



Over 10,000 Supply Chain Leaders Now Receive This Bi-Monthly Journal.

Please feel free to forward it to a colleague, or have them join the distribution by clicking the link at the bottom of the page.

Strategic Procurement Solutions, LLC is a niche professional services firm dedicated only to advancing the practice of Supply Chain Management.

Key Services include...

- Onsite Training Workshops (1 to 4 Days)
- Online Supply Management Skills Testing
- Topical Online Training Webinars
- Expertise in Strategic Sourcing of High ROI Spend Categories
- 360 Degree SCM Efficiency Reviews
- Staff Augmentation (Project, Temporary, Direct Hire)
- Outsourcing Project Expertise (LCC & BPO), and
- Supply Management Consulting Services

Strategic Procurement Solutions' clients range from Fortune 100 to Russell 2000 in size; and include numerous Global enterprises as well. We also work with leading Public Sector supply chain groups.

Public Seminar - Mark Trowbridge will be a Keynote Presenter and will also present a One Day Strategic Contracting post-conference Masterclass at the TCQ MENA Strategic Procurement Conference in Dubai, October 31st - November 3rd.

"Best Practices" Supply Management Journal...

June/July 2010, 46th Edition

New articles in this Edition:

- **"Getting Traction with Procurement's Internal Customers"** - by Mark Trowbridge, CPSM, C.P.M.
- **"Going Shopping with a Good Market Basket"** - by Robert Dunn, M.B.A.

"Getting Traction with Procurement's Internal Customers" - by Mark Trowbridge, CPSM, C.P.M., Principal

Decades ago, "buyers" were taught that it was the internal "user" group's job to specify what they needed, and the "purchasing" group's job to figure out how best to buy it. *But that paradigm has changed greatly as we've entered the new millennium.*

Today, it is now universally accepted that the supply management group should pro-actively help their internal customers to accurately determine their requirements, and (with the customer's involvement) strategically source the products or services needed by the organization.

Failure by a procurement organization to work pro-actively with their internal customers will cause poor supply chain performance in a variety of ways:

- **Problem #1** – Inaccurate specifications will cause bidding suppliers to miss-quote or pad proposed pricing. A rule of thumb for competitive bidding is that if several potential suppliers' pricing proposals vary from each other by more than 15% - 20%, there may have been confusion or misunderstanding on what was requested by the buying organization.

More information available at <http://www.procurementconference.com/postconference.htm>

We've added 20 Training Webinars to our professional development offerings. Contact us directly for more information.

Visitors can also download any of 45 past PDF editions of the Best Practice Supply Management Journal™. Please take a few minutes to visit Strategic Procurement Solutions' new website.

Two additional onsite training workshops are also being added to our menu of programs: 1 - Leading Techniques in Competitive Bidding; and 2 - Technology Contracting...Winning Techniques.

Another article written by Mark Trowbridge will appear in the upcoming edition of SupplyManagement.com's eZine.

Read another Article by Strategic Procurement Solutions' leaders in the May/June Edition of ISM's eSide Magazine!

- **Problem #2** – Failure of procurement to have pro-active communications with internal customers often results in late involvement by the supply chain group. It can be very difficult to get the horse back into the barn, if an internal customer has already requested information from a supplier or used a supplier's input in developing specifications. *Recently, a company contacted Strategic Procurement Solutions when they learned one of their internal customer groups had been conducting negotiations with a supplier on a high-dollar technology acquisition.* The acquisition was critical for a rapid “new business” expansion, but procurement had not been properly involved by the customer group. This particular horse could not be put back into the barn, but the procurement group was able to help the internal customer make a bad situation significantly-better. And everyone, from senior managers on down, is in better agreement about how to handle the next requirement in a much-better way.

- **Problem #3** – Failure by the procurement organization to be an “objective” third party to the customer/supplier relationship severely-mitigates an organization's ability to leverage similar requirements across its footprint, since different customers will identify variant requirements for similar needs. This also results in lack of standardization across the organizational footprint in every expenditure category...whether for production line equipment; office/computer supplies; contingent staffing; printed materials; MRO supplies; technology HW, SW, and services; safety equipment...and a myriad of other spend segments. A strong procurement group needs to work pro-actively with its internal customer groups to establish and enforce consistent product and service standards...without which, costs for both acquisition and ongoing support will escalate.

- **Problem #4** - My wife has taught our children, since they were very young, the old adage *“If there isn’t time to do it properly the first time, there certainly isn’t time to do it over again”*. The strategic sourcing process is much more efficient and timely if proper requirements are documented at the very beginning. When requirements aren’t documented at the beginning of a sourcing project, I’m reminded of one of my favorite Scott Adams’ Dilbert cartoons in which the protagonist described their company project as *“a hundred drunken clowns with bumblebees in their pants”*. There’s really nothing worse in procurement than learning late about an upcoming requirement, and having to adjust “best practices” to accommodate an unrealistic timeline.

