Strategies for World-Class Procurement
Introduction

Strategies for World Class Procurement

Striving to be the best—that’s the mission of procurement and supply management professionals everywhere. They’re developing and executing sourcing strategy and delivering lasting cost and productivity improvements in all spend categories.

To help our readers achieve their goals and provide the latest information on strategies in world class procurement, My Purchasing Center and OfficeMax have compiled some of the best articles and research on the topic posted at MyPurchasingCenter.com into a new guide.

Our guide, Strategies for World Class Procurement, presents new thinking on strategic sourcing and category management and the next level of procurement excellence including forward-looking thoughts on risk management, advanced analytics, spend management and developing workforce capabilities.

It also offers practical how-to advice for creating winning sourcing strategy and adapting sound procurement practices in a non-profit environment. We conclude with valuable sourcing and supply management benchmarking metrics we’ve just gathered from 200 procurement operations around the country.

Our guide has something for everyone in procurement and supply management who’s striving to be the best at strategic sourcing--have a look!
Category Management: Beyond the Strategic in Strategic Sourcing

By Pierre Mitchell, Senior Director, Research & Advisory, The Hackett Group

Executive Summary
Building a category management capability that crosses organizational boundaries puts the “strategic” back into strategic sourcing. Category management fundamentally differs from strategic sourcing and builds on the creditability that strategic sourcing professionals have created for themselves over the years. For the most part, differences between category management and strategic sourcing center on the former’s longer time horizon and the broader scope and scale of its activities. Category management is aligned with the life cycle of the processes which consume the products and services in those categories. It involves not only a more comprehensive internal customer management and supplier management approach, but a broader, more facilitative way of constructing solutions that support both category and business objectives.

Introduction
Procurement executives are looking to provide greater value to the enterprise beyond cost reductions, but, markets can only offer so many savings using traditional ‘strategic sourcing’ methodologies. So, their focus from price reduction has gone towards TCO reduction and spend reduction – but more is still needed. Firms must get more “bang for the buck” (measured by broader business outcomes) as opposed to just reducing expenditures. Safely harnessing supply-market power to create competitive advantage is the mission of a world-class procurement organization. Yet, few companies have the capabilities to make that happen. The primary vehicle for extracting value from the supply base has been the strategic sourcing methodologies pioneered in the 1980s and 1990s. Sourcing managers used it successfully to rationalize suppliers, aggregate buying power, drive down pricing and even improve supplier performance against a contract. Strategic sourcing also proved invaluable during the recent recession to recalibrate pricing to the supply markets when they took a nosedive alongside demand markets.

However, as companies try to shift their attention toward innovation, globalization and profitable growth, the implication for the Chief Purchasing Officer (CPO), sourcing
managers and other staff becomes clear: expand the value objectives of categories beyond purchased cost reduction to provide broader support for strategic business objectives. Otherwise, the runway for savings will exhaust itself, taking procurement’s reason for having a “seat at the table” with it.

**Category Management is Broader Than Strategic Sourcing**

The strategic sourcing process is typified by a set of periodic processes and projects that seek to reduce purchased costs by aggregating demand and rationalizing the supply base in selected commodities. This n-step process typically starts with procurement-led analysis to identify target commodities and opportunities – and then culminates in a preferred-supplier contract:

- Profile the category
- Develop sourcing strategy
- Identify suppliers
- Evaluate suppliers
- Negotiate and award the contract
- Transition and implement the contract
- Monitor supplier performance

This price-centric methodology is highly effective for garnering initial savings if implemented well (i.e., a rational and streamlined cross-functional process creating a solid, price-effective contract), but it is still a sourcing methodology and geared toward creating contracts. Category management, on the other hand, evaluates not only the full cycle of a contract or supplier life cycle, but also looks holistically at the life cycle of the value chains which consume the goods and services in the spend categories. The differences between strategic sourcing and category management are shown in Fig. 1.

