

Kraljic portfolio

Profit
impact

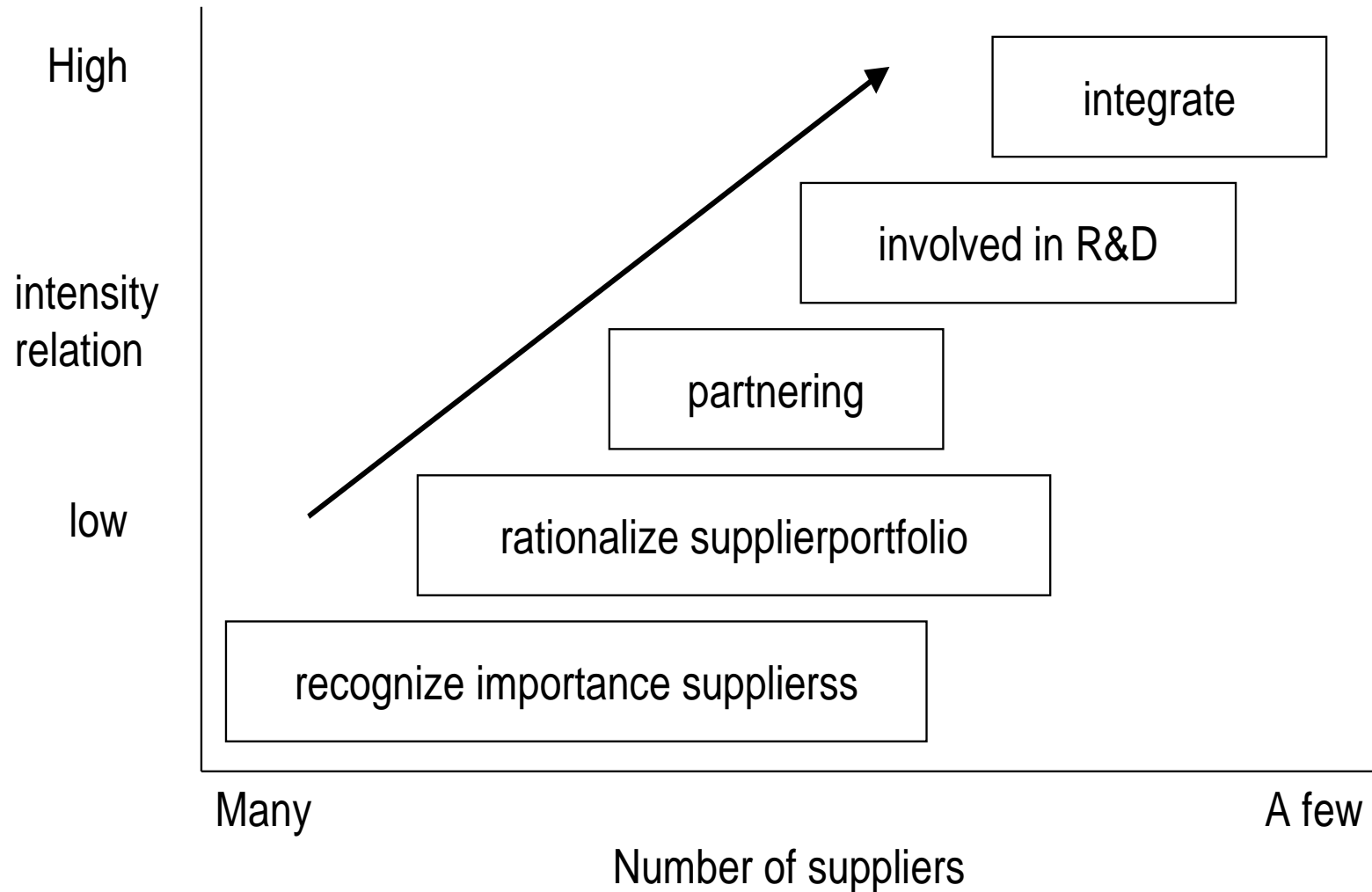


Supply Risk

Low

High

Growthmodel for partnership



Proposition 5

Your suppliers could be your competitive power.

You look for good purchasing tools, market research and supplier management to be sure you've got the best suppliers.

What did the NEVAT members say?

