



Supporting purchasing strategy definition and animation

TOOLBOX OVERVIEW









Agenda

1	Overview	2
2	Toolbox one-pagers	5

Purchasing strategy toolbox overview (1/2)

	FORMAT	OBJECTIVE	CONTENT	ILLUSTRATION
1 HANDBOOK		Propose a harmonized way to build and formalize a purchasing strategy for Company's Categories	<ul style="list-style-type: none">Purchasing strategy overviewPurchasing strategy analysisStrategy definition	
2 TEMPLATES		Provide templates for building a purchasing strategy. It includes templates for the main analyses as well as templates for the purchasing strategy definition	Template for <ul style="list-style-type: none">Purchasing strategy analysisPurchasing strategy definition	
3 CONSTRAINT ANALYSIS		Support constraint analysis and assessment, it should be used to fill the "Constraint analysis" section	Constraint assessment (from 0 to 5) <ul style="list-style-type: none">Internal constraintsExternal constraints	
4 MATURITY GRID		Provide a ready to use maturity grid with the 8 maturity axes to be ranked from 1 to 4 for the Category considered	Maturity analysis <ul style="list-style-type: none">Position for each maturity axisMaturity spider chart	
5 PURCHASING STRATEGY LEVERS		Support the selection and identification of standard purchasing levers, it should be used to fill the "Standard Purchasing Lever" page	<ul style="list-style-type: none">Purchasing macro-leversPurchasing micro-leversExplanation for each levers	

Purchasing strategy toolbox overview (2/2)

	FORMAT	OBJECTIVE	CONTENT	ILLUSTRATION
6 COST AND VALUE ANALYSIS		Provide guidance and support to make an estimation of a product cost structure for the purchasing strategy analysis	<ul style="list-style-type: none"> Sub-assembly, cost, breakdown Function allocation Performance analysis 	
7 SUPPLIER SOURCING & MARKET STUDY ANALYSIS		Provide guidance for supplier sourcing and support the Category Manager when performing the market study for the purchasing strategy analysis	<ul style="list-style-type: none"> Supplier sourcing Market study analysis (current market, hypotheses and future market deduction) 	
8 KPIs		Present a set of KPIs to assess the performance, implementation and definition of purchasing strategies	Purchasing strategy KPIs for <ul style="list-style-type: none"> Definition Implementation and performance 	
9 MANAGEMENT ROUTINES		Present management routines and governance to support the Category Manager when defining its purchasing strategy	<ul style="list-style-type: none"> Management routines Estimated workload per profile Standard agendas 	

Agenda

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2	Toolbox one-pagers	5

PURCHASING STRATEGY HANDBOOK

FORMAT

OBJECTIVE



Propose a harmonized way to build and formalize a purchasing strategy for Company's Categories

DETAILED CONTENT

Part I – PREAMBLE

Part II – OVERVIEW OF PURCHASING STRATEGY

- Objectives of a purchasing strategy
- Purchasing VP guidelines on strategy definition
- When to perform, or update a purchasing strategy?
- Purchasing strategy framework and templates
- Level of deepness
- Purchasing strategy timeframe
- Purchasing strategy validation and review

Part III – ANALYSES

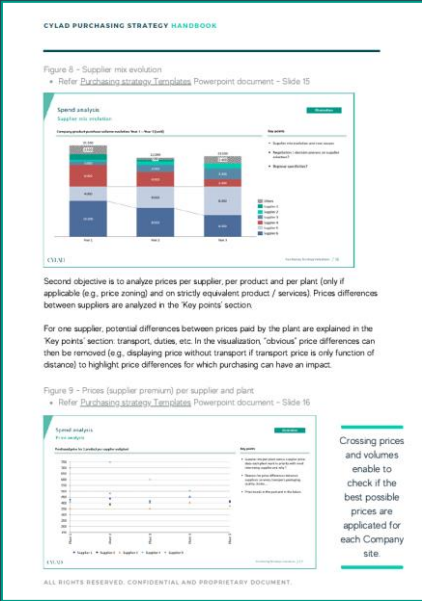
- Introduction and overall scope
- Data analysis
- Client market analysis
- Constraints analysis
- Maturity analysis
- Supplier market analysis
- Competitor analysis

