
Spend Matters in Procurement

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Yesterday, over on Spend Matters, JB brought up two very good points.

1. Every dollar spent on procurement will generate a 300% to 600% ROI

As noted in beyond shedding the deadweight in procurement and operations, the last place you want to cut budget is procurement. When Hackett data continually finds that average performing companies get a 300% annual return from procurement-focussed dollars and best-in-class performers get a 600% annual return from procurement-focussed dollars, in these tough economic times, you should be increasing your procurement budget. Many products, especially SaaS offerings where you pay by the month, will generate a return before the second payment is due. Plus, most of the better service providers are willing to wait until the project is completed and you document a return before invoicing you. That means you can actually make the money to fund your operations before you even spend it!

2. It's never been a better time for a make/buy analysis

Not only will this help you turn on a dime if you have to turn on a dime because your current supplier goes under, a natural disaster takes out a key raw material (and you need a replacement product that uses an alternate raw material), or cost increases force a new business model, but it could also help you save a bundle. In addition to the e-Sourcing and Decision Optimization vendors that JB lists, whatever you do, don't forget the should-cost experts at **Akoya** and Apriori. You don't want to make a sourcing decision based solely on price quotes alone. Otherwise, you might accept a low-bid that is unsustainable by the supplier who is so desperate for your business that they effectively bid themselves out of business.