Both strategic sourcing and category management organize processes and resources around supply markets, but category management not only sources these market categories, but also manages them on an ongoing basis. Category management involves building a clear understanding of the organization’s key value objectives for the category (themselves based on business objectives) and then developing a set of executable strategies. Procurement’s role is to come to the table with ideas as to what value is possible to capture, even if Procurement might itself not be measured on all those benefits.

**Hitting the Wall**

Unfortunately, most organizations struggle to break through to true category management. While it sounds straightforward in principle, most organizations strug-

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**FIG. 1 Category management: More strategic and holistic than strategic sourcing.**

<table>
<thead>
<tr>
<th>STRATEGIC SOURCING</th>
<th>CATEGORY MANAGEMENT</th>
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<tbody>
<tr>
<td><strong>Goal</strong></td>
<td>Maximize realized category value to the organization, including total cost of ownership (TCO), risk, operational performance, innovation, etc.</td>
</tr>
<tr>
<td><strong>Frequency</strong></td>
<td>Ongoing, day-to-day process. Triggers project-based activities and other operational improvements as needed.</td>
</tr>
<tr>
<td><strong>Approach</strong></td>
<td>Develops a category strategy and applies appropriate value levers and supporting techniques/tools as needed to meet value objectives (e.g., strategic sourcing, SRM, value engineering, process reengineering, demand and compliance management).</td>
</tr>
<tr>
<td><strong>Results</strong></td>
<td>Reduced contract pricing translating to actual realized savings hitting the bottom line.</td>
</tr>
<tr>
<td></td>
<td>Category value is targeted, including validated savings and broader value measurement.</td>
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One reason is that the strategic sourcing methodologies used by sourcing managers (including those called “category managers”) are, frankly, running out of gas. Sourcing is only one step in a broader value chain, and by definition, can only be as strategic as the process allows. Category management doesn’t start with a corporate procurement group creating ‘waves’ of strategic sourcing projects to support its functional savings goals. Rather, it is tied to the cadence and lifecycle of the primary stakeholders’ processes that consume the products and services in those categories. Therefore, it is not surprising that, while the majority of procurement organizations have at least a basic strategic sourcing process, less than 5% have classified it as truly strategic, and have adopted a truly comprehensive category management process. Most have “hit the wall” in terms of going beyond purchased cost reductions because their current strategic sourcing methodologies inherently let them go only so far. Some organizations even make the problem worse by renaming their sourcing methodologies as category management, without changing the fundamental approach.

Pulling Back the Covers on Category Management

When implemented properly, category management is a client-friendly framework. It involves building a clear understanding of the organization’s key value objectives for the category, then developing a set of executable strategies that meet those objectives (Fig. 2). If objectives are defined too narrowly (e.g., hard cost savings and low time/risk to implement), the default will lead down the path of basic sourcing and exclude too many potential opportunities.

Still, identifying and scoping this bigger prize is only half the battle. Companies must actually seize the prize, and that requires capabilities not currently possessed by most procurement organizations. The strategies shown Fig. 2 pull a variety of value levers...
For most commodities in a category, transformation might start with strategic sourcing to rationalize the supply base.

The methodologies are diverse and it is not advisable to try to force-fit all of them into a sourcing methodology because they are outside the bounds of a sourcing process and part of a life cycle management process (i.e., that of the value chain rather than the sourcing process). However, they must both be pursued vigorously and coordinated explicitly because of their benefits (e.g., world-class procurement organizations deliver over 3.5X the savings from non-sourcing-related supplier collaboration benefits than their peers).

SRM shouldn’t happen in isolation from strategic sourcing. The two should be highly integrated, and category management is the perfect vehicle for doing so when companies haven’t brought them together. So, while it shares many of the attributes of strategic sourcing (e.g., cross-functional teaming, stakeholder alignment, organizing around supply markets, using techniques such as low-cost country sourcing), category management most definitely is not about simply putting a new veneer on the strategic sourcing methodology.

**Strategic Sourcing vs. Category Management**

Strategic sourcing is a methodology and associated techniques and tools to optimally source goods and services to meet business requirements. Includes category sourcing as well as general/tactical sourcing activities and cross-category sourcing support activities (e.g., competitive bidding techniques and e-sourcing tools).