Part IV – STRATEGY DEFINITION

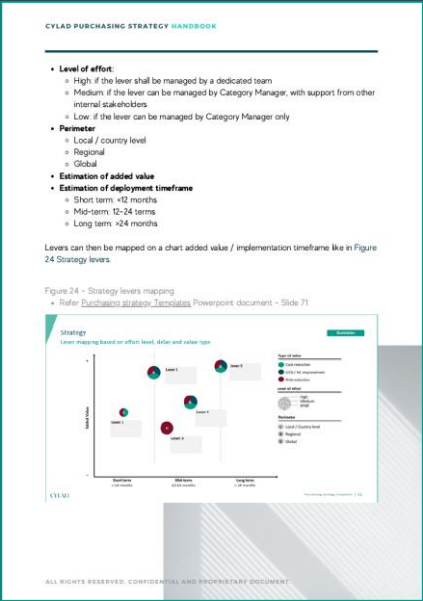
ILLUSTRATIONS



PURCHASING STRATEGY ANALYSES



DATA ANALYSIS



STRATEGY DEFINITION

PURCHASING STRATEGY TEMPLATES

FORMAT



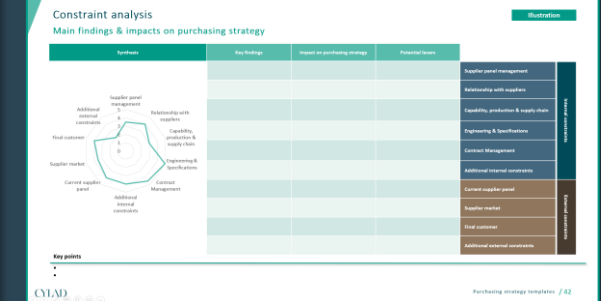
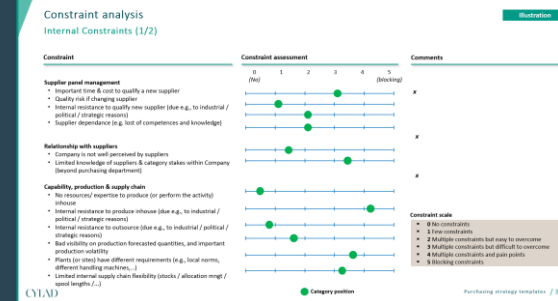
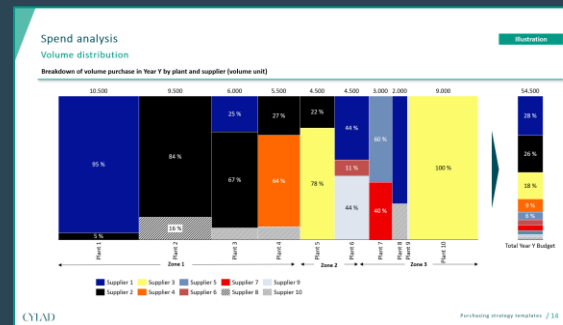
OBJECTIVE

Provide templates for building a purchasing strategy. It includes templates for the main analyses as well as templates for the purchasing strategy definition

DETAILED CONTENT

1. Data analysis
2. Client market analysis
3. Constraints analysis
4. Maturity analysis
5. Supplier market analysis
6. Competitor analysis
7. Purchasing strategy

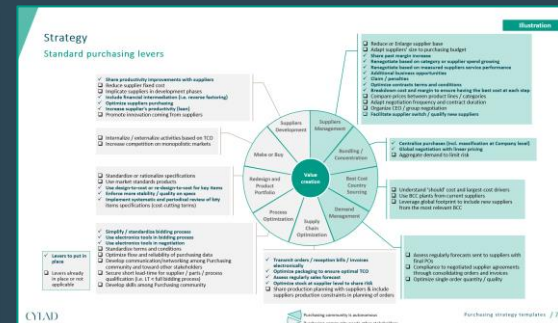
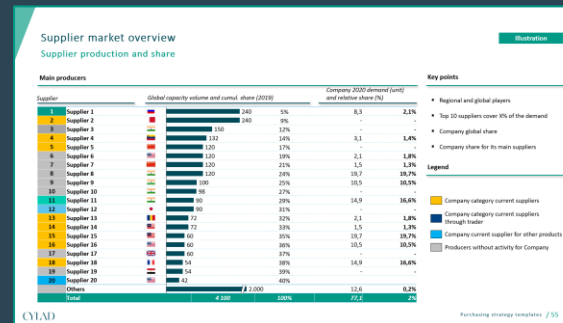
ILLUSTRATIONS



