Winning Procurement Strategies

The Role of Data and Analytics in Procurement Excellence

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aCSC® | African Centre for Supply Chain
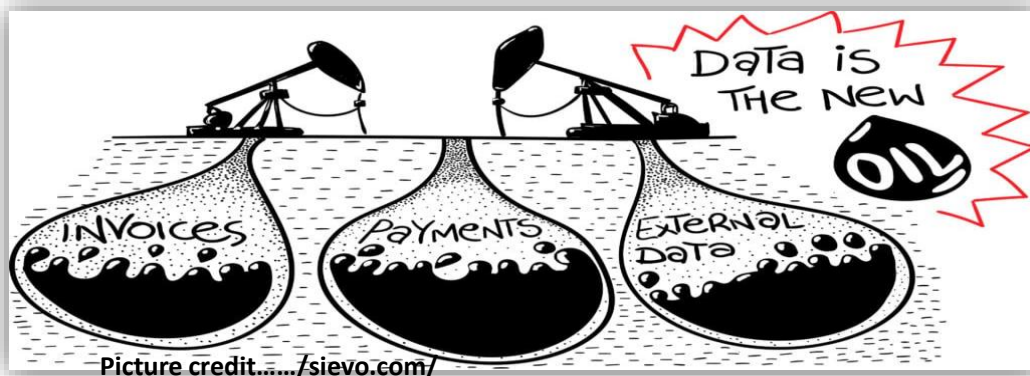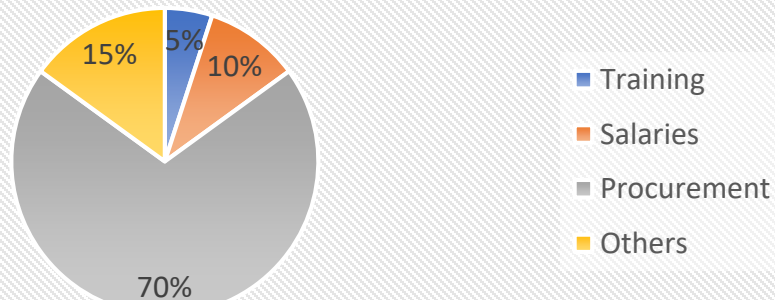
Research . Education . Networking

Agenda

- Introduction
- The Procurement Process
- Case Study
- Procurement analytics
- Procurement Data Mining and Data collection tools
- Importance of Data and Analytics in Procurement

Introduction

Picture credit…..../sievo.com/

VGN 2012 Spend in Million ($)

