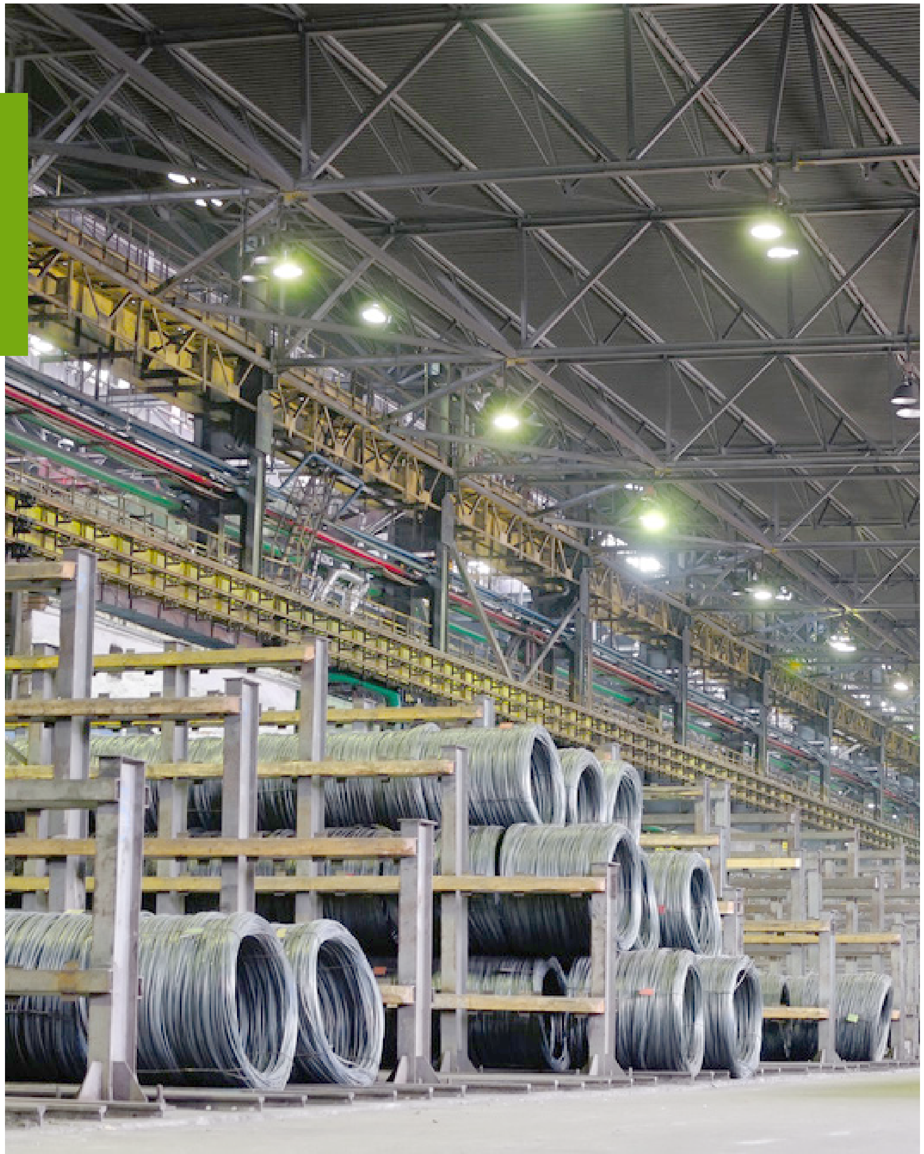
UNDERSTANDING THE IMPORTANCE OF **STRATEGIC SOURCING**

CONTENTS

INTRODUCTION

As an integral component of your Supply Chain, Sourcing is an important lever for modern organizations which are navigating an increasingly turbulent yet robust economic climate. As an example, aluminum, steel and softwood duties have exacerbated the situation, leaving businesses in manufacturing, homebuilding and other industries looking for ways to reduce procurement spending and offset rising material costs either through on-shoring or expanding their international provider base. Some producers are faced with demand outstripping capacity and through effective S&OP exercises are making customer choices leaving purchasers with an increased need for stronger vendor relationships.

We help enterprises attempting to negotiate this unsteady economic terrain overhaul their sourcing frameworks and lay the groundwork for sustainable success, no matter the state of the market. Through an integrated approach discussed herein, USC Consulting Group and its team of procurement specialists collaborate with clients to reduce the total cost of ownership and boost the benefits that come along with intelligently acquiring goods and services.