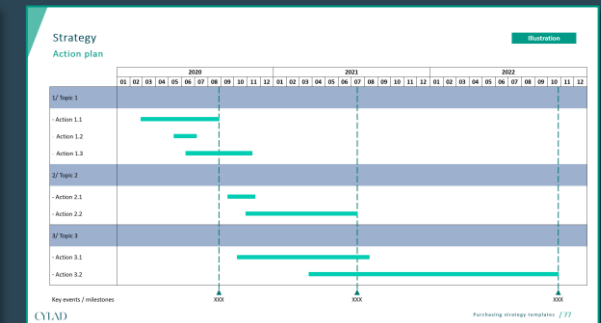
SPEND ANALYSIS

CONSTRAINT ANALYSIS

CONSTRAINT OVERVIEW



STRATEGY PERFORMANCE LEVRS



SUPPLIER MARKET

STRATEGY ROADMAP

CONSTRAINT ANALYSIS

FORMAT



OBJECTIVE

Support constraint analysis and assessment, it should be used to fill the “Constraint analysis” section

DETAILED CONTENT

- INTERNAL CONSTRAINTS
 - Supplier panel management
 - Relationship with suppliers
 - Capability, prod. & supply chain
 - Engineering & specifications
 - Additional internal constraints
- EXTERNAL CONSTRAINTS
 - Current supplier panel
 - Supplier market
 - Final customer
 - Additional external constraints

ILLUSTRATIONS

Constraint Analysis		Constraints assessment (0: No ; 5: blocking)					
Please rank each constraints from 0 to 5 (No constraint to blocking constraints-> put a cross in the right cell), explain in detail the constraint(s)		Globally					
		0	1	2	3	4	5
Constraints analysis							
Internal constraints							
Supplier panel management							
1	Important time to qualify a new supplier						
2	Important cost to qualify a new supplier						
3	Quality risk if changing supplier						
4	Internal resistance to qualify new supplier (due e.g., to industrial / political / strategic reasons)						
5	Supplier dependance, e.g. Company has lost competences and knowledge						
Relationship with suppliers							
6	Company is not well perceived by suppliers						
7	Limited knowledge of suppliers & category stakes within Company (beyond purchasing department)						

Constraint Analysis		Constraints assessment (0: No ; 5: blocking)					
Please rank each constraints from 0 to 5 (No constraint to blocking constraints-> put a cross in the right cell), explain in detail the constraint(s)		Globally					
		0	1	2	3	4	5
External constraints							
Current supplier panel							
1	Lack of transparency of suppliers (production cost, strategy, other customers,...)						
2	Supplier has limited production capabilities / risk of shortage						
3	Long delays of shipment						
4	Product quality is decreasing						
5	Relationship with supplier is not close enough						
6	Supplier thinks to be unreplaceable						
7	Low volumes vs. Level of initial investment required (documentation & co)						

MATURITY GRID

FORMAT



OBJECTIVE

Provide a ready to use maturity grid with the 8 maturity axes to be ranked from 1 to 4 for the Category considered. The maturity analysis spider chart is then automatically plotted

DETAILED CONTENT

▪ MATURITY AXES

- Buyer Profiles & Methods
- Process & Control
- Information Management
- Purchasing place in the Company
- Supplier Relationship
- Group approach
- Tool Implementation at Group level
- Purchasing & Procurement