% NEVAT-members stating this activity is being done by the purchasing department (ir)regularly

	<u>Entire NEVAT</u>	<u>Frontrunners</u>
• Portfolio	33%	50%
• Partnerschip	31%	45%
• Vendorrating	27%	45%
• Market analyses	29%	55%
• Call contracts	45%	70%
• Performance contracts	4%	5%

Summary

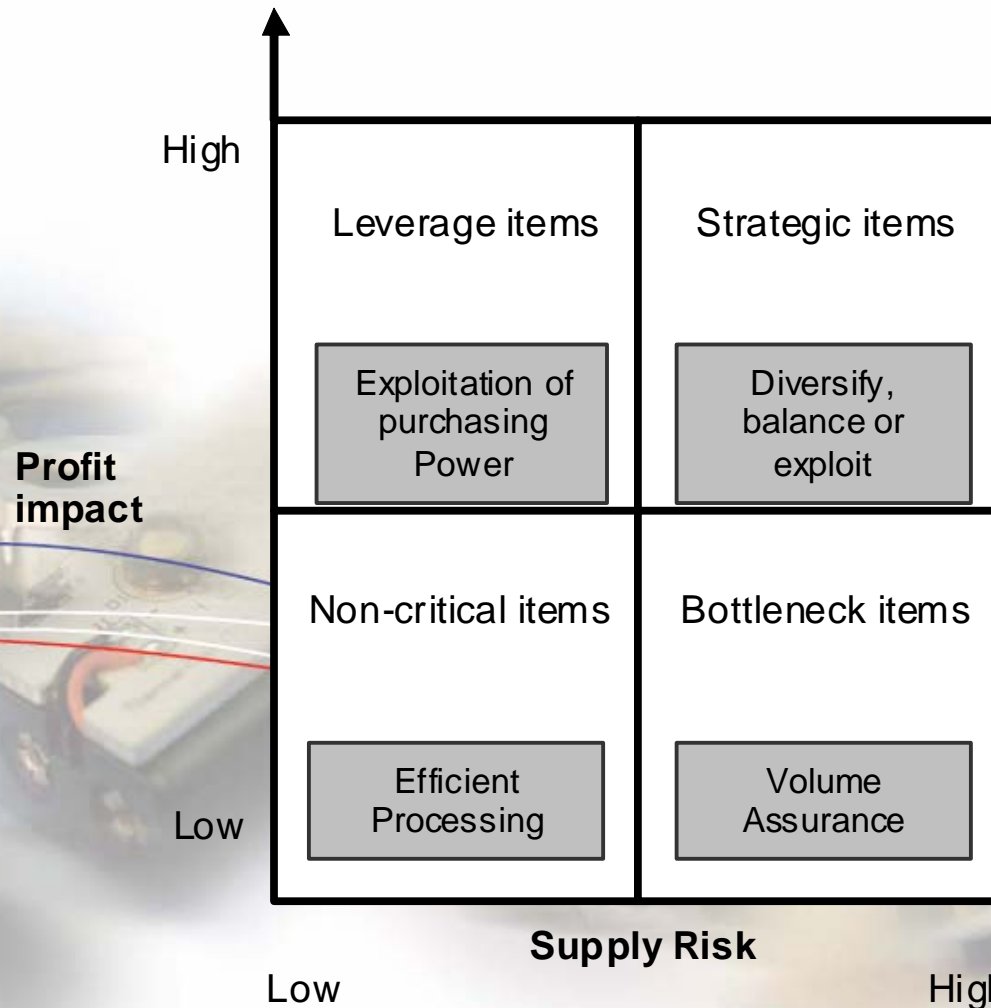
NEVAT frontrunners do have:

- More often a strategic purchase policy
- More attention for tactical/strategic purchase activities (eg. market research)
- More purchase staff with a relevant education and extensive “on the job” experience
- More often the idea that internal customers add a tactical / strategic contribution to the purchase function
- But still have to do a lot in the field of strategic supplier management

- Introduction: the importance of professionalizing purchase
- Propositions based on the survey
- Cornerwork: Exercise in portfolio thinking from the viewpoint of your most important customers