- 5% Training
- 10% Salaries
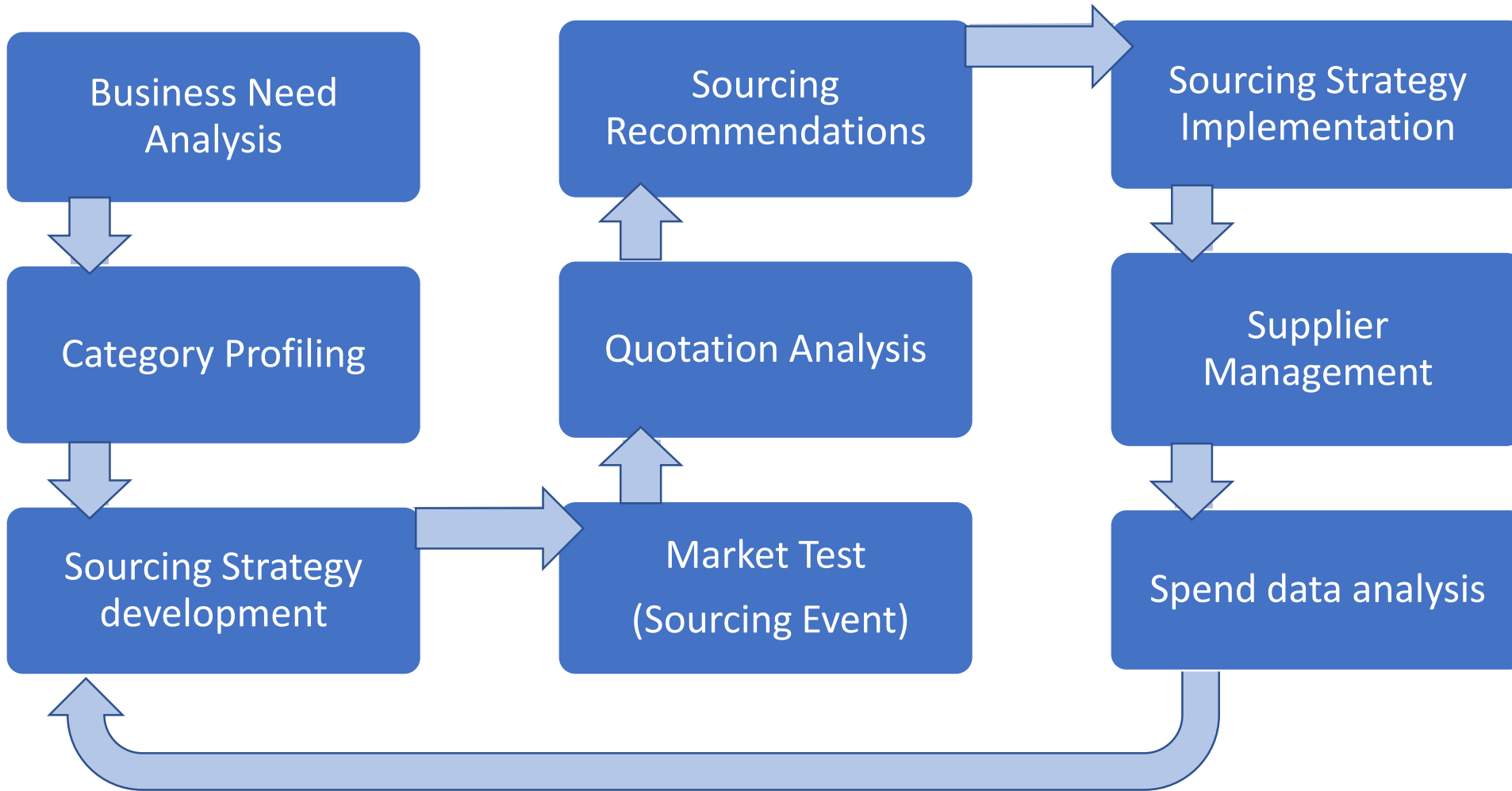- 70% Procurement
- 15% Others

Source: VG Nigeria 2012 Financial Analysis.

- "Procurement helps manage compliance and reduce overall supply chain risk" ACSC.

- Use of Data and Analytics in Procurement is not new, but its importance has evolved and currently is a business enabler for competitive advantage.

- As vital signs are important to a medical professional, so is accurate procurement data to a procurement professional.

- Procurement accounts for >50% of every organizations spend YOY, so the growth, stability and profitability of any organization depends on the excellent performance of the Procurement team.

- You cannot measure the performance of any organization without an accurate and available data.

- Hence the Role of Data and Analytics in Procurement is imperative for organization excellence and profitability.

Data is the foundation on which procurement excellence is built

The procurement process

```
Business Need
Analysis
   ↓
Category Profiling
   ↓
Sourcing Strategy
development
```

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Sourcing
Recommendations  →  Sourcing Strategy
   ↑                 Implementation
Quotation Analysis      ↓
   ↑                 Supplier
Market Test          Management
(Sourcing Event)        ↓
                     Spend data analysis
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- *Data gathering and Analysis starts from the first process.*
- *As a Procurement professional, the more information you have, the easier it is to make profitable and sustainable decisions*

Case study of SCP Company (Connector Manufacturers)

