



Procurement as a Sales Organization

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Agenda

- Background
- Overview
- Value of Purchasing
- Procurement Fundamentals First
- Value of Selling
- Examples
- Summary



Background

- Miami University, Accounting
- Toys R Us
 - Store manager
 - Inventory Control (Planning & Allocation)
 - Loss Prevention
 - District Manager
 - Purchasing Director
- Limited Brands - Purchasing
 - Logistics Services
 - Enterprise Store Operations
- Abercrombie & Fitch – Purchasing
 - Enterprise Operations
 - Store Design & Construction
- Express, LLC – Purchasing & Business Operations
 - Enterprise Purchasing
 - Strategic Initiatives



Why talk about Purchasing and Selling?

- Evolution of Purchasing in past 20 years
 - Order taking, electronic communication, req-to-pay systems, auctions, globalization

- What's next?
 - Lot of talk about Chief Procurement Officers, Board level interaction, and directly influencing business strategy.
 - Primarily at the historic industry leaders – manufacturing.
 - How can Indirect achieve similar strides?

- Purchasing must be able to lead the sourcing of every spend category; bring marketplace innovation to the business; and take ownership for unmanaged spend.

Value of Purchasing





Procurement's Value

- Why does Accounting exist in the organization?
- Why does I.T. exist in the organization?
- Why does Human Resources exist in the organization?
- Why does Procurement exist in the organization?

<i>Save Money</i>	<i>Marketplace research & awareness</i>
<i>Manage Risk</i>	<i>Supplier Management</i>
<i>Create Efficient processes</i>	<i>Role Optimization</i>
<i>Uninterrupted supply sources</i>	<i>Other, Other, Other</i>



Procurement Competition

- Consultants
- Auction houses
- Outsourced Procurement operations
- Layoffs due to the economic downturn
- Job search – a lot more candidates in the marketplace

- Internal – others can often do what we do.

- Our impact is on other department's budget

Extinction vs. Survival vs. Growth



The organization can exist without us.



Keep doing what we are now, and hoping for the best.



Indispensable and impactful.

Procurement Fundamentals First





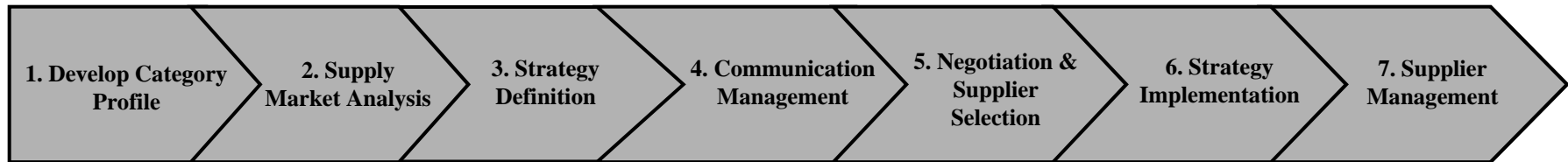
Procurement Foundation

- Must have your own house in order, before offering to fix somebody else's.
 - Systems
 - Policies
 - Talent
 - Information
 - Fundamentals

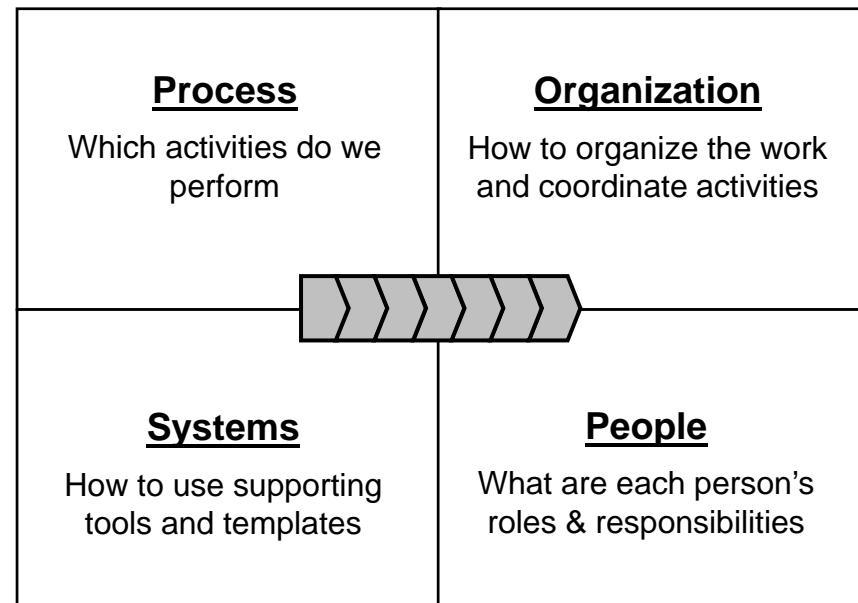
 - Low Hanging Fruit
 - Early wins to build the reputation.
 - Ongoing strategy in the toolkit to maintain momentum.