Category sourcing is the use of strategic sourcing processes and techniques to optimally source a category and its constituent commodities/sub-categories. A category is comprised of lower-level commodities/sub-categories, which can be products or services. A commodity (a.k.a. sub-category) is a well-defined product or service bought and sold in a supply market. It is typically characterized by the availability of functionally equivalent substitutes.

Category management is a frame-work and set of practices used to optimally manage supply categories to meet business objectives. The framework sits above and guides the content and sequencing of lower-level methodologies like strategic sourcing and supplier relationship management (SRM) to satisfy category objectives and business objectives. A category is a grouping of materials or services that have similar supply and usage characteristics to meet business objectives.

**Pierre Mitchell, Senior Director, Research & Advisory, The Hackett Group**

Mr. Mitchell is responsible for leading the development of research and other intellectual property within Hackett’s Procurement Executive Advisory Program, where he also serves as an adjunct business advisor. He has over 20 years of industry and consulting experience in procurement, supply chain and information technology. Mr. Mitchell is quoted widely in the press and speaks at numerous industry events on supply management trends and technologies. Previously he was vice president of supply management research at AMR Research and a manager at Arthur D. Little, here he led numerous supply chain and procurement transformations at Fortune 500 companies. Other industry positions include manufacturing project manager at The Timberland Company, materials manager at Krupp Companies and engineer at EG&G Torque Systems.
The Next Level of Procurement Excellence

Kris Timmermans, Accenture

Kris Timmermans, who leads the Global Sourcing & Procurement practice in Accenture’s Operations Consulting business recently completed a research study on procurement organizations, analyzing the emergence of procurement as a key business differentiator. The study focuses on organizations that “compulsively contribute” to their company’s success, beyond the expected improvements in cash and working capital. These compulsive contributors are the procurement masters.

In this article, Kris looks to the future and what that will mean for achieving procurement mastery.

Procurement is set to enhance its already robust contribution to corporate success in the next four years, underpinned by C-suite recognition of the masters’ ability to build lasting value. They constantly innovate to drive performance excellence, burnishing procurement’s appeal with employees, executives and investors.

In that process, tomorrow’s procurement organizations will likely make substantial advances in certain areas that have begun to feature prominently on their priority lists. Our experience shows that masters will commit resources and time to four key areas, building on their momentum and finding new ways to keep contributing to their businesses: Risk management, advanced analytics, spend management and development of workforce capabilities.

**Risk Management**

The cutting-edge procurement practitioners now that risk issues pose a far greater threat to costs than what their toughest negotiators can achieve by way of savings. And the most common and potentially dangerous procurement risk areas relate to supplier reliability and price volatility. Aware of the potential negative fallouts of risk, procurement organizations will increasingly focus on managing risks on every front.

The best in the business have already started doing so. They are building comprehensive risk management programs to map risks end-to-end, and they are focusing on anticipating, monitoring and mitigating risk. The masters have begun to use specially developed risk-focused tools and services, and they are more than twice as likely as other procurement organizations to use risk-sharing contract clauses to mitigate supply risk.

**Advanced Analytics**

Price volatility is another dimension of risk that is best managed by using predictive tools. In an increasingly globalized world, demand variations across new centers of consumption are contributing to gyrations in commodity prices, calling for a set of forecasting skills that can respond to these dynamics. Many procurement organizations may not have these sophisticated predictive analytics tools.

To manage in such a volatile environment, masters have already begun investing in building robust predictive analytics tools. Tomorrow’s procurement organizations need to understand the dynamics of the commodity markets as well as analytical tools that would translate complex mathematics into effective solutions, such as scenario planning, or mitigation...
strategies for anticipated risks. Masters may then shed their reliance on historic trend-line data, which fail to adequately capture the effects of volatility on the future pricing scenario.

Using these tools, masters will approach supplier negotiations with much greater clarity on future pricing and input breakdowns of raw or semi-finished goods. That will give masters not only greater bargaining power, but also help assess the risk impact of each major supplier.

