

Procurement – Are you a smart buyer?

Excellence in procurement and a well developed sourcing strategy can lead to a host of proven, quantifiable business benefits, including lower operating costs, higher return on investment, and a direct contribution to the bottom line.

The power of procurement

Until recently, procurement was a necessary, but seldom celebrated, function of large organisations. But times have changed. In today's highly competitive global environment, sourcing and procurement have become a core competency. This should not come as a surprise when one considers the huge dollar expenditure represented by procurement in enterprises.

Today, procurement departments are playing a crucial role in the success of businesses in ways that old-school purchasing managers could never have imagined.

E-commerce is also now more widely accepted as it makes for more efficient processes for ordering, payments and internally for inventory control. In a downturn, producing relevant financial information in a timely manner is critical, and procurement is an integral part of it.



It is so easy to lose control

In spite of procurement having become such a critical function for daily operations and long term profitability, many organisations are still struggling with it.

The most common signs that your procurement function is not under control include:

- No strategy in place;
- No clear, real-time view of corporate spending;

- Ever-increasing cost base;
- Fragmentation of supplier base;
- Suppliers having the upper hand in the relationship;
- Widespread Maverick spending; and
- Lack of strategic procurement skills in the business.

The consequences of lack of control over procurement have a direct impact on expenses (corporate spending, excess stocks and expediting costs) and processes (fraud, non-compliance, blockages and inefficiencies).

Strategic sourcing & procurement at work

The cost of procurement in organisations with world-class operations is 20% less than in typical companies.

To achieve this result, it is essential to develop a procurement strategy addressing the following seven points:

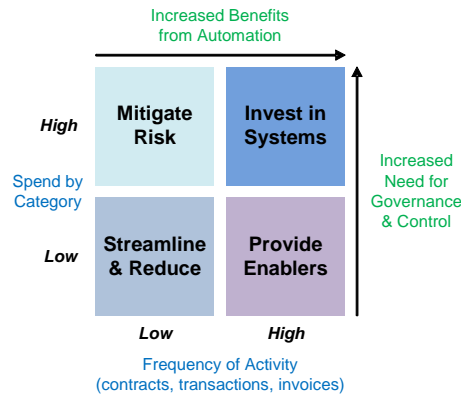
- Spend analysis: Understanding of purchasing patterns, supply base, spend by categories, and potential for E-procurement.
- Supplier base: Consolidating purchases while maintaining a healthy level of competition between suppliers, as well as building long-term relationships with suppliers.
- Corporate purchasing policies and processes: Streamlining processes and ensuring compliance.
- Product management: Standardising items and cutting unnecessary parts.
- Technology, including E-procurement: Building a business case for E-procurement or other technological solutions.
- Tender management and contract management: Introducing best-in-class tender and contract management processes.

GENERAL ENQUIRIES

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APP has helped many companies to design and implement procurement strategies and plans that have helped them achieve significant savings. Our consultants are experienced at approaching sourcing and procurement from the angle that is best suited to the company.

- Staff awareness and skills: Breaking down resistance to change and shifting from traditional procurement practices to more strategic supply management.



A little experience goes a long way

APP Corporation is a leading Australian-owned consulting business specialising in business consulting, project management, infrastructure, property and urban planning. We combine innovation, knowledge and technology with the best people to deliver outstanding results for our clients.

In 2009, we will celebrate our 20th year of operation and our 4th year as a wholly-owned subsidiary of Transfield Services Limited (ASX code TSE; www.transfield.com.au), which is now an ASX 100 company with more than 29,000 employees and operations across the world.

Our experience spans many industries: Government; Energy and Utilities; Retail; Manufacturing; and Financial services.

How APP can help

In addition to our core advisory and project management services, we can help you establish the strategic context for your sourcing and procurement approach and help you drive the necessary changes to the operations, infrastructure and culture within your business for its successful implementation.

Our senior, experienced professionals will partner with you in a hands-on, practical way and get to the heart of the issues and opportunities quickly, including:

- Defining your vision and ambition for procurement;
- Facilitating the development of your procurement strategy;

- Conducting an in-depth