Strategic Sourcing Overview

Strategic Sourcing is a rigorous methodology that integrates process, organization, systems, and people to reduce cost while maintaining or improving quality and service.



7 Step Methodology	
1.	Develop Category Profile – Demand analysis to understand baseline spend, overall category characteristics, business objectives, and any processes or category constraints
2.	Supply Market Analysis – Supply market segmentation and development of supplier shortlist
3.	Strategy Definition – Understand category positioning and different sourcing approaches/levers that can be utilized
4.	Communication Management – Includes stakeholder management and any necessary change management
5.	Negotiation & Supplier Selection – Conduct RFx event and/or negotiation including contract reviews and management
6.	Strategy Implementation – Develop action plan and operationalize new agreements & pricing; track and quantify savings and benefits
7.	Supplier Management – Develop supplier metrics and manage performance; continually assess market conditions and alternatives to determine opportunities to reexamine category or further develop supplier relationship



Value of Selling





Characteristics of a Great Supplier/Account Rep

- Responsive
- Focus on customer's needs
- Price
- Quality
- Service
- Innovative
- Know their product, why customer will benefit from it
- Better than their peers
- Deal with decision makers
- Other
- Other
- Other



30 Second Elevator Ride

- Be Interesting
 - Company current events & goals
 - Build connections
- Convey Key Points
 - How their team members are doing
 - New learning's about the marketplace
 - Recent successes
- Keep it short
- Be upbeat
- Ask about them
- Practice, be prepared but not rehearsed



Find an Internal Buyer

- Where to look
 - Spend Analysis
 - Talk to the CFO or Controller
 - Meeting with Department Leaders
 - Network internally and externally
 - Purchasing benchmarking
 - Cold Calls

- Who gets the credit and results?
 - Alignment with Finance on who audits and validates the initiative
 - Defined rules (Direct vs. Opportunity)
 - Direct engagement with the Controller on what happens to the \$\$ that are saved.
 - All to the bottom line?
 - Shared with the stakeholder for their budget reinvestment?



Building the Toolkit

- Non-traditional procurement concept – staff will require coaching and leadership.
- Use current account reps to provide insights.
- Training courses and materials

- Define what products you are going to sell – customers need to be clear on what you are offering.
 - Cost, Efficiency, Risk Avoidance, Workload Reduction, etc etc

- Establish Selling Goals for the Department
 - Metrics and Scorecards
 - # of new projects started
 - New departments and/or categories
 - Rating system for degree of difficulty
 - Sales Cycle time ratios



Be Valuable and Relevant

- Market and Sell the department (individual results)
 - Project summary and status sheets
 - Share with stakeholders and their boss
 - Always on CFO's radar
 - Sprinkle results into each project's implementation and training

- Develop Non-traditional procurement roles
 - Not just about bottom line dollars
 - Project management – speed, clarity
 - Innovative roles and responsibilities



Selling to Suppliers

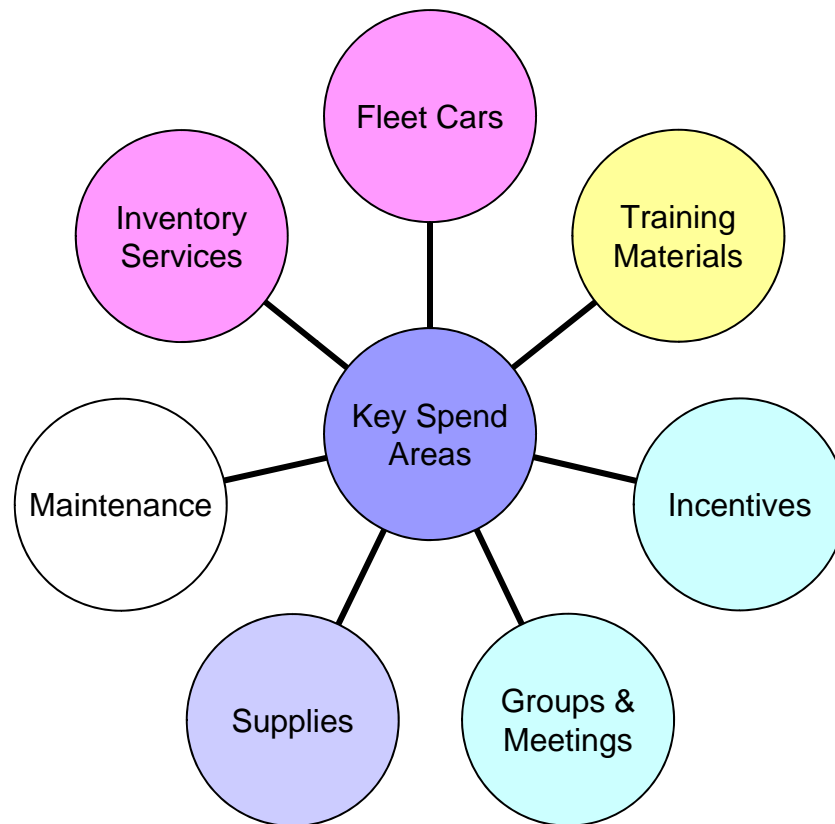
- Trend continues towards single source & preferred supplier relationships.
- Need to convince suppliers to work on your behalf at minimal profit margins.
- Common Phrase's:
 - "it's all I can afford"
 - "throw this/that into the deal"
 - "it's not that hard"
- Similar principle's....
 - Focus on what's in it for them.
 - Strategic Alliances, Supplier Goals, Supplier Management
 - Show your value.
 - Deal with decision makers.
- Is it selling or negotiating???

