

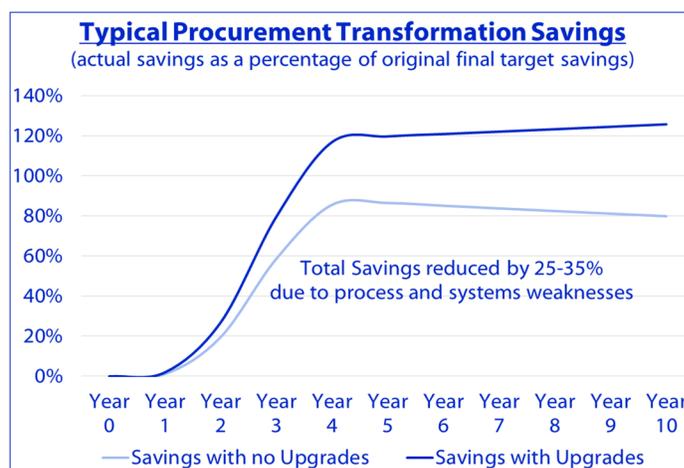
# Why should we implement a procurement transformation effort when all we really want is sourcing savings?

## Intuitivum Group, LLC Need for Strong Processes and Systems

Like most business leaders that are looking to create a major change, you recognize the need to build strong processes, systems and organizations to deliver much greater value over the long term. Unfortunately, as a procurement leader with out of date strategic sourcing processes, your biggest concern is shoring up this effort to quickly capture available savings. We understand both of these needs and will help you deliver value near term, and rapidly build business and operations excellence.

If you are working in the procurement space and have not already built out a strong strategic sourcing team, you may be concentrating exclusively in this area. We agree that this focus will provide the greatest near term value for your organization. However, driving strategic sourcing without cleaning up your processes, systems and organization will not deliver your maximum variable cost savings and will increase your fixed costs.

Organizations that are just beginning to move from tactical to strategic procurement will reduce their variable costs significantly. We have seen typical spend reductions of 4 to 9 percent when this occurs. Unfortunately, the savings do not reach expected levels and degrade rapidly when no process, systems or organization improvements are included in support of the strategic sourcing effort. Fortunately, the enhancements needed to achieve your maximum savings can be clearly justified on a stand-alone basis, separate from that of your sourcing efforts.



## Procurement Improvement by the Numbers

- Variable cost savings typically run 4 to 9 % of total spend for procurement transformation efforts that include highly effective strategic sourcing with appropriate process and system upgrades
- Fixed costs associated with transactional processes are typically reduced by 40-70% when effective processes and systems are deployed
- Fixed costs associated with strategic processes typically increase by 30-40% when effective strategic sourcing is deployed, but these costs are more than offset by transactional process savings
- Variable cost savings are cut by 25-35% when process and systems upgrades are not executed
- Fixed costs associated with strategic processes typically increase by an additional 20-30% when these upgrades are not included