**Spend Management**
Masters are also breaking new ground in spend management. They are driving accountability for both savings and visibility into spend, watching the money from start to finish. They obsess over clear ownership of category spend within the business, bottom-up category budgeting, and clear direction for buyers and users on appropriate procurement methods. Through this, masters can circle back, or close the loop, on spend over time.

Some of the benefits of this rigorous approach to spend management are already visible. Cutting-edge practitioners are managing to hold down general and administrative expenses – regarded as a tough area to control - by closing the loop on spend. A global consumer goods giant operates at a G&A to revenue ratio of 6.5 percent, a level 40 percent lower than its peers.

The company has achieved this cost base by driving firm-wide, bottom-up corrective actions, and tying accountability to executive owners of each cost category.

**Workforce Capabilities**
Aware of their shortcoming in this area, procurement masters are beginning to transform their workforces to meet the challenges of a volatile global sourcing market. The pioneers are already rolling out new programs, indicating what the activity will look like in three or four years. This will include customized, skill-based training and exposure to other crucial functions, as companies try to create the well-rounded professional who will drive the procurement organization of tomorrow.

For instance, a global industrial conglomerate has already made a strong start. The company’s capability development program now runs an activity designed to rapidly enhance the skills of the company’s middle and senior supply chain managers in financial skills, leadership coaching, and skills in functions as diverse as employee engagement and negotiations. Training participants to solve real business problems in small groups, this company has managed to quickly enhance the skills of its procurement professionals. The program will now go beyond the family to include other functions –and even the company’s suppliers.

Of course, examples of innovative workforce transformation are still rare. But it is time for masters and contenders alike to emulate these early adapters so that procurement becomes a magnet for talent.

**Call to Action**
In the final assessment, there is no question that business pressures will continue to demand more of procurement. Still, procurement masters will continue to set the pace. They already have a long lead over other procurement organizations. Even so, they can no more afford to be complacent about their procurement prowess than their peers whose skills already lag the masters.

The good news is that the masters stand as a beacon of what is possible. As the global economy regains velocity, new competitors are waiting to capitalize on opportunities. To keep them at bay, masters and those who lag behind must continue to extend their procurement capabilities, making procurement a crown jewel that is valued across the company.
In the past several months, I have been receiving requests for conducting seminars on the Strategic Sourcing process. Once I learn about the needs of my prospective clients and we get deeper in our conversations, it becomes clear to me that many organizations who jumped on the bandwagon to adopt the Strategic Sourcing process have come to the realization that they may have taken short-cuts, and are not achieving the sustainable costs savings that they had hoped for.

Although, over the past decade, the majority of the Fortune 500 companies have realized dramatic savings by applying strategic sourcing principles to both their direct and indirect expenditures, there are still many organizations that have not fully taken advantage of this methodology. As a result, I would like to devote the next three blogs to this topic, and share with you the principles of creating winning sourcing strategies.

Strategically sourcing is far more than a simple allocation of business to suppliers by the purchasing function. It is a multi-functional activity that produces a plan of action for several years. Successful sourcing strategies are built on a rigorous analysis of the buy, the supply industry, and the fundamental drivers of value.

The act of creating a strategy is intrinsically valuable because it forces a team to step back and make a comprehensive examination of the current supply base, and to take a long-term view of purchasing-related decisions. It also builds cross-functional buy-in to the priorities for each commodity and supplier.

What Is Strategic Sourcing?

Cost savings is the most common procurement goal, and strategic sourcing is arguably the most comprehensive method for achieving costs savings. Strategic sourcing is generally defined as a rigorous process.
of identifying the right supplier. Not necessarily the cheapest or highest quality supplier, but the supplier that offers the greatest overall benefit to the organization, all things considered.

Because strategic sourcing typically culminates in a contract with a term of at least three to five years, it should be perceived as the first step in a long-term relationship. By consummating this relationship in the form of a contract with a supplier, strategic sourcing aims to reduce the cost of doing business. This includes not just a lower price, but also other efficiencies that will positively impact the organization's bottom line.

