

THE SPARK

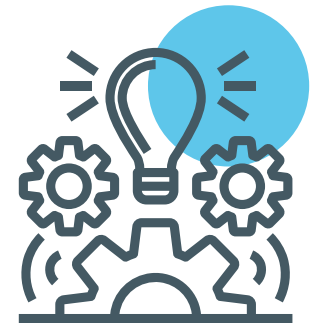
Sourcing and Procurement Flash Report

OCTOBER 2021



VALUE DELIVERY

Make the Change: A New Approach to Value Beyond Rate Savings



How does Procurement measure value? It's a question that weighs heavy on any CPO, and most of the time it's boiled down to the simplest math—you've negotiated the best possible price with your suppliers. We call it savings and set the question of value aside until it's time to renegotiate.

It's a myopic view of value that limits Procurement to only capturing expedient savings that don't compound year-over-year. Prices aren't bottomless, leaving CPO's scrambling to find value after they've already secured the 'best' price. That's why at LogicSource, we take a multi-faceted approach to addressing, capturing, and sustaining value long-term. If your organization is willing to make the cultural commitment, Procurement can be so much more than an opportunistic hand grabbing at one-off savings deals. It can become a changemaker within your organization, modeling process optimization for the company and driving consistent value to your bottom line.

To ensure ongoing value, we help our clients pull three main levers of savings opportunities:

- 1. Commercial Savings:** Rate/contract negotiations; like-for-like process and specifications
- 2. Value Engineering & Process Optimizations:** Specification changes and optimizations, supply chain and process efficiencies
- 3. Change Management & Operational Redesign:** Operational and organizational efficiencies to optimize your business output

While Commercial savings typically drive 70-80% of the savings for our clients, Value Engineering and Change Management initiatives ensure long-term value-add and provide a much broader impact on the organization. Finding the right balance and the right mix of how we apply the three savings levers for our clients rounds out the strongest value proposition and sets us apart in the industry.

With improvements in specifications and process, your Procurement team will ultimately be able to drive higher value in commercial savings. Leveraging geographic sourcing solutions, consolidating the supply chain, optimizing existing specifications, reducing waste and damages, increasing speed to market, and reducing cost and time in the distribution model are all downstream benefits of prioritizing the long view of Procurement's value.

In a perfect world, making these changes would be as simple as pulling a lever or two. However, every battle-tested CPO knows that's an unattainable fantasy. Change initiatives are extensive projects that take buy-in at every level of the organization, and require the patient management of emotionally charged decisions, big personalities, employee engagement, and behavioral shifts. To address these challenges for our clients, we have a detailed discussion around what's needed for change during our assessment phase, and tailor solutions around what we learn.

Procurement when done right is an investment. It's a long-term value-add that has far-reaching implications for your organization. By adopting a more nuanced perspective of value that extracts it from multiple sources, the opportunities for your Procurement to deliver value beyond rate savings become more expansive than ever. The question is are you ready to make the change?



Michael Braunschweiger
Chief Procurement Officer

We want to hear about your business challenges.
Contact thespark@logicsource.com to start the conversation.