Examples



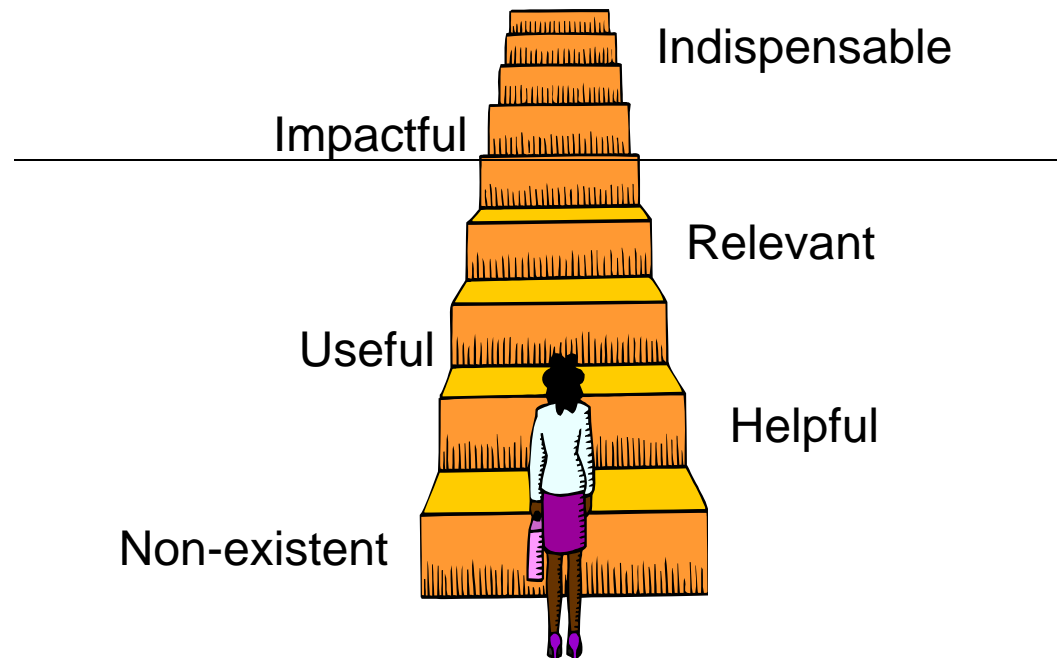
Case Study – Store Operations

- Issue/Hurdle – Buy it themselves, long term suppliers, low risk tolerance.
- Opportunity – cost reductions, risk reductions, efficiency and speed, marketplace innovation.
- Strategy – Spend analysis, Hindsight modeling, Cold Call, CFO alignment.



Case Study – Marketing

- Issue/Hurdle – Buy it themselves, long term suppliers, they're different, high business disruption impact.
- Opportunity – cost reductions, quality improvement, agility, marketplace innovation, brand image enhancement.
- Strategy – Spend analysis, Marketplace research, Low hanging fruit, Functional intelligence, risk/reward solutions.





Summary Key Points

- Know your product = Procurement skills
- Focus on your customer's needs.
- Hone new skills – Project Management, Organizational Goal Alignment, Owning Unmanaged Spend
- Market results
- Blur the lines on roles & responsibilities
- Deal with decision makers
- Don't Sell beyond your authority
 - Influencing the decision process



Procurement's Value – Going Forward

- Why does Procurement exist in the organization?

<i>Lead Sourcing projects</i>	<i>Marketplace research & awareness</i>
<i>Manage Risk</i>	<i>Supplier Management</i>
<i>Identify Efficient processes</i>	<i>Role Optimization</i>
<i>Uninterrupted supply sources</i>	<i>Project Management</i>
<i>Customer Service</i>	<i>Other, Other, Other</i>

Because all areas of the organization view the function as Indispensable and Impactful.