

## Why Indirect Procurement

Many organisations put their futures at risk by failing to control external expenditure on indirect goods and services.

According to the Chartered Institute of Purchasing and Supply (CIPS) organisations will typically spend between 30 and 80% (percent) of total turnover, depending on their sector, on the procurement of goods and services. Therefore effective Procurement of these is a prime target for cost reduction.

This simple example illustrates the point. Assuming a company with revenues of £10 million and a net profit of 5% i.e. (£500,000) has an external procurement spend of £5 million. A saving of just 5% on this would equate to £250,000 and would increase the company's profit by 50%. Improvements on indirect purchasing will have a direct impact on the bottom line and on service and reputation.



Often senior management in organisations don't know much they spend on indirect procurement or which suppliers they use or how effectively they are managing indirect spend. In a 2007 survey carried out by Nelson Hall fifty-six percent (56%) felt they were failing to secure cost-effective indirect products and services, while fifty-four percent (54%) thought they struggled to manage the volume of suppliers they have for indirect procurement. Importantly, more than half of the procurement departments were under pressure to cut indirect budgets and lacked the in-house resource to manage indirect spend. This highlights the immediate need for experienced indirect procurement manager or consultant, that can come in and "hit the ground running" providing real time value.

It is often the case that indirect procurement goes unmanaged, with the buying being carried out locally by the stakeholders or other support functions, with no strategies, processes, management or direction. Indirects can be targeted for "quick-wins" can yield initial savings of typically 15-25% but often up to 60% dependant on the category of spend. Further reductions can be achieved on a longer term basis through the creation of best practices such as category management, strategic sourcing and e-procurement. Procurepro can achieve these savings for you and imbed them with your organisation.

A 2009 survey by YouGov (Supply Management July 2009) of more than 1,300 companies found that more than a third had taken no steps to save money. This was despite 84 per cent recognising cost savings could be made. Companies stated lack of time and insufficient resources as the major causes of companies failing to focus on cost cutting measures. This is where procurepro can help

Without effective procurement expertise to co-ordinate the indirect procurement of goods and services, organisations can lose their way, costs spiral out of control, customers are let down and the reputation of the organisation is damaged.

Procurepro has extensive experience in procurement interim management, consultancy, transformation and sourcing. Whether it is a full time interim manager, a consultant or even just a review of your exiting spend or procurement function procurepro can bring its extensive experience to your organisation to add value immediately. procurepro has proven track record in designing and assisting in recruiting procurement functions for organisations.



**procurement: consultancy, interim management, sourcing, transformation**