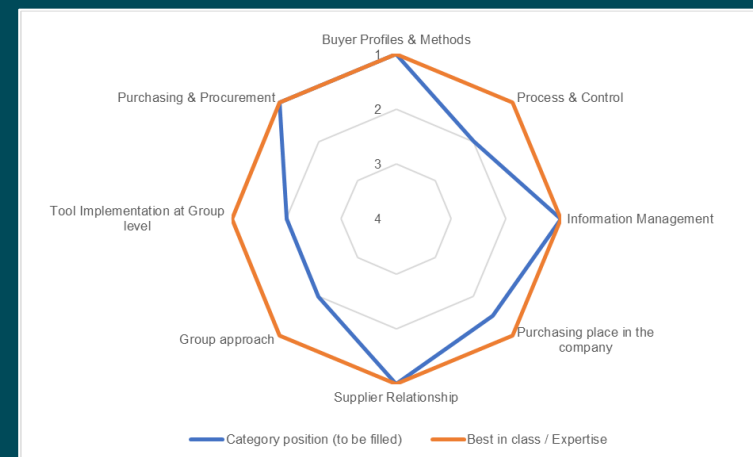
▪ MATURITY ANALYSIS SPIDER CHART

ILLUSTRATIONS

MATURITY AXES

Maturity axis	Category position (to be filled)	Best in class / Expertise
Buyer Profiles & Methods	1	1
Process & Control	2	1
Information Management	1	1
Purchasing place in the Company	1,5	1
Supplier Relationship	1	1
Group approach	2	1
Tool Implementation at Group level	2	1
Purchasing & Procurement	1	1

MATURITY ANALYSIS SPIDER CHART



PURCHASING STRATEGY LEVERS

FORMAT



OBJECTIVE

Support the selection and identification of standard purchasing levers, it should be used to fill the “Standard Purchasing Lever” page

DETAILED CONTENT

- Suppliers Panel Management
- Suppliers Development
- Suppliers Development
- Bundling / Concentration
- Best Cost Country Sourcing
- Make or Buy
- Redesign and Product Portfolio
- Process Optimization
- Supply Chain Optimization
- Demand Management

ILLUSTRATIONS

Macro Lever	Micro Lever	Explanation / Examples	Category specific explanation / comments
Process Optimization	Simplify / standardize bidding process	Capacity to treat easily and exhaustively the bidding process with automated analysis tools + global enabler	
	Use electronics tools in bidding process	Global enabler of all levers	
	Use electronics tools in negotiation	i.e. e-auctions - global enabler of all levers	
	Standardize terms and conditions	Global enabler of all levers	
	Optimize flow and reliability of purchasing data	Ensure that RfQs are completed due to lack of data - global enabler of all levers	
	Develop communication/networking among Purchasing community and toward other stakeholders	Global enabler of all levers	
	Secure short lead-time for supplier / parts / process qualification (i.e. LT < full Bidding process)	Global enabler of all levers	
	Develop skills among Purchasing community	Global enabler of all levers	

Macro Lever	Lever to put in place?	Priority (1 to 3)	Usual minimum savings	Usual maximum Savings	Category minimum savings	Category maximum Savings	Usual maximum Addressable Scope	Category maximum adressable scope	Category maximum adressable scope -m€	Minimum Potential Savings - m€	Maximum Potential Savings - m€	Implementation time (months)	Comments on savings / implementation
Process Optimization			2%	5%			100%						
			2%	20%			40%						
			2%	7%			30%						

COST AND VALUE ANALYSIS

FORMAT



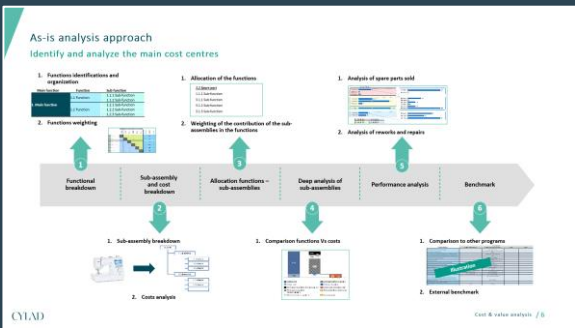
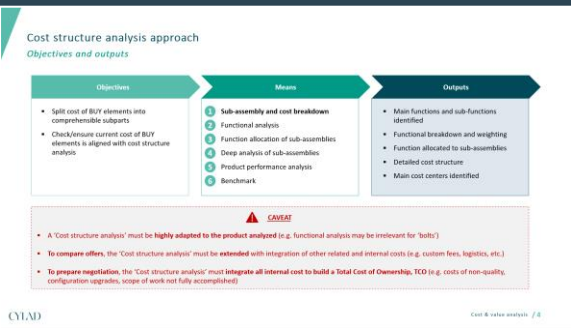
OBJECTIVE

