



# Supporting purchasing strategy definition and animation






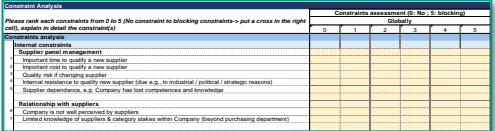

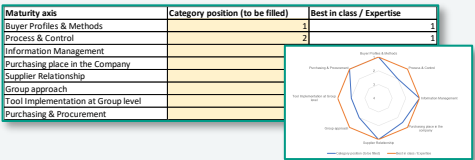

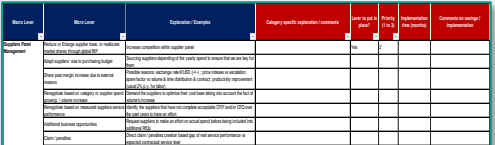
TOOLBOX OVERVIEW

/ CYLAD









# Agenda

<b>1</b>	<b>Overview</b>	<b>2</b>
<b>2</b>	<b>Toolbox one-pagers</b>	<b>5</b>

# Purchasing strategy toolbox overview (1/2)

	FORMAT	OBJECTIVE	CONTENT	ILLUSTRATION
1	 <b>HANDBOOK</b>	Propose a harmonized way to build and formalize a purchasing strategy for Company's Categories	<ul style="list-style-type: none"> <li>Purchasing strategy overview</li> <li>Purchasing strategy analysis</li> <li>Strategy definition</li> </ul>	
2	 <b>TEMPLATES</b>	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"> <li>Purchasing strategy analysis</li> <li>Purchasing strategy definition</li> </ul>	
3	 <b>CONSTRAINT ANALYSIS</b>	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"> <li>Internal constraints</li> <li>External constraints</li> </ul>	
4	 <b>MATURITY GRID</b>	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"> <li>Position for each maturity axis</li> <li>Maturity spider chart</li> </ul>	
5	 <b>PURCHASING STRATEGY LEVERS</b>	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"> <li>Purchasing macro-levers</li> <li>Purchasing micro-levers</li> <li>Explanation for each levers</li> </ul>	

# Purchasing strategy toolbox overview (2/2)

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

# Agenda

<b>1</b>	<b>Overview</b>	2
<b>2</b>	<b>Toolbox one-pagers</b>	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

**4 - Purchasing strategy framework and templates**

For a given Category, a purchasing strategy relies on 6 different analyses. The objective of these 6 analyses is to provide an exhaustive and exclusive view on current Category situation both internally and externally.

These analyses are detailed in part II:

- Data analysis
- Client market analysis
- Constraint analysis
- Maturity analysis
- Supplier market analysis (including market disruptions)
- Competitor analysis

The purchasing strategy itself is a 7th step: based on the findings of the 6 analyses, purchasing levers are identified and actions plan is defined for the 2 or 3 coming years.

Figure 2 - Purchasing strategy framework  
Refer [Purchasing strategy Templates](#) Powerpoint document - Slide 2

PURCHASING STRATEGY ANALYSES

**Figure 8 - Supplier risk evolution**

- Refer [Purchasing strategy Templates](#) Powerpoint document - Slide 15

Second objective is to analyze prices per supplier, per product and per plant (only if applicable (e.g. price zoning) and on strictly equivalent product / services). Price differences between suppliers are analyzed in the 'Key points' section.

For one supplier, potential differences between prices paid by the plant are explained in the 'Key points' section: transport, duties, etc. In the visualization, "obvious" price differences can then be removed (e.g. displaying price without transport if transport price is only function of distance) to highlight price differences for which purchasing can have an impact.

Figure 9 - Prices (supplier premium) per supplier and plant  
Refer [Purchasing strategy Templates](#) Powerpoint document - Slide 16

Crossing prices and volumes enable to check if the best possible prices are applied for each Company site.