**Why Adopt Strategic Sourcing?**
Companies like strategic sourcing for three reasons:

Strategic sourcing is based on repeatable best practices. Instead of each department trying to figure out how to go about conducting competitive bidding for its own categories, strategic sourcing is a formalized process with a defined sequence of steps that have taken into consideration the most effective methods of competitive bidding. This maximizes both the efficiency and the effectiveness of the sourcing process.

Strategic sourcing is led by experts in the sourcing process. There are many challenges to strategic sourcing. Many mistakes can be made if the process is managed by someone without deep experience. Having the strategic sourcing process led by someone who has experienced all of the veritable landmines of sourcing leads to higher quality results.

Most important, strategic sourcing has proven to be very effective at reducing costs. Cost reductions of 20% or more in a category of goods or services are common.

**Strategic sourcing is a formalized process with a defined sequence of steps that have taken into consideration the most effective methods of competitive bidding.**

Prior to founding Lunney Advisory Group in 2007, Soheila joined Education Management Corporation (EDMC) as the vice president of procurement in January 2004. Prior to joining EDMC, Soheila was director/deputy to chief procurement officer at Bayer Corp. During her 17 years of service at Bayer, she held several positions with increasing responsibilities in research and development, logistics, customer services, materials management, and procurement.

Soheila obtained her bachelor’s degree in science from National University of Iran followed by MS and Ph.D. from University of East Anglia in Norwich, England. She is a member of Board of Directors of Pittsburgh Institute for Supply Chain Management (ISM) and also served on the Board of Directors Pittsburgh Regional Minority Purchasing Council. In addition, since 1998, she has been a member of the Advisory Board of Supply Chain Management at Duquesne University in Pittsburgh where she taught a course in procurement/supply chain management. Soheila is a frequent speaker on different supply chain management topics, the sole holder of a U.S. Patent relevant to polyurethane technology and author of several publications.
Mission Driven Sourcing

Rich Weissman, Assistant Professor, Endicott College School of Business and Van Loan Graduate School, director of corporate education

It was not very long ago that heading up procurement for a not-for-profit organization was a job done by an entry-level buyer, an accounting clerk, or perhaps a volunteer. Yet, in this era of increasing social responsibility, not-for-profit organizations are under intense pressure to maximize fund-raising efforts with documented outcomes and metrics, much like their for-profit brethren. Donors want to make sure that their contributions are being used effectively, efficiently, and with the most return on investment.

For Ian O’Brien, the vice president of strategic sourcing for the Atlanta, Ga.-based American Cancer Society, the challenges of strategic sourcing for an iconic not-for-profit has been rewarding personally and professionally. O’Brien, a veteran of large consulting and banking firms was brought in to the ACS two years ago to address the almost $400 million in indirect spend. “I’ve always had an interest in sourcing as the ‘value lever’ for an organization and there are plenty of opportunities for creating strategies to best manage our spend,” says O’Brien.

O’Brien’s organization oversees a diverse array of commodities for the $1 billion organization, including benefit management, human resources, telecommunication, IT, labor, financial and professional services. Print is also a huge area as the ACS needs to develop a large amount of promotional materials for development, advocacy, and community service demands. O’Brien says that while there is no clinical spend per se, there are some sourcing activities around long-term cancer-related clinical studies.
“When I came to the ACS we were a federated environment with all of the associated inefficiencies,” says O’Brien. “We have moved over to a center-led process where we can look at national contracts, develop some data models, leverage spend, and better organize sourcing across the organization.” O’Brien’s staff includes sourcing, analytics, inventory management, and supply management professionals.

O’Brien's approach is to have a nationwide approach to sourcing. “There are 12 divisions across the country and each has a procurement lead who indirectly reports into me and we’ve had some good success,” he says. “It can be challenging for a new person to come in and significantly change an existing process but everyone seems to understand our challenges and they’ve treated me well. It is all about balancing the needs of the divisions while focusing on the supply chain efficiencies we are trying to implement.”