Provide guidance and support to make an estimation of a product cost structure for the purchasing strategy analysis

DETAILED CONTENT

- Approach
- Sub-assembly and cost breakdown
- Functional breakdown
- Allocation of the functions of sub-assemblies
- Deep analysis of most notable sub-assemblies
- Product performance analysis
- Benchmark

ILLUSTRATIONS



As-is analysis approach

People to meet and documentation to use

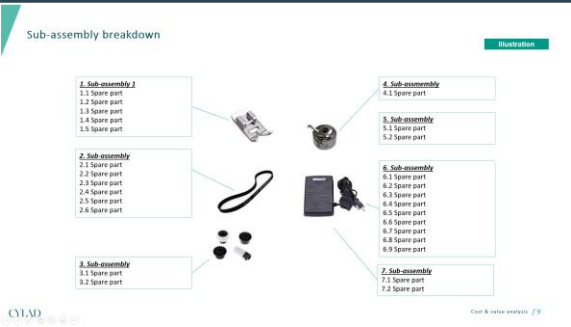
Main meetings / subjects	People to meet	Other persons who could be involved	Documentation to use
1. Functional breakdown	<input type="checkbox"/> System architect <input type="checkbox"/> Design engineer	<input type="checkbox"/> Production representative	<input type="checkbox"/> Functional specifications <input type="checkbox"/> Functional breakdown <input type="checkbox"/> Failure mode <input type="checkbox"/> Maintenance documentation <input type="checkbox"/> Actual costing files
2. Sub-assembly and cost breakdown	<input type="checkbox"/> Costing engineer		<input type="checkbox"/> Costing for standard parts <input type="checkbox"/> Bill of material <input type="checkbox"/> Production plan <input type="checkbox"/> "Real" cost structure
3. Allocation functions - sub-assemblies	<input type="checkbox"/> System architect <input type="checkbox"/> Design engineer	<input type="checkbox"/> Production representative <input type="checkbox"/> Procurement representative <input type="checkbox"/> Industry engineer	
4. Deep analysis of the sub-assemblies			
5. Performance analysis	<input type="checkbox"/> Customer support representative <input type="checkbox"/> Customer		<input type="checkbox"/> History of spare parts sold <input type="checkbox"/> History of assembly and repairs

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OBJECTIVES & OUTPUTS

APPROACH

PEOPLE & DOCUMENTATION



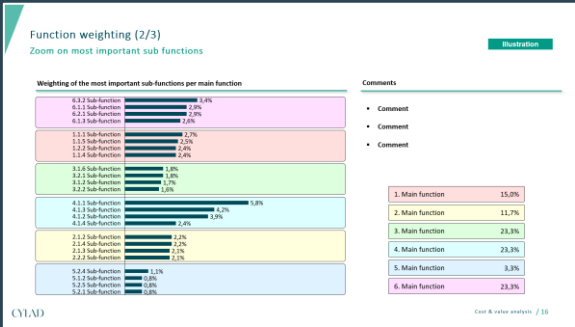
Methodology to weight functions

	1. Main function	2. Main function	3. Main function	4. Main function	5. Main function	6. Main function	Total score	% of 100%	Rank
Fat A	1	1	1	1	1	1	6	50.0%	4
Fat B	1	1	1	1	1	1	7	58.3%	5
Fat C	3	3	2	4	1	1	14	23.3%	1
Fat D	1	1	0	0	0	0	2	3.3%	6
Fat E	3	3	2	2	4	1	14	23.3%	1

Scoring rules

- Function A is very more significant than B
- Function A is more important than B
- Function A is equal to B
- Function A is insignificant compared to B