DATA ANALYSIS

- **Level of effort:**
  - High: if the lever shall be managed by a dedicated team
  - Medium: if the lever can be managed by Category Manager, with support from other internal sub-division
  - Low: if the lever can be managed by Category Manager only
- **Perimeter**
  - Local / country level
  - Regional
  - Global
- **Estimation of added value**
- **Estimation of deployment timeframe**
  - Short term <12 months
  - Mid-term 12-24 months
  - Long term >24 months

Lever can then be mapped on a chart added value / implementation timeframe like in Figure 24 Strategy levers.

Figure 24 - Strategy levers mapping  
Refer [Purchasing strategy Templates](#) Powerpoint document - Slide 71

STRATEGY DEFINITION

# PURCHASING STRATEGY TEMPLATES

## FORMAT



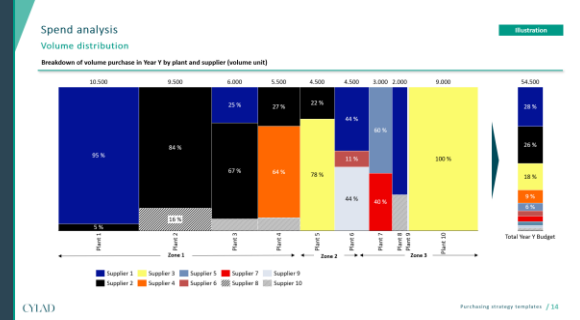
## OBJECTIVE

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

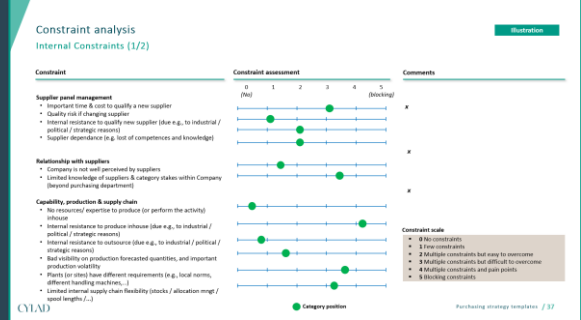
## DETAILED CONTENT

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

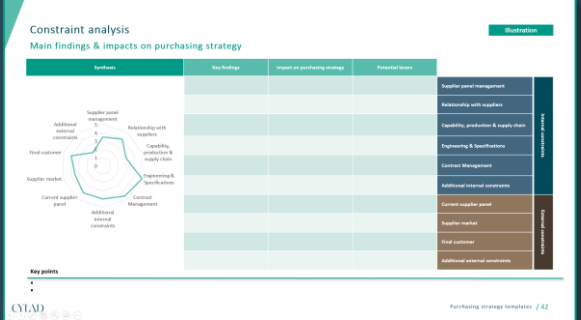
## ILLUSTRATIONS



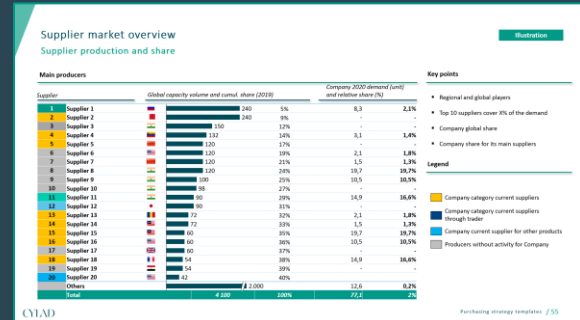