So how can buyers be more-strategically involved in helping customers to document their requirements? Here are three ways to begin:

1. Pro-Actively Build a Strong Relationship with Internal Customer Groups –

Relationships take time to build. And they don’t happen just because a “policy” document was issued by executive management. World class procurement groups align themselves with personnel teams focused on building key relationships. These teams attend customer staff meetings, help develop annual budgets and forecasts, and work through procurement requirements. Relationships aren’t built sitting in a cubicle or office. We need to get out to where our internal customers are, and participate in their business operations as a team member...

2. Make the Buying Process User-Friendly -

Can your internal customers buy things as easily as they can at home on EBay, Amazon, etc? Or does the current Procure-to-Pay (P2P) process make it painful for them to get the goods and services they need to operate their

Line of Business (LOB) organization? If you want internal customers to pro-actively involve procurement, first make the acquisition process user-friendly. Provide tools, like “template” Statements-of-Work, that make it easier for the customer group to articulate what they need. Take time to walk customers through the process in a client-centered way...and they’ll be much-more inclined to involve you early the next time around.

3. Gain Visibility to Future Expenditures – Businesses (whether in the private or public sector) have a novel technique which procurement professionals often ignore. *It’s called “budgeting”*. Budgeting requires the business to forecast into the future what they will be paying in operational cost. *The CPO of one of Strategic Procurement Solutions banking sector clients volunteered to chair the company’s Capital Budget Committee. Was that a pain for him? Yes. But guess what? He learned about upcoming customer expenditures months before they became an actual requirement, and was able to position his sourcing personnel pro-actively to take the customers through the sourcing process.*

Strategic Procurement Solutions trains SCM groups around the globe about many other ways to pro-actively build customer relationships and achieve success in sourcing projects. Two of our onsite workshops deal with these matters in a comprehensive way: Leading Techniques in Competitive Bidding[™] and Outstanding Customer Service for Procurement Professionals[™]. We also present instructor-led online SRM webinars to client audiences in a “lunch and learn” format. Please email Info@StrategicProcurementSolutions.com for more information.

"Going Shopping with a Good Market Basket", by Robert Dunn, M.B.A., Principal

A common technique in competitive sourcing/bidding is to use a market basket of items to guide the solicitation process and analysis of bidder proposals. Market baskets are a 'best practice' which enables the procurement organization to group a uniform sampling of products or services, and compare supplier proposals in an objective manner.

Market baskets are a very useful tool, but sometimes they aren't as helpful as they might be.

Have you ever gone to the supermarket and gotten a market basket with a bum wheel? The useful tool becomes antagonistic to going straight down an aisle...

So what are techniques we can use in creating "good" market baskets in the sourcing process?

This article will outline three helpful techniques:

1. A Good Market Basket Must Be Statistically-Relevant – A market basket is a segmented portion of a larger grouping of products or services. Comparing bidder proposals on the market basket of items allows the buying organization to award the entire portfolio of products/services to the best bidder. A good rule of thumb in selecting the market basket of items is to use the Pareto Principle (80/20 Rule). This principle says that the top 20% of most groups of products will represent approximately 80% of the total cost. To identify the top 20% of a sampling, we must first know the unit price and historical (or forecasted) volume of use (the latter, typically on an annual or annualized basis). Failure to properly select the items in a market basket can lead to a poor decision about the supplier who quotes upon

the basket of items....leading to skewed contract award.

2. Basket Items Should be “Apples to Apples” Comparable – If bidders can substitute items specified by the buying organization, then the market basket will not perform as designed. A proven technique is to require all bidders to quote the specified “apples” first. If alternative products or services can also be considered, then only allow bidders to quote those alternatives in a separate section of the market basket.

3. Select a Technique to Address Anomalies – An anonymous senior sales executive for one of the largest global office products distributors once shared with Strategic Procurement Solutions that the firm frequently would habitually leave “a few” prices out of a market basket quotation. The missing items were ones which either (i) they knew would not be competitive, or (ii) those items could be high-profit ones if the bidding process could be bypassed. *Here’s how they played the game... Let’s say that a market basket includes 100 items. On purpose, a bidding supplier leaves prices out of several of the items. The buying company then has three options to resolve the anomaly (two of which greatly-favor the supplier): (i) The buyer can contact the bidder and require them to submit prices for the missing items; (ii) For all the bidders, the buyer can remove those line items from the market basket; or (iii) The buyer may miss the empty cells and skew the analysis to the favor of that bidder.*

Strategic Procurement Solutions frequently leads sourcing projects for client organizations, consistently delivering major cost savings. We also train procurement professionals in advanced sourcing practices in the Expert Strategic Sourcing™ four day onsite workshop. For information about these and other services, please visit

www.StrategicProcurementSolutions.com

Copyright 2010, Strategic Procurement Solutions, LLC

All Rights Reserved

www.StrategicProcurementSolutions.com

[Click here to be **added** to this mailing list.](#)

[Click here to **unsubscribe** from this mailing list.](#)