

6 easy and short-term actions to reduce your costs in procurement.



1

Renegotiate Existing Agreements.

- Have you looked at the existing contracts your organisation has with the agreed supplier base?
- Do you do regular audits to see what terms and agreements you have?

It could be that the pricing model has become uncompetitive and therefore you can renegotiate the existing agreement to suit both parties. Furthermore, you could develop a volume-based model where a discount is applied based on how much you purchase.

Opening up discussions with your suppliers can lead to positive changes as well as a discussion about how you are monitoring the cost savings that are required by your organisation.

2

Challenge specifications.

- How often do you ask questions like, “do we really need this?”

The answer you provide to this question will help you to understand the impact of the specifications you have set for yourself as an organisation in procurement.

- Is the supplier giving you too much of one product as part of a wider purchase order which in turn creates waste and additional costs which can be avoided?

It could be that you only have one supplier in mind, however, your requirements are based on expected performance or outcomes allow for increased competition by a broader range of suppliers/solutions which can not only meet your actual needs but reduce costs at the same time.

3

Eliminate unnecessary spending.

One of the terms that procurement managers will use a lot is “eliminate maverick spending” which means spending outside of either the procurement channels or outside of agreed contracts. This will mainly occur where the purchase is outside a centralised procurement system, for example, travel costs for sales staff, or technical buys specified by technical teams. These costs can run outside of the budget set by departments and department heads.

To combat this, developing greater visibility to highlight uncontrolled spending is the key. Purchase requisitions to e-catalogues can be developed to stop more incidences of maverick spending.

4

Challenge operational costs.

When you manage and negate poor planning, you can reduce the number of wasted resources that are going into administrative operations. As such, you can develop systems that take account of operational costs from the very beginning and over time reduce the waste that is taking place within procurement areas of an organisation.

One example is where emergency procurement is made to fulfil a requirement. This is usually more costly and can incur other costs such as transportation, higher purchase prices and even additional taxes. By creating simple, streamlined processes, you can reduce transactions, the amount of time taken by staff and automate documentation in return lowering costs.

5

Review uncompetitive suppliers.

Another quick cost reduction in procurement comes down to the approved suppliers you have selected. If you use a process of benchmarking who are the most cost-efficient suppliers, the most on-time with deliveries and even those who have the most capacity to fulfill your requirements with desirable contract offerings through volume purchases then you can begin to review your total supplier base and make the necessary adjustments to either re-establishing better trading terms or, removing them altogether.

Actively managing your suppliers is a way to understand who works better and those who don't, based on your requirements. By minimising the number of suppliers, you create a more agile and efficient procurement process.

6

Use existing data.

Based on the MI (Management Information) software that you use, you can gather timely information and discover many of the issues we have already identified. Analysing past purchases and supplier performance can be a great benchmark to highlight opportunities and re-negotiate contracts to facilitate cost-saving measures.

At eXceeding, we can help businesses get to grips with their procurement processes helping to create a cost-efficient system as well as streamlining processes saving time and reducing human error in this field. With over a decade of helping organisations to succeed, eXceeding is well positioned to help you and your organisation.

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