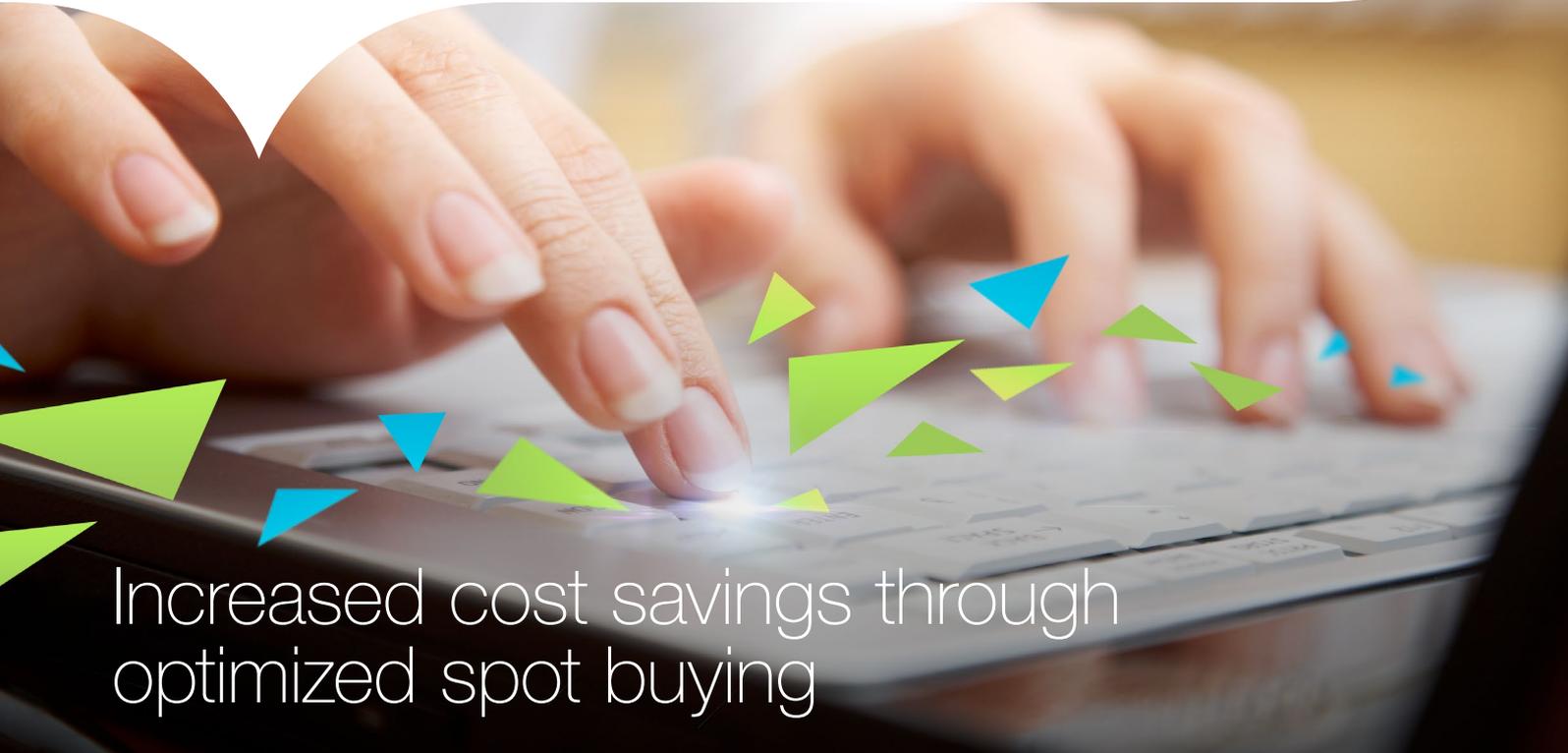


Taking control of tactical purchasing



Increased cost savings through optimized spot buying

There is undiscovered potential in applying best-practice spot buying techniques and state-of-the-art applications toward tactical purchasing within indirect spend.

Almost half of all indirect spend is unplanned.

