

# Develop your procurement strategy in 8 steps.

When it comes to developing a procurement strategy, there are many things that need to be considered but as a starting point, we can break down the key areas into eight simple steps:



## 1 Analyse expenditure.

The starting point of any procurement strategy is about understanding where the current spending culture is within the organisation. This requires gathering information from stakeholders within the organisation, suppliers and anyone in the purchasing departments of the organisation. You want to develop as much as a picture as possible in understanding where the money is currently being spent and how much.

This information goes on to serve as the foundation of your procurement strategy. It gives you insight into what kind of expenditure can be cut and what you can expect from your new relationships moving forwards.

## 2 Identify needs.

Understanding your organisational goals are essential but in procurement strategy, it must be clearly aligned to those goals. An honest appraisal of the needs of the products or services currently being purchased must be taken into account.

Simply asking “what if” is a big part of this process. Challenging the status quo will help reveal the areas where money can be saved and where relationships can be developed for better cost savings in the long term.

## 3 Study the market.

Understanding not only your organisation, but what the current marketplace looks like, is essential in a procurement strategy document. Having a complete overview of the current market conditions is key to developing a strategy that helps to not only reduce costs but also establish better working relationships with suppliers based on the needs that the marketplace is creating.

Because external environments can change so rapidly it is important to keep the information of your marketplace constantly up to date, analysing what is making the biggest changes and subsequently changing your strategy to suit.

## 4 Set objectives.

Being able to have all the information from the prior steps, which include how your organisation is spending money to market opportunities will help you develop your objectives.

However, you need to make these objectives realistic. You need to identify your requirements and in turn, rank these so that you can develop a strategy that suits your organisation and not one that is simply from a standard template.

## 5 Implement procurement guidelines.

Once you have studied your market and set your objectives you must establish a list of practices to develop your current procurement process.

What are the current guidelines that your organisation has? Does it have any? Based on the information you have collected in the previous steps, you can adapt the procurement strategy to the current needs of your organisation.

If your organisation doesn't have any guidelines, this will be the first one that needs to be created, naturally, there will be things that you will have missed however – the guidelines can be updated and should be as soon as is feasible.

These must be used by everyone in the organisation and understood by all stakeholders to ensure that the strategy can be implemented without issues.

## 6 Use a tool.

Manually ordering the same items or services can lead to human error and in turn, cost a lot more both in time and money. But using procurement software tools, portals and platforms helps to not only improve productivity but reduces human error which is also associated with inefficiencies is the obvious steps forward.

What a procurement tool will do is effectively streamline the process, reducing time, avoiding costly errors and lower overall costs by channeling purchases to approved suppliers and pre-negotiated contracts.

## 7 Set up and execute the strategy.

When setting up your procurement strategy it is best to create a set of rules that are S.M.A.R.T. This will tie together not only the procurement strategy but also the strategies that will be used to achieve them.

- Specific,
- Measurable,
- Attainable,
- Relevant,
- Time-based.

Once this has been set up you can then go on to build better relationships with suppliers to help reduce costs, improve delivery times and even focus on strategic procurement rather than administrative tasks that take up a lot of time.

## 6 Tailor the strategy to your needs.

Finally, once you have created your strategy it is about understanding where it works and where it can be improved. You can develop your procurement strategy once you have tracked and measured how it is currently working in your business.

A discussion can then take place between all departments and stakeholders to establish what is working and what can be improved.

At eXceeding, we see procurement as a critical business process that must evolve with your organisation, not just a support function. Our expert procurement consultants will help you deliver greater value, maximise growth and improve business performance.

For more information or guidance, [speak to us today.](#)