Positioning of your most important customer in the Kraljic matrix

Chose a corner



On the move

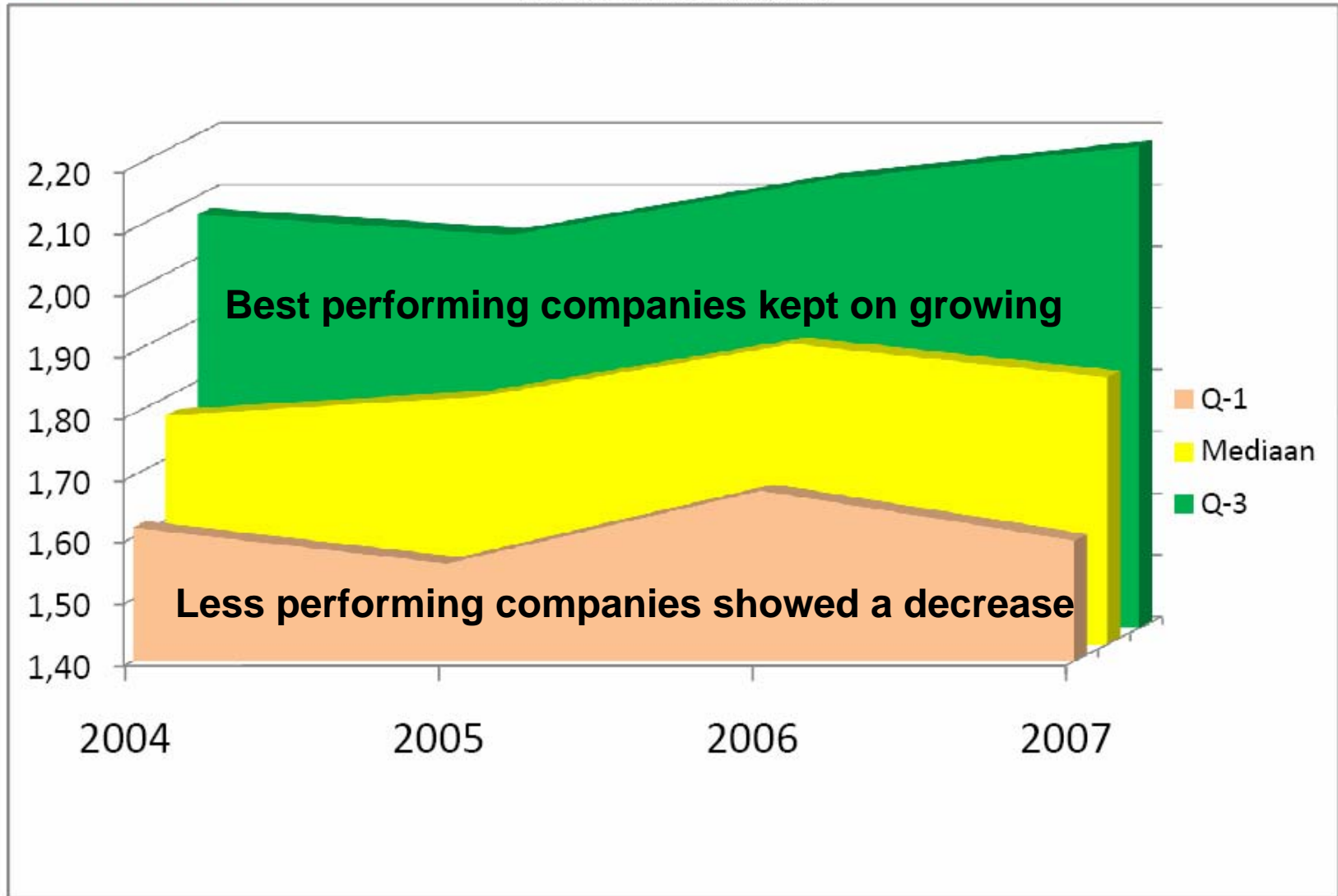
- You belong expressed in money to an important part of the relevant productgroups at your most important customers: **move up.**
- If your deliverance performance is not well, than it bothers the customer of your customer when it not solved: **move right.**
- If you stop, your customer needs more time to find another supplier: **move right.**

Finally: Are NEVAT members doing better?

% NEVAT-members stating business is going better or much better than the previous year

Entire NEVAT Frontrunners

• Logistics	33%	50%
• Savings	38%	50%
• Quality	35%	40%
• Growth	20%	40%



Is your customer
satisfied with your
purchase
performance?!?!

