

## Rapid Evolution Sourcing and Procurement Strategy



Sourcing and procurement is in a period of radical and rapid change that's altering the way businesses view it as a function. New strategies, skills, knowledge, and tools are emerging to address today's — and tomorrow's — growing challenges and opportunities.

For years, sourcing and procurement improvement efforts mainly focused on efficiency and cost reduction. Facing profound economic uncertainty and a growing list of business, regulatory, and tax dynamics, sourcing and procurement executives today are fighting a multi-front war, balancing near-term cost management with longer term and more strategic opportunities. Leading sourcing and procurement organizations are responding by developing strategic capabilities such as advanced commodity management, sophisticated currency and foreign exchange, and tapping supplier innovation.



Conventional sourcing and procurement approaches are challenged to balance near-term cost management with longer term and more strategic opportunities as they face increasing risks on several external fronts and growing expectations from within the business.

Increasingly, sourcing and procurement organizations will become arbiters of risk, reward, and creativity, and they can exert greater influence at the nexus of finance, operations, and supply chain.

## How we can help

Deloitte's Sourcing and Procurement Strategy practice is differentiated by our executable mindset, focus, and strategy capabilities — with emphasis on executable. We excel at strategies that are deliverable, delivered through a combination of strong category experience, broad-based knowledge and skills, and geographical reach around the world. We also team with other Deloitte services, such as tax, technology consulting, human capital consulting, and enterprise risk services, to address the many facets of sourcing and procurement-related engagements. Our services include:

- **Direct and indirect materials sourcing** – Help companies determine potential areas of savings relating to both indirect SG&A costs as well as direct cost of goods sold.
- **Tech-enabled transformation** – Analyze a company's procurement operating model and offer an informed, agnostic point of view on how various technologies can enable processes and lay the groundwork for future capabilities.
- **Mergers and acquisition-related services** – Work with companies throughout the M&A life cycle to take advantage of integration and procurement synergies in acquisitions and to devise a separation plan in divestitures.
- **Extended business relationship management** – Connect buyers and sellers in innovative ways that have the potential to benefit both sides.
- **Managed services** – Help clients understand their options for managing higher value-added activities like strategic sourcing, supplier management, and contract management.
- **Talent development** – Offer executives and their teams a variety of formal training curriculum, including basic to advanced sourcing and procurement modules.

## Potential bottom-line benefits

- **Business results** such as cost reduction around SG&A and cost of goods sold.
- **Regulatory compliance** with various laws and regulations, including the Foreign Corrupt Practices Act, in the U.S. and other jurisdictions.
- **Enhanced efficiency** and effectiveness of people, processes, and technologies through transformation of the procurement process.
- **A total-cost point of view** through strategies that help clients evaluate the long-term sustainability aspects of a purchase in addition to the short-term price-related benefit.
- **Innovative use** of technology to streamline sourcing and procurement processes while improving management and control capabilities.

### Learn more

 **Supply chain and manufacturing operations encompass a broad range of areas within an organization, including Sourcing and Procurement Strategy. To learn more about how Deloitte can help, visit [www.deloitte.com/us/sourcingandprocurement](http://www.deloitte.com/us/sourcingandprocurement).**

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## Ways to get more value now

- **Understand your competitors' approach.** Engage your major suppliers to better understand how your competitors are addressing similar issues.
- **Scrutinize vendors for scope and price.** Make sure your organization engages a supply base that can decrease risk as well as enhance performance.
- **Learn from others.** Many organizations are developing new cost-benefit strategies, such as incorporating energy consumption in their savings estimations, rather than focusing solely on price reduction.
- **Choose the appropriate model for your company.** Procurement organizations aren't one-size-fits-all. Variances in procurement maturity, corporate culture, and decision rights play a part in developing an appropriate procurement operating model.
- **Use technology to better understand spending performance.** Spend analysis technologies are incorporating better tools for visibility, while also expanding their tools for proactive compliance issues.

## The big idea

 **By 2020, we believe procurement functions will look very different than today. Businesses that embrace new procurement models, enabled by new capabilities and competencies, are likely to have significant competitive advantage over organizations that don't.**