### SPEND ANALYSIS



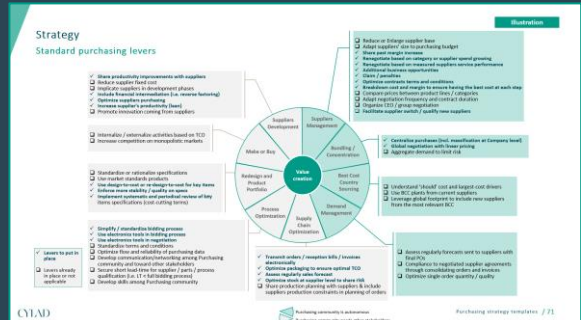
### CONSTRAINT ANALYSIS



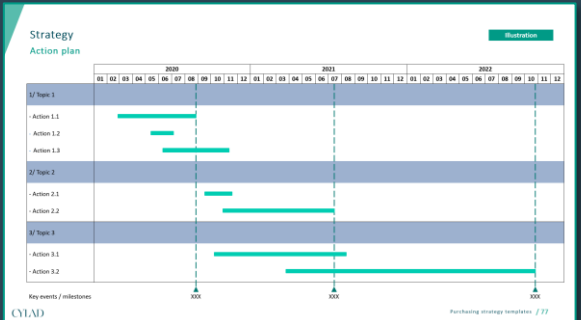
### CONSTRAINT OVERVIEW



### SUPPLIER MARKET



### STRATEGY PERFORMANCE LEVELS



### 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
<b>Constraints analysis</b>							
<b>Internal constraints</b>							
<b>Supplier panel management</b>							
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						
<b>Relationship with suppliers</b>							
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
<b>External constraints</b>							
<b>Current supplier panel</b>							
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

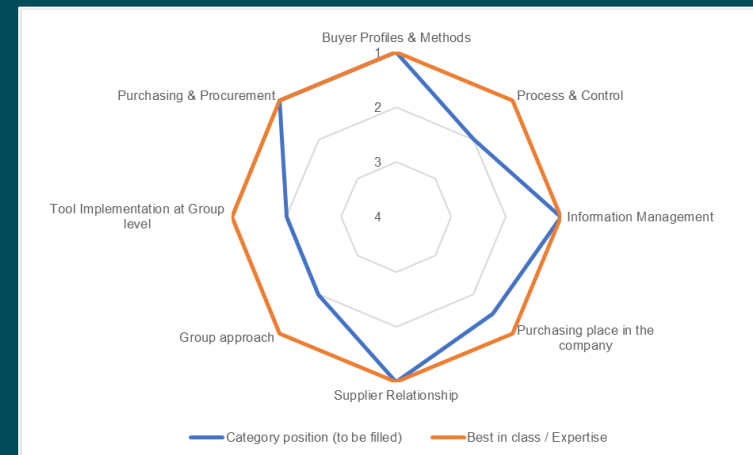
- **MATURITY AXES**
  - Buyer Profiles & Methods
  - Process & Control
  - Information Management
  - Purchasing place in the Company
  - Supplier Relationship
  - Group approach
  - Tool Implementation at Group level
  - Purchasing & Procurement
- **MATURITY ANALYSIS SPIDER CHART**

## 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 addressable scope	Category maximum addressable 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