When addressing sourcing decisions, O’Brien likes to utilize what he calls the “Sourcing Wheel of Life” that includes areas such as total cost of ownership, quality, risk, and efficiency. “We are really focused on process improvement and certified or actual savings, not just contracted savings,” says O’Brien when asked about how he measures success. “We manage our money very carefully and spend it wisely.”

“A practitioner turned educator, Weissman has more than 25 years of experience in all facets of procurement and supply chain management. He has held positions with large business units of Fortune 500 companies, medium-sized contract manufacturing companies, small venture-backed Internet startup firms, and third-party procurement, consulting and strategic sourcing firms.

Rich holds an M.S. in Management from Lesley University and a B.A. in Economics from Rutgers University. He is past president of the Purchasing Management Association of Boston and a recipient of the Harry J. Graham Memorial Award, the highest honor bestowed by the association.
Office Products Industry Study

Opportunity for Procurement

Now, more than ever, procurement operations have an opportunity to optimize sourcing of a vital spend category—office supplies and related products and services—and deliver additional value to their organizations.

Take the leap, procurement.
The 2012 OfficeMax Office Products Industry Study conducted by My Purchasing Center shows the economy is recovering, business is expanding and companies expect to increase sourcing through office products suppliers in coming years. Procurement operations participating in the 2012 Study now source office supplies and other related products and services through office products suppliers.

Procurement operations are satisfied with performance of office products suppliers. Office products suppliers are doing an outstanding job at customer service, quality, delivery and cost management.

Results of earlier research on procurement best practices such as the 2011 OfficeMax Purchasing Study and anecdotal evidence based on interviews with representatives of procurement operations with responsibility for office-products sourcing show world-class companies continue to work to consolidate spending helping to reduce costs and improve productivity for their organizations.

Yet the 2012 OfficeMax Office Products Industry Study finds there appears to be hesitation among procurement operations to leverage relationships with office products suppliers by expanding agreements to include such items as paper, toner, furniture, private-label products, breakroom supplies, technology and print.

By partnering with their providers, and leveraging spend across multiple categories with a single supplier, procurement operations could realize cost savings.

The Economy and Sourcing Activity
Procurement operations at organizations participating in the 2012 OfficeMax Office Products Industry Study source office products and other related goods and services through office products suppliers. Two
hundred procurement operations at organizations across the nation took part in the 2012 Study.

For three-in-four procurement operations, economic conditions are favorable. The rest are experiencing an economy that's contracting.

That optimism is reflected in procurement's recent sourcing activities. Thirty percent of participants in the 2012 Study are sourcing more office products and related goods and services through their office products suppliers today than they were three years ago. Another third is sourcing the same amount as in 2009.

By far, office supplies is the most popular spend category procurement sources through office products suppliers. Nearly every procurement operation in the study (99.5%) sources the category through the suppliers. Procurement operations also source paper (67.2%), toner (59.6%) and office furniture (33.8%). Private-label items (30.3%), breakroom supplies (23.2%), computer hardware and peripherals (21.7%) and print services (21.2%) are other items procurement sources through office products suppliers.

Looking ahead three years, 35% of procurement operations expect to source more products and services through their office-products suppliers. Another 51% plan to source the same amount. Just 14% will source less. Those plans, however, do not show increases in sourcing of specific related products and services through office products suppliers.
Three years from now, nearly every procurement operation (98.5%) plans to source office supplies through their current office-products supplier. In 2015, figures for other categories that procurement currently sources through the suppliers also will remain virtually unchanged compared with current sourcing activity: Procurement plans to source paper (63.6%), toner (55.6%) and office furniture (33.3%). Procurement also will be sourcing roughly the same volumes of private-label items (30.8%), breakroom supplies (25.3%), computer hardware and peripherals (22.2%) and print services (22.2%).

Asking to name additional products they’d like their office-products supplier to provide, most procurement operations appear satisfied with current offerings. However, some suggest that office products suppliers offer related products such as janitorial/breakroom supplies, technology and toner—at more competitive prices.

At the same time, many procurement operations in the 2012 Study also do not have plans to extend their agreements with office products suppliers to include certain services. Roughly half (49.5%) will look to their supplier for assistance with meeting goals for environmental sourcing initiatives in 2015.

