

An Integrated Procurement Approach

Industry & Client Situation

Our client was a consumer finance company with a dominant position in its chosen niche. Headcount was tightly managed, and the company's efficiency ratio was in the top quartile. Senior management hired Bridge to bring the same discipline and results to purchased goods and services as the company had already achieved in staffing levels and productivity.

The company had no formal procurement function when we began our work, which started with an opportunity assessment focused on external spend. We quickly identified several major savings opportunities and laid out a plan for development of a "best-practice" procurement organization with formal strategic sourcing, demand management, vendor management, and transaction processing programs and processes. In addition, we developed a business case for an e-procurement technology platform to help support and institutionalize these processes and accelerate savings to the bottom-line. Over the course of the project, we worked closely with our client to build a procurement team and source a number of categories where savings proved substantial.

Approach

We divided the work into three major streams of activity. The first was a diagnostic to quantify the opportunity and build a road map for improvement. The second was the speed sourcing of a number of high potential categories. The third work stream was the build out of a procurement organization and infrastructure capable of independently managing all third-party spend once we had completed our work. Specific activities included:

- Strategic sourcing of: 1) IT-related categories including PCs and servers, mainframes, data and voice networks, storage, and production print; 2) office and administration goods and services such as express mail, supplies, temporary labor, postage and travel; 3) real estate and related services such as furniture, maintenance, security, utilities, lease management and administration; and 4) marketing, including database services, commercial and financial print, direct mail, telemarketing, promotional items, and credit bureaus;
- Developed job descriptions, policies, and training programs for sourcing and negotiation. Reengineered procurement operational processes. Conducted hands-on training of procurement staff in each step of the procurement process, from needs specification and market analysis to negotiations and savings tracking, as they led specific category sourcing efforts;
- Evaluated various e-procurement applications for fit with client's needs, negotiating a deal that produced savings for the company in very first year; and
- Developed ongoing demand, vendor and contract management programs.

Results

The program produced savings of over 12 percent of the spend evaluated in the first year, amounting to several tens of millions of dollars. Tracking of savings against estimates was conducted at the end of each category sourcing effort, and future budgets were lowered to reflect these savings by business unit and cost center. The decision as to how best to make use of savings was controlled at the corporate level. Our client now has a small procurement organization that is considered among the best-in-class by peer financial services companies. The e-procurement system quickly paid for itself by, among other things, improving the way miscellaneous purchases were handled. The electronic network used in conjunction with the application is being highly leveraged. Lastly, compliance with purchase agreements and preferred vendor arrangements has improved to over 95 percent of the spend managed, in turn is over 80 percent of total third-party expenses.