

Indirect spend mgt

Bullet Point Draft ONLY

Where to Start?

- 4 basic things you need to know:
 - What do you need
 - How much do you have
 - How much does it cost
 - How do you order it

Today's goal is to plant some ideas and help you start thinking about opportunities

Getting Started – What Do You Need

- Categorize Spend into Buckets – Start with what you control
- Triage your categories into Pain Points
 - High Spend
 - Poor Quality Suppliers
 - Stock-Outs and Backorders
 - Hard to do Business
- Identify your SME's (Subject Matter Experts) for each vendor or category

Common Starting Categories

- Transportation
- Packaging / Labels
- Office Supplies
- EHS Items
- Uniforms
- Branded POP Items

Getting Started – What Do You Have

- Start with items kept in physical inventory then move to drop ship items
- Determine if the stocking levels are correct
 - Inventory on Hand reports from Finance
 - Asking the team members on the floor
- Document all anecdotal comments
 - Item Quality
 - Vendor Reliability
 - Similar Items from other Vendors
 - Ease of Doing Business

Source Checklist:

AP Reports
Invoices
Concur Reports
Inventories
Min / Max Levels
Physical Inspections
Interview the SME's
Rate Sheets & Contracts
Supplier List and Sales Contacts

Getting Started - How Much Does it Cost?

- Compare Rate Sheets to Invoices and costs in ERP
- Organize findings into a table or file by expiration dates and historical price increases
- Before rebidding or benchmarking, look at the ordering process

Organization Tips for Negotiation Time:

- Understand the frequency and amount of price increases
- Keep a record of any complaints or issues with products or services
- Ask AP to provide a monthly aging report for your vendors (no surprises at the table!)
- Follow your vendors on Linked In for any changes

Process, Process, Process

Without a standard ordering process and controls, all the work up to now will be diluted.

Systems can help instill discipline, but written Work Processes and Cross Training will go a long way

Checklist of Must-Do Items:

- Weekly Stock Out Report Deep Dive
- Monthly Aging Review
- Min / Max Level review
- Vendor QBR's
- Monthly Inventory Analysis
- Spend to AOP

Interstate Battery - Indirect Supply Portal

- Interstate rolled out our own Amazon style earlier this month
- Benefits:
 - Online Catalog of all Indirect Spend Items with Descriptions & Price
 - Ability to easily update any fields – price, description, photo
 - Can utilize portal to drive "fire sales" to reduce inventory
 - Can open up temporary "store fronts" for short term convention sales
 - Ability to allow partners to co-order products
 - Can pay with credit cards, bypassing AP/AR completely
 - No one source of info for all vendors

Add screen shot of portal

Vendor Management

Armed with data, bring in your sales contact before they call you with a rate increase

Pework Items:

- Cost Increase history
- Current On Hand Inventory, forecast and 12 months of usage
- Last year's obsolescence write off
- Employee feedback about the product / service. Try to get fresh comments in the event things have changed.
- Their competitor's items (if applicable)
- Ensure the same vendor isn't giving other parts of your company different pricing
- Are you part of a larger company (51% ownership?) Ask for their rates!
- If commodity pricing impacts the vendor costs, have the last 12 month trend and forecast (ex – stretch wrap is petroleum based)

Negotiation Tips:

- Look at the freight program. Many times you can move it yourself cheaper
- What leverage do you have within your company with other areas – are you using the same products?
Are there other products you can use?
- If you have overstock, ask them to take it back for a credit against something you need or a future purchase
- Show them your product portal – salesmen love the chance to add their products to catalogs
- Last – Do not leverage terms until the end, and only if you have your CFO's blessing and confidence in AP