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Risk Free Cost Reductions

Strategic Sourcing of Indirect, Non-traditional Spend Categories

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For many Sourcing organizations, especially those in mid-market companies, being involved in Strategic Sourcing of Indirect Spend categories is still relatively new.

- Many manufacturing companies which have historically had Sourcing organizations focused on Direct Material and Capital Equipment purchases may not have the staff or the correct Subject Matter Experts to get involved in negotiating and managing Indirect Expense categories.
- Sourcing organizations may not even exist at other companies--namely those in financial services or other service industries.
- In companies with established Sourcing, the available resources are typically focused on the largest spend categories and many smaller categories may go unaddressed.
- Non-traditional expense areas can often be identified through spend analytics.
- At all companies, there may still be some categories that remain off limits to Sourcing such as:
 1. Human Resource categories such as Rx Drug Benefits, Employee Relocation Services and Household Goods Moves costs
 2. Telecom and other IT categories
 3. MRO – Maintenance Repair Operations
 4. Marketing Expense and Services
 5. Insurance
 6. Energy and Transportation
 7. Legal services
 8. Travel Management
- Many of these unaddressed or so called “non-traditional” sourcing spend categories are negotiated and managed by end user organizations that know what they need but may not know industry market pricing or have the skills and tools required to get the best deal possible from suppliers.
- Providing a high level of influence and performance in non-traditional spend categories will require subject matter expertise and skills beyond the traditional negotiating skills. Strategic thinking and analysis, project/program management, data analysis and modeling, change management, problem solving and relationship management are key business skills for Sourcing professionals.
- These nontraditional spend categories have been harder for Sourcing and Procurement to penetrate. By gaining access and being involved in these categories, Sourcing can help the

businesses user group discover and drive supplier innovation early in the process, reduce prices and other costs, manage and reduce supply risk, and help improve the profitability of the company.

- Spend under management by Sourcing is a metric used by many organizations to measure performance. There are numerous studies that prove that increasing the amount of spend under management will help Sourcing organizations drive increased savings and therefore improved profitability of their companies.

Improving Profitability is still the key metric and that is driven by cost reductions from all spend categories.

Don't be traditional in your spend management thinking. Be creative and innovative in the deployment of tools and outside resources in non-traditional areas and ensure that there are quantifiable measures of success.

Are there spend categories that your organization is current not managing or not managing well?

Paladin Associates Inc. may be able to help you increase the spend under management by providing resources, Subject Matter Experts, technology tools, training, and other services to increase the amount and quality of the influence your organization has on non-traditional spend categories.

Paladin Associates Inc., a Sourcing Cost Reduction firm, offers strategic sourcing expertise for multiple commodities to secure “fast track” quantifiable savings and long term cost reduction programs.

We can help you with technology implementations such as spend analysis and eSourcing as well as sourcing process improvements, skill training and staff development while delivering bottom line savings with a guaranteed ROI. For more complete information, visit: www.PaladinAssociatesInc.com