Tactical purchases

Most often tactical purchasing is a cumbersome, inefficient process that involves a high number of purchase requests that have to be managed manually. It often involves off-line processes such as calling suppliers to request quotes, and purchases are often made on a pick first basis to get the order through quickly. Tactical purchasing also leads to a large amount of indirect spend not being captured in an organization's eProcurement system or captured solely via free text order. Due to its very nature, tactical purchasing is inefficient, difficult to manage and often made on last-minute decisions. A lack of resources and ambiguous specifications from the ordering stakeholder can further complicate matters.

Tactical purchasing accounts for 42% of indirect spend within organizations but is often not well managed. The typical purchasing categories are one-time buys, medium value and complex buys, and the procurement of services.



Low value for money

Lost cost savings are often the consequence of tactical purchasing through a number of resulting inefficiencies. As decisions on purchases are made quickly, the organization loses out on savings it could leverage through competition by choosing the optimum supplier. Use of free text orders or off-line processes results in incorrectly registered spend and inefficient invoicing, which in turn leads to time consumption, lack of resources and inadequate spend visibility. This can also have a direct impact on ongoing business operations if purchases or services cannot be delivered on time.

Last-minute challenges

In general, tactical purchasing is last minute and therefore reactive. Decisions have to be made quickly on the basis of balancing potential cost savings and stakeholder satisfaction. There is often a sense of urgency, orders have to be rushed through while commonly requested items and services are not available in catalogs. Lack of proper specification by the individual or department placing the order, and unclear internal policies, lack of flexibility within the organization and lack of sufficient software to manage the process mean it is typically under-managed.

Optimized spot buying

To optimize tactical buying, changes in process, policy and organization are definitely required. In today's digital world, utilizing the correct digital spot buying tools is also essential in streamlining the process and creating cost savings, and is considered best practice.

Many organizations choose to have their tactical buying workload managed centrally by a center of excellence or shared service center organization, separated from the strategic sourcing team. Spot buying applications help organize the process. They usually enable the tactical buying desk to apply a triage process to sort incoming purchase requests based on value, complexity, location, category and criticality to determine how they are handled.

Spot buying applications have well-designed and category-specific purchase request forms that are built into the employee self-service procurement portal. These forms ensure orders are placed in an unambiguous way by requesters. Integrated messaging boards also help to facilitate structured communication between the requester and supplier.

Procurement departments can also use spot buying applications to leverage competition through bid-based renegotiations with contracted suppliers. In the upper value segment of tactical spend spot buying applications provide access to online reverse auctions used to increase competition and gain cost reductions.

Spot buying applications also help ensure policy compliance and increased transparency, as all activities are auditable. The tactical buyer gets guidance in the supplier selection process through the application of category strategy with clearly predefined value thresholds, RFX strategy and a list of preferred suppliers.

For tactical procurement shared service centers, service level agreement lead time is one of their most important KPIs. Spot buying applications enable access to reports and analytics to measure and optimize lead time throughout the process.

Driving change

Change management is necessary to achieve transformation, and it involves careful planning and implementation. However, change cannot be enacted in today's digitalized world without the correct software.

State-of-the-art spot buying applications can enable an organization to get more value from its suppliers, cut lead time in the tactical buying process, and increase control and transparency of spend categories that otherwise are difficult to capture digitally.

Spot buying applications can also help procurement managers increase internal stakeholder satisfaction with measurable lead time improvements and enhanced productivity within the tactical purchasing team thanks to better utilization of team resources.



For more information please contact us at: ibx.global@capgemini.com



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Connecting over 360 large buying organizations, 550 000 suppliers and providing services in more than 140 geographies, the IBX Business Network is a Cloud-based, ERP independent, e-Procurement platform that optimizes user-experience, enables superior spend management, while exacting lower total cost of ownership. Part of Capgemini's BPO portfolio, the IBX Business Network is a complete ready-to-run procurement service that supports the entire closed-loop Source-Purchase-Pay process, resulting in lower costs and faster ROI, increased spend visibility and transparency, increased control and compliance and improved supplier quality.

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