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SUB-ASSEMBLY BREAKDOWN

FUNCTION WEIGHTING

SUB-FUNCTIONS WEIGHTING

SUPPLIER SOURCING & MARKET STUDY ANALYSIS

FORMAT



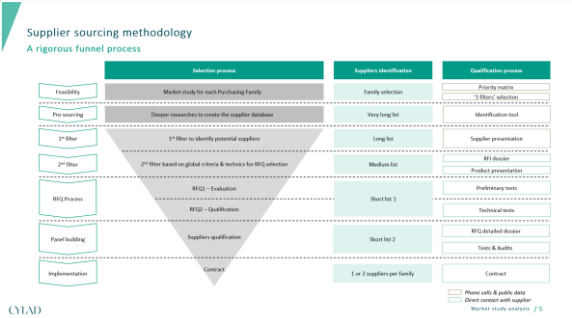
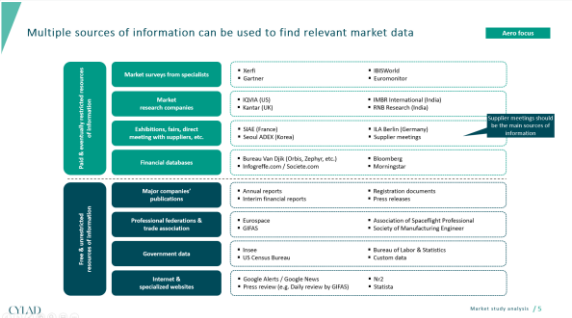
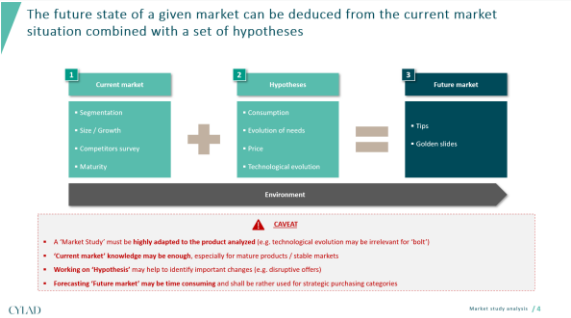
OBJECTIVE

Provide guidance for supplier sourcing and support the Category Manager when performing the market study for the purchasing strategy analysis

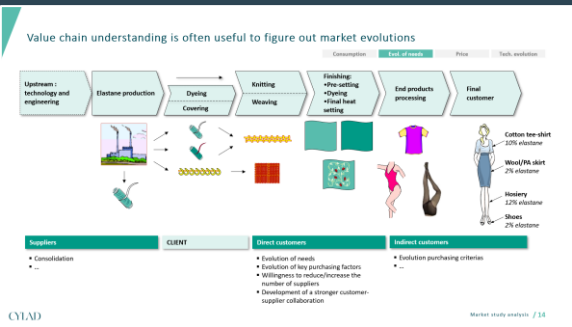
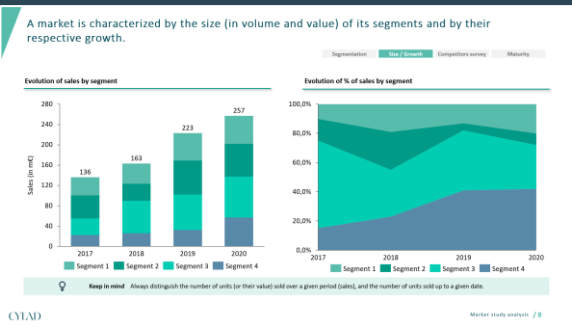
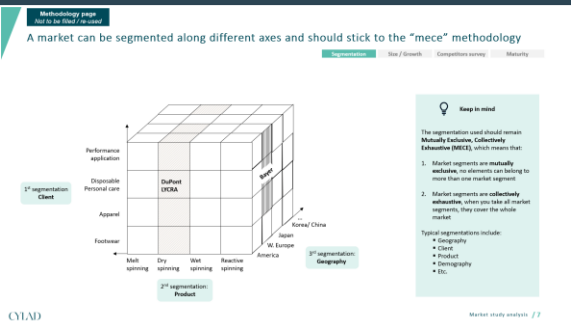
DETAILED CONTENT