IDENTIFYING KEY SOURCING DEFICIENCIES

Businesses embarking on the journey toward sourcing optimization often do so because their current procurement workflows are riddled with small yet impactful deficiencies:

- Nonexistent, outdated or unmonitored supplier service agreements.
- Rigid purchasing processes that fail to mitigate commodity price fluctuations.
- Procurement methodologies that do not align to overarching business goals.
- Purchasing workflows weighted toward reactive problem-solving.
- An imbalance between mechanistic purchase processing vs. strategic sourcing.
- Low procurement process visibility.
- Maverick contract negotiation and execution.

USCCG collaborates with clients to identify these issues, pinpoint root causes, then design and implement sustainable improvement.

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DEPLOYING THE USCCG PROCUREMENT PHILOSOPHY

USCCG baselines sourcing deficiencies then digs deeper into existing procurement operations and measures them against its ideal procurement philosophy, which emphasizes balance among three core functions: transaction processing, value-driven vendor management intervention and long-term strategic collaboration. Together these elements, when balanced, form synchronized sourcing and purchasing processes.

Sourcing	Purchasing
Requirement definition	Need identification
Category analysis	Purchase requisition
Supplier identification	Approval
Request for quote	Purchase order
Contract negotiation and management	Goods and services receipt
Supplier management	Invoice match and payment

Each of these components must be thoroughly evaluated, along with the people, practices and systems that propel them. This insight forms an expansive procurement picture and establishes the foundation for improvement.

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ADDRESSING SPEND MANAGEMENT

Managing external spend encompasses a variety of internal cost-control processes that all connect to sourcing in some manner. To effectively address sourcing issues, organizations must explore this larger variable and drill down into the procurement department. USCCG offers assistance here, helping businesses draw a line between key spend management value streams and related strategic considerations.

USCCG deploys cross-functional teams to get a holistic view of spend management with special consideration of the organizations' user community. By leveraging professionals who can capably evaluate management operation systems and dissect core shop floor requirements, we can produce insights that form the foundation of sustainable solutions that are not "corporate" solutions, but cross-functional team solutions.

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PUTTING PLANS INTO PLACE

Using overarching spend management and procurement objectives, USCCG develops an action plan designed to facilitate more strategic sourcing practices. While the specific solutions included in these strategies vary depending on the organization, most businesses end up integrating some common enhancements:

- Detailed contract monitoring workflows to ensure vendor performance.
- Flexible purchasing methodologies that ebb and flow with the commodities market.
- Procurement plans that align to specific business goals.
- Proactive purchasing mechanisms centered on price optimization.
- Transparent procurement processes.
- Formalized spending strategies.

These and other fixes can facilitate transformation and allow companies to take control of their sourcing practices.

EMBRACING CONTINUOUS CHANGE

Continuous improvement is the key to long-term strategic sourcing success. This is why USCCG helps organizations develop cyclical continuous improvement strategies that turn procurement into an instrument for optimizing their renewed workflows with each new service agreement.

These methodologies hinge on operational visibility. Businesses that carefully monitor their procurement processes can formulate data-driven spend assessments. With these insights, sourcing stakeholders can then accurately gauge operational need and align with ideal suppliers that offer the exact products and services they require. In the end, this fine-tuning is essential for success in today's volatile marketplace.

REAPING THE REWARDS

When companies collaborate with USCCG to optimize their procurement practices and build strategic workflows designed for continuous improvement, they see numerous improvements and favorable outcomes:

- Improved procurement spend visibility.
- TCO decreases ranging from 8 to 30 percent attributed to reductions in direct and indirect material and purchased service spend.
- Freight and transportation cost reductions.
- Inventory and lead-time reductions.
- Improved material availability.
- Improved resource capacity.
- Improved product margins.

For most businesses, project outcomes of this kind can be transformational, unleashing new levels of productivity and lowering operational costs. Pricing theory dictates considering the three C's (what the Customer will bear, what Competition is charging and your Cost). Higher costs mean lower margins when facing competitive pricing. Strategic Sourcing is a tool to make your cost structure competitive.

MOVING FORWARD WITH STRATEGIC SOURCING

Are you a chief procurement officer looking to consolidate spending and cut TOC costs because of economic pressure? Sourcing optimization is the most effective strategy for accomplishing these immediate goals and facilitating the creation of flexible procurement practices that lead to sustained success.

Our procurement specialists help organizations mitigate the impact that supply chain variables have on their procurement operations by addressing underlying process deficiencies and cultivating truly strategic sourcing that functions well in the modern economic climate.

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SOURCES

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