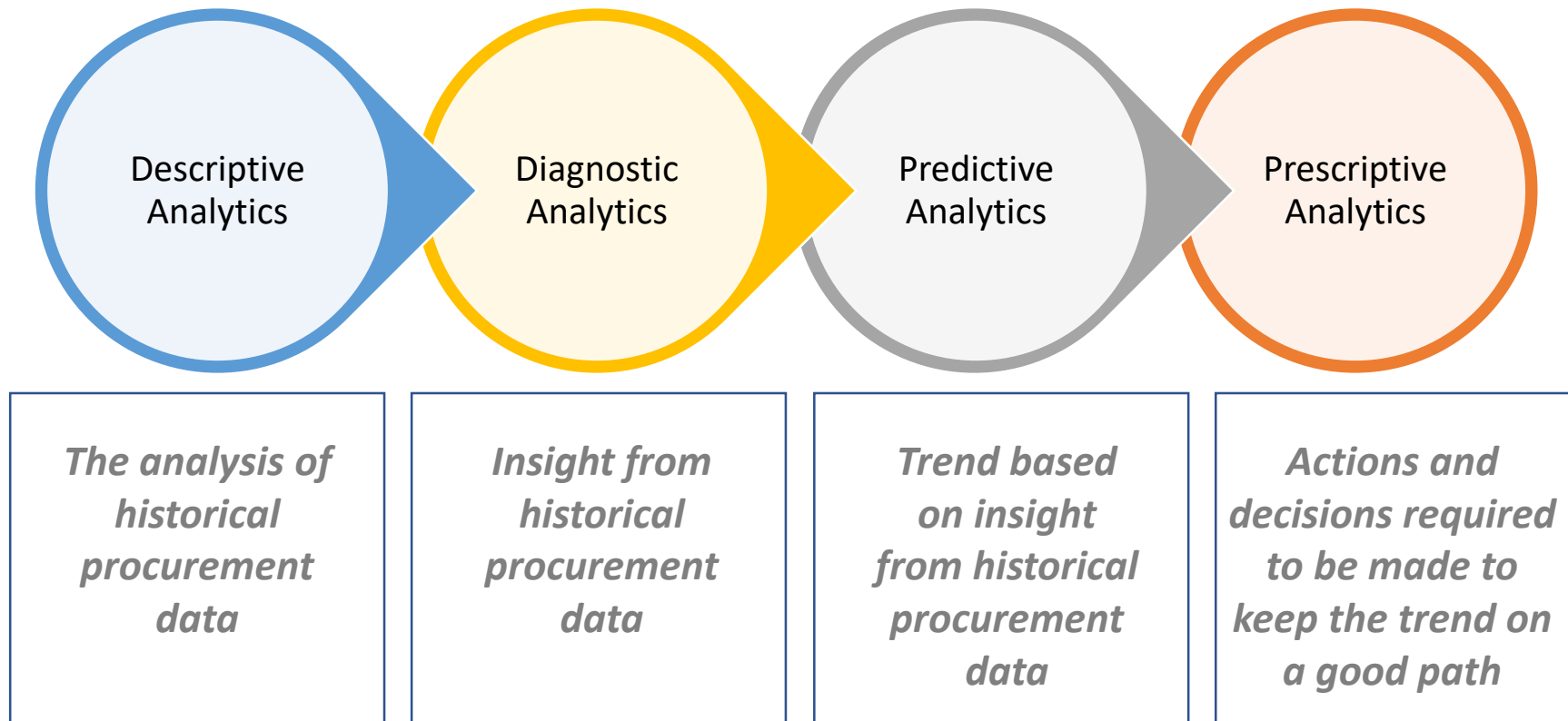**Importance of Data and Analytics in Procurement Excellence**

- How much do we usually spend on nitrogen gas and diesel weekly?
- How much did we spend on these commodities last year compared to this year?
- Which supplier(s) of nitrogen and diesel always give us the highest financial benefit?
- Do we always get the value of what we pay for?
- Are we paying more than our competitors or more than the market price?

Impact of the exercise

- Gave better visibility to our highest commodity spend
- Helped the development of effective bench marking activities on further purchases
- Helped to avoid and avert the pitfalls of bad buying
- Improved Business profitability

Procurement analytics

Descriptive Analytics

The analysis of historical procurement data

Diagnostic Analytics

Insight from historical procurement data

Predictive Analytics

Trend based on insight from historical procurement data

Prescriptive Analytics

Actions and decisions required to be made to keep the trend on a good path

Helps corporations make informed strategic business decisions

Procurement data mining

Some Raw Mined Data:

- Procurement Spend Report
- Requisition Report
- Supplier Prices/Quotations Report
- Authorized Vendor List Report
- Vendor Frame Agreements Report
- Market Intelligence Report

How do you Extract Procurement Data?

Procurement Data and Analytics; a top priority for procurement excellence

Procurement Spend
Supplier Prices/Quotations
Lead times and Cycle Times
Cost savings and deflations report

- *End to End Procurement Visibility*
- *Business Profitability*
- *Supplier Rationalization*
- *Effective and Efficient Team Management*

Vendor List Report
Supplier score Card
Cost of poor quality
Supplier Payment Report
Technology/Infrastructure

- *Better Risk Management*
- *Better Planning for Demand and Supply*
- *Fast Based Decision Making*

Questions?

Thank You