- Supplier sourcing
- Market study analysis
 - Approach for market study
 - Current market analysis
 - Hypothesis rationale
 - Future market deduction

ILLUSTRATIONS



MARKET STUDY OVERVIEW



MARKET SEGMENTATION

MARKET SIZE & GROWTH

VALUE CHAIN IDENTIFICATION

PURCHASING STRATEGY KPIs

FORMAT



OBJECTIVE

Present a set of KPIs to assess the performance, implementation and definition of purchasing strategies

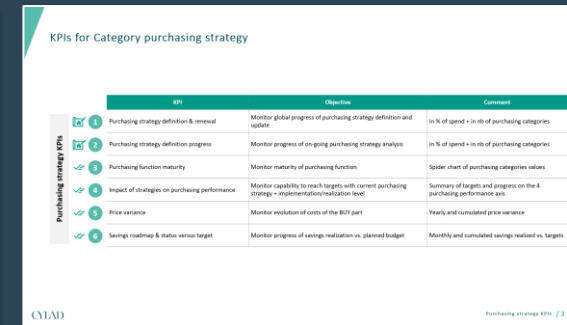
DETAILED CONTENT

- Purchasing Strategies KPIs
 - Definition & renewal
 - Definition progress
 - Function maturity
 - Impact on purchasing performance
 - Price Variance
 - Savings Roadmap & Status

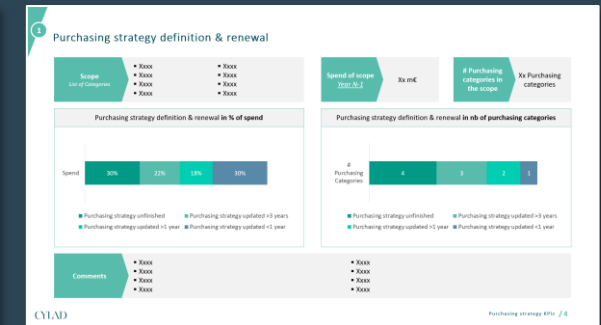
ILLUSTRATIONS



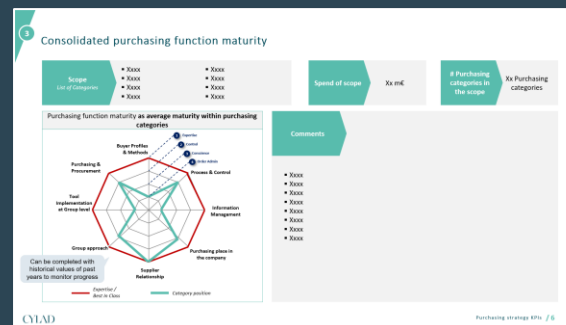
KPIs OVERVIEW



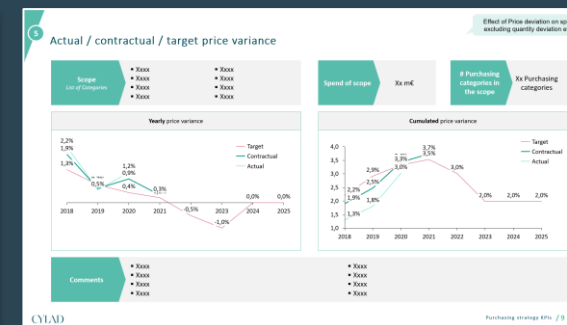
KPIs OBJECTIVES



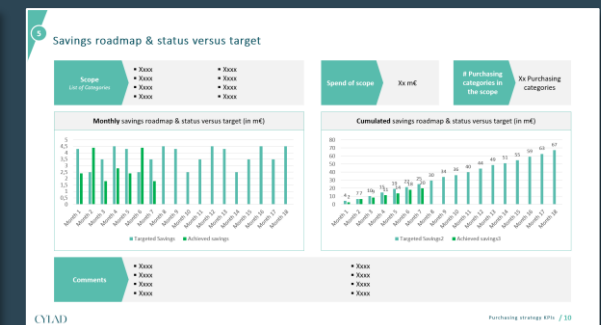
DEFINITION AND RENEWAL



FUNCTION MATURITY



PRICE VARIANCE



SAVING ROADMAP

MANAGEMENT ROUTINES

FORMAT



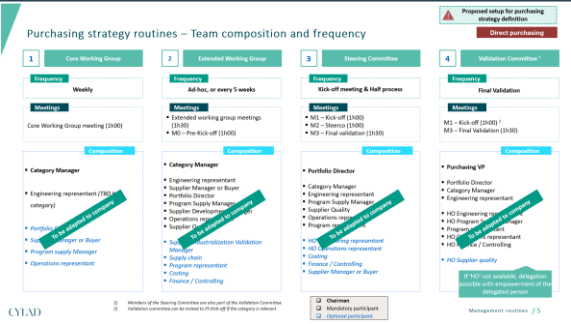
OBJECTIVE

Present management routines and governance to support the Category Manager when defining its purchasing strategy

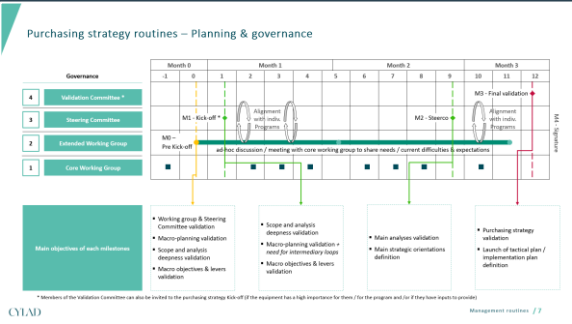
DETAILED CONTENT

- Meeting routines
 - Purchasing strategy routines
 - Purchasing community routines
- Estimated workload per profile
- Standard agendas
 - Purchasing strategy meetings
 - Core working group meetings
 - Extended working group meetings

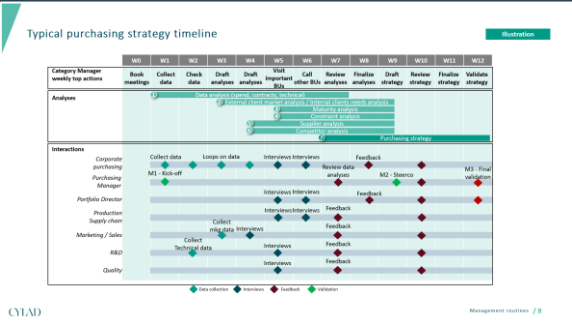
ILLUSTRATIONS



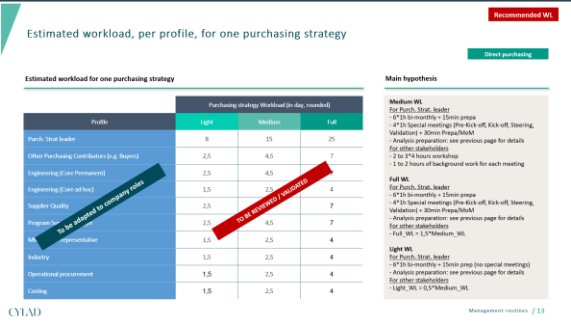
TEAM COMPOSITION



PLANNING & GOVERNANCE



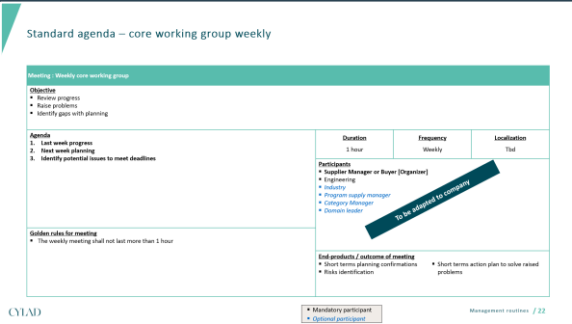
TYPICAL ROADMAP



ESTIMATED WORKLOAD



STANDARD AGENDA: KICK-OFF



STANDARD AGENDA: WEEKLY MEETING

For more information...

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