Another 35.5% will seek help from their supplier with meeting goals for spending with diversity suppliers. Nearly 18% expect to expand their company’s sourcing to other regions of the world.

**Measuring Supplier Performance**

The 2012 OfficeMax Office Products Industry Study’s findings on procurement’s sourcing plans are somewhat surprising given that these office products suppliers provide a wide range of products and service—and deliver high levels of performance overall.

On performance, procurement operations give office products suppliers good or excellent ratings. Nearly 43% say office products supplier performance is excellent. Another 52% rate office products supplier performance as good. Just 5% find supplier performance to be fair. None describe performance office products suppliers as poor.
What’s more, performance only continues to get better. Performance of office products suppliers has improved over the past three years for nearly one in four procurement operations. For the majority (72.7%), performance remains the same. About 3% are sourcing through office products suppliers whose performance has declined.

And performance of office products suppliers is on par with that of procurement’s other strategic suppliers. Fifteen percent of procurement operations in the 2012 Study find office-products supplier performance to be better than other strategic suppliers. For the majority (82.3%), performance is about the same as for other strategic suppliers.

**Service Stands Out**

Asked specifically how their office products suppliers perform in certain areas, procurement operations participating in the 2012 OfficeMax Office Products Industry Study say the providers do particularly well at customer service, delivery and quality.

Fifty-four percent of procurement operations rate their supplier as excellent at providing customer service; 41.3% give their supplier an equally high mark for handling delivery issues and 36% use similar kudos for quality performance.

Managing costs, technical support and geographic range of service are other metrics for which office products suppliers receive excellent ratings from procurement operations.

The majority of procurement operations are more liberal with “good” ratings for all these performance metrics. Office products suppliers also are doing a good job at assisting with demand management, assisting with compliance, geographic capability, e-commerce capability and technical support.

Increasingly companies are looking to suppliers for new ideas to manage cost and increase revenue. Sixty-nine percent of procurement operations say suppliers are doing a good or excellent job at this.

Overall, a majority of procurement operations (56%) view their office suppliers as being capable of bringing forward innovation and new ideas to their procurement organizations. However, nearly 20% give them a poor rating in this area. Compare this figure with 3% of procurement operations of procurement operations that say office products suppliers are doing a poor job at helping to manage costs.

To the question “What does your office products supplier do particularly well” procurement operations participating in the 2012 Study provided responses that call out office products supplier proficiency at delivery and customer service. Here is a sampling of their responses:

- “Consistent and efficient order processing, integration of ecommerce tools and analysis of usage activity.”
- “Online ordering, prompt delivery and good prices.”
- “Responds to company needs and suggests additional areas of savings.”
- “Provides great service especially from drivers and CS folks.”
Specifically, how does your office products supplier now perform in these areas?

- "Provides good monthly and year-end reports, enables approval limits and persons to be set up for ordering supplies to corporate office and stores with a good website."
- "Efficient procure-to-pay process, order distribution and delivery performance."

When asked "In what areas is there room for your office products supplier to improve?" the majority of procurement operations in the 2012 Study answered "none." Others mentioned that they are looking for better delivery, customer service and cost performance. Here is a sampling of their responses:

- "Retain knowledgeable staff that is and remains communicative and responsive when issues arise."
- "Add more items to house-brand program."
- "Website improvements, communications, packaging of orders that we receive, pricing."
- "Price margins, online technology, relationship between local office and corporate office."
- "We occasionally see items go out-of-stock/discontinued without immediate replacement of like product. Would like to encourage cost-containment without our having to cost compare."
- "Account management across states or countries 'global account management.' Also assist with conversion of products to more economical brands."

By and large, procurement operations that have these issues with office products suppliers should be able to resolve them with improved communication/closer collaboration with the providers. Office products is a spend category that procurement operations at many world-class companies go to as a test for implementing new strategies, such as online ordering, with good success. With this favorable report on supplier performance and improving economic and business conditions it may be time for procurement to leap at the opportunity for optimizing the spend with office products suppliers—and deliver additional value to their organization.