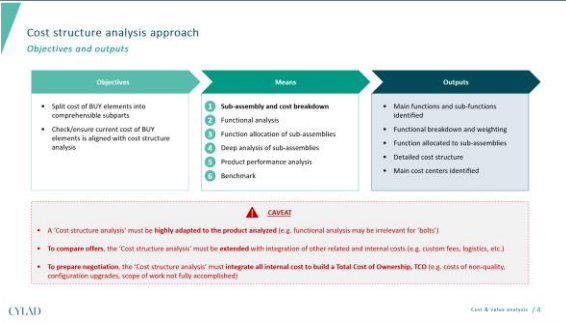
## OBJECTIVE

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

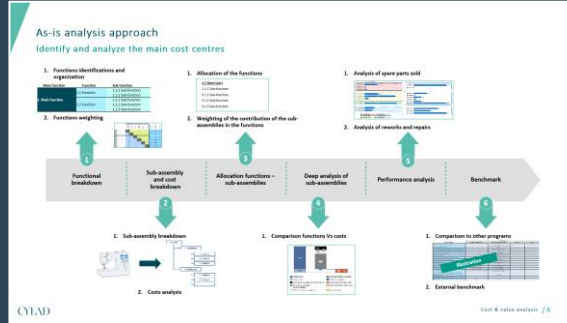
## DETAILED CONTENT

- 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



## OBJECTIVES & OUTPUTS

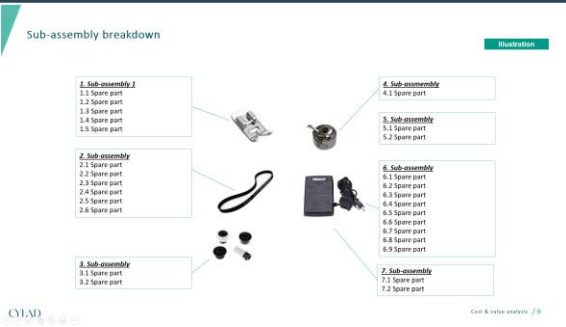


## APPROACH

**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 <input type="checkbox"/> Cost meeting files <input type="checkbox"/> Drawing for standard parts <input type="checkbox"/> Bill of material <input type="checkbox"/> Production plan <input type="checkbox"/> "Real" cost structure
2. Sub-assembly and cost breakdown	<input type="checkbox"/> Costing engineer		
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

## PEOPLE & DOCUMENTATION



## SUB-ASSEMBLY BREAKDOWN

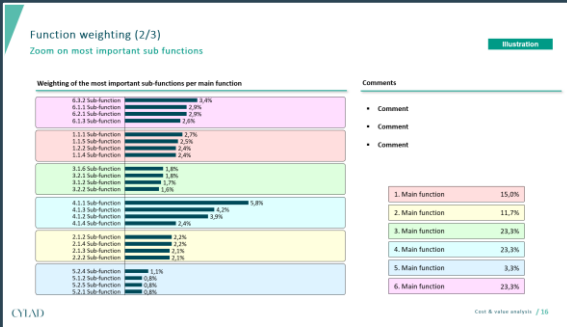
**Methodology to weight functions**

	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	9	15,0%	4
Fat B	1	1	1	1	3	1	7	11,7%	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	1	3	2	2	4	1	14	23,3%	1

**Scoring rules**

- Function A is 10% more important than B
- Function A is 10% more important than C
- Function A is 10% more important than D
- Function A is 10% more important than E
- Function A is 10% more important than F

## FUNCTION WEIGHTING



## SUB-FUNCTIONS WEIGHTING

# SUPPLIER SOURCING & MARKET STUDY ANALYSIS

## FORMAT



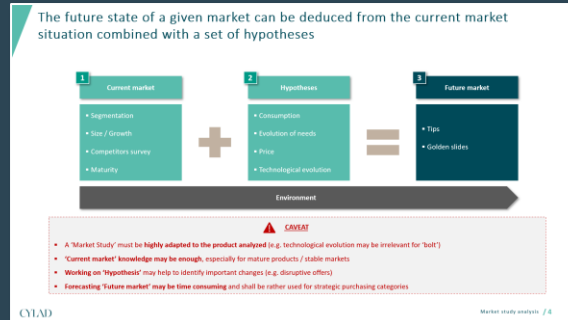
## OBJECTIVE

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

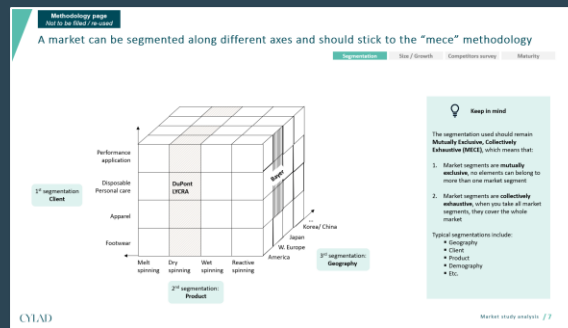
## DETAILED CONTENT

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

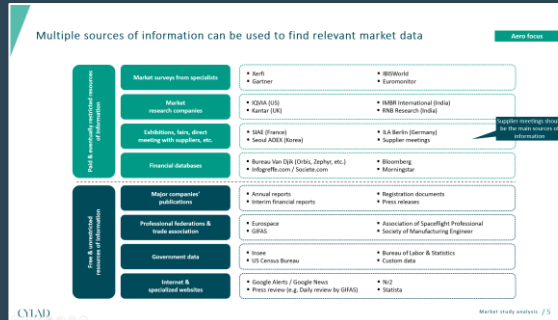
## ILLUSTRATIONS



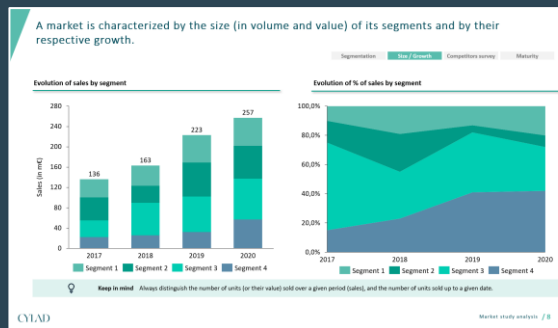
## MARKET STUDY OVERVIEW



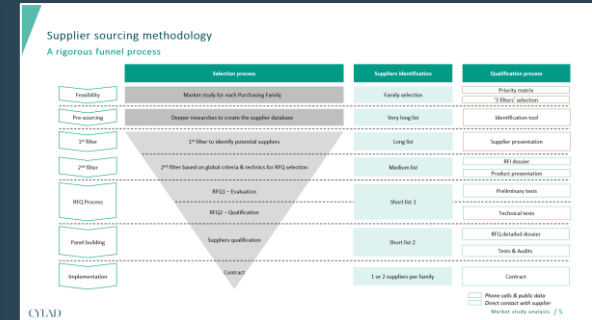
## MARKET SEGMENTATION



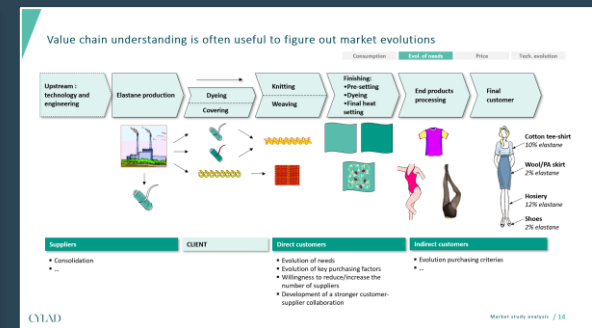
## SOURCES OF INFORMATION



## MARKET SIZE & GROWTH



## SOURCING METHODOLOGY



## 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

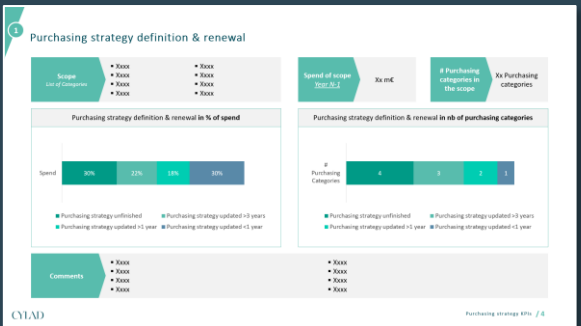
## ILLUSTRATIONS



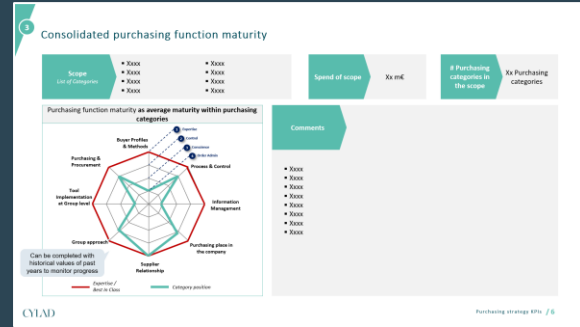
KPIs OVERVIEW



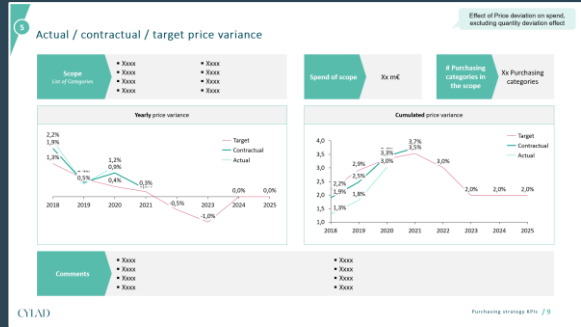
KPIs OBJECTIVES



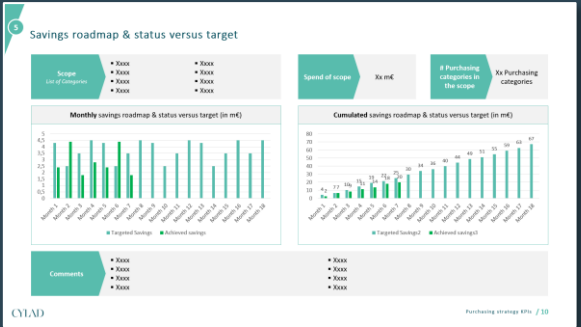
DEFINITION AND RENEWAL



FUNCTION MATURITY



PRICE VARIANCE



SAVING ROADMAP

# MANAGEMENT ROUTINES

## FORMAT



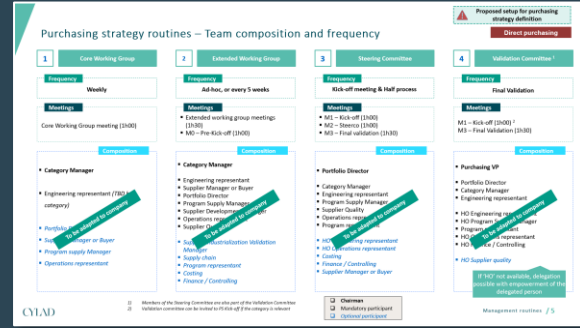
## OBJECTIVE

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

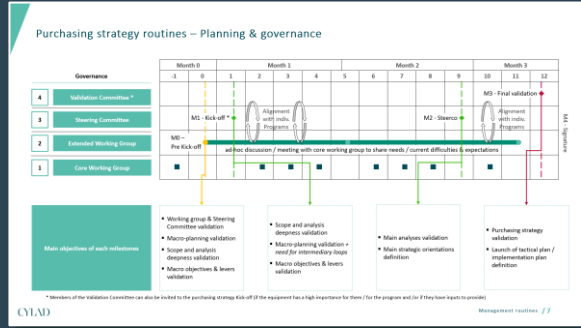
## DETAILED CONTENT

- 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

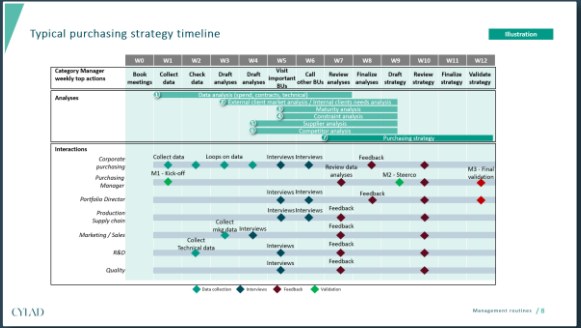
## ILLUSTRATIONS



## TEAM COMPOSITION



## PLANNING & GOVERNANCE



## TYPICAL ROADMAP



## ESTIMATED WORKLOAD



## STANDARD AGENDA: KICK-OFF



## STANDARD AGENDA: WEEKLY MEETING

For more information...

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