



~Welcome~

**Monday, 23 July 2012
2:00 PM**


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**Purchasing & Procurement
Center Mission:**

**Transforming Getters Into
Strategic Buyers**

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Who are Getters?

- Overall definition – Non-Strategic!
- According to CAPS Research, 61.97% of procurement executives are Not Strategic*
- They Don't Add Value
- Their Department is Not Respected by Peers & CEO
- Those who are told what to buy, how to buy, when to buy!?
- Imagine if one was to walk into the CFO's office and tell him how to do his job, what would the CFO say?

* <http://www.capsresearch.org/publications/pdfs-protect/1/C201112Metric.pdf>

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Why Are They Getters?

- They are simply transferred from Other departments (Admin is the Favourite) & Don't Have Experience
- No/Little Training
 - Sales = 41.5 hours training*
 - Procurement = 15.5 Hour Training Per Year**
- Confuse Activity with Accomplishment or Results
- Do Not Look At Procurement from a Organizational Wide Point of View
- Top Management Does Not Consider Procurement as a Value Adding Unit

[* http://www.best-in-class.com/bests/dmrep.nsf/products/design-and-administration-of-sales-training-programs?OpenDocument](http://www.best-in-class.com/bests/dmrep.nsf/products/design-and-administration-of-sales-training-programs?OpenDocument)
[** http://www.casresearch.org/publications/pdfs-protected/C\(2011\)2Metric.pdf](http://www.casresearch.org/publications/pdfs-protected/C(2011)2Metric.pdf)

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What Value Can Procurement Add?

- Bottom Line Value i.e. Dollars/Ringgits to the Bottom Line/Cost Reduction?
- Streamline Processes/Increase Effectiveness?

How?

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Procurement Savings Affect the Bottom-Line 6 times more than Sales Revenues

Sales	760
Direct Mtls	197
MRO Spend	169
Salaries	78
Other Stuff	185
Before Tax	118
Taxes	43
A.T. Profit	75

→ \$54 M increase

Sales	706
Direct Mtls	183
MRO Spend	169
Salaries	72
Other Stuff	172
Before Tax	110
Taxes	40
A.T. Profit	70

→ 5% reduction = \$8 M

Sales	706
Direct Mtls	183
MRO Spend	161
Salaries	72
Other Stuff	172
Before Tax	118
Taxes	43
A.T. Profit	75

It would take a \$54 million increase in sales to equal a \$ 8 million decrease in MRO spending or \$6.75 in sales to equal the impact of \$1.00 in procurement savings!!!!!!

Streamlining Processes thru a Spend Profile ABC Analysis

Spend Category	% of Parts % of Suppliers	% of Total Spend	Getters % Time	Buyers % Time
A	10	80	10	80
B	15	15	15	15
C	75	5	75	5

Focus on "A" Items for Cost Reduction

Focus on the "C" items for process improvement to get more time to focus on "A" spends.



Let's Cut Costs Now – Are You Sure?

1. If It Does Not Meet Your Needs Cost Does Not Matter.
2. If It Meets Your Needs Price Does Not Matter, ROI/TCO Does!
3. Every Purchase Must Be Made Based on ROI/TCO, NOT Price

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How Do We Reach Strategic Buyer/Procurement Status?

"We Know how to organize the job of managing for economic effectiveness and how to do it with both direction & results.

The major problem is the confusion between effectiveness & efficiency that stands between doing the right things and doing things right.

There is surely nothing quite so useless as doing with great efficiency what should not be done at all.

What we need is:

1. A way to identify the areas of effectiveness (of possible significant results), and
2. A method of concentrating on them"

Peter Drucker – The Effective Executive

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How Do We Reach Strategic Buyer/Procurement Status?

We identify areas of effectiveness thru a GAP ANALYSIS of best procurement practices

Then we concentrate on closing the gap

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How Do We Reach Strategic Buyer/Procurement Status?

Example Format Supply Management Gap Analysis

Sr. No	Element	Best Practice	Existing Situation	Recommendation	Project
1	Supply Management Accountability	<ul style="list-style-type: none"> •Objectives for commodity management with total cost responsibility •Objectives directed toward SM Best Practices and performance. •SM has a formal strategic plan supported by Senior Management. 			
2	Supply Management Measurement Systems	SM has developed and regularly reports measurements that relate to the Company objectives and that can trace progress towards continuous improvement			
3	Time spent on various tasks	SM has a strategic focus with time spent as follows:			

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How Can Purchasing & Procurement Center Help?

1. Thru Result Oriented Public Trainings
2. Thru In-house Trainings
3. Thru Consultation Projects

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Why Purchasing & Procurement Center?

1. The Only Organization focused on Results Based Sourcing, Procurement & Supply Management Trainings.

How to Negotiate & Reduce Supplier Cost

"I attended your just concluded seminar 2 days ago. Just started working today and this afternoon I applied what I learned about ... and applied it just now to negotiate price for diesel.

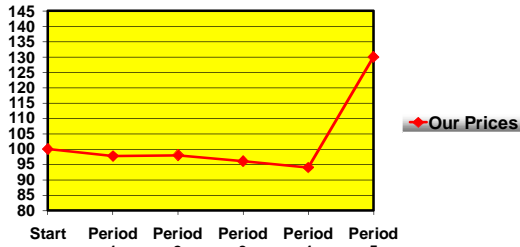
... supplier offered me a discount which is equivalent to 0.8%. I studied ... and found out that it is in the region of 2%. Therefore, I asked them for a 2% reduction ... The supplier at first lamented the price I offered is too low. I said it is a reasonable demand, and should they not agree to it, I would bring it elsewhere. 5 minutes later, they call me up and said "Your will shall be done"

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How to Show That Procurement is Doing A Great Job or Not?

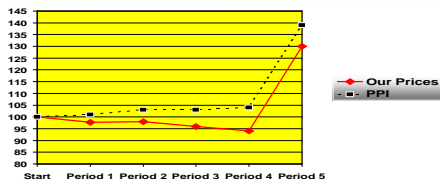


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How to Show That Procurement is Doing A Great Job or Not?



"I did a Price Index Vs Annual Malaysia PPI, and guess what? For the past 3 years, my index is way below PPI in the range of 10% to 15%. Now I have a very solid data to show how my department is doing. ... management will always claim that the fall in economic price is the reason in the price drop. My index and PPI is going downward as well, but the variance is by at least 10%. This will be my strong point of getting a good increment for my department."

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2. The only organization that backs the satisfaction of clients with 2 guarantees:

- A. 100% Money Back Guarantee for Public Trainings – No Questions Asked
- B. 200% Money Back Guarantee for Public Trainings if you find that what we teach is not practical and does not produce results

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Next steps....

The best way to find out about us and our courses is to experience and attend them: Risk Free
We believe that at the end of this meeting it is fair to ask:

Which courses or in-house training you want, or at the least let us know what may be stopping you from committing to confirm.

The Only Way we believe that both of us lose is ... by you not experiencing our courses.

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Thank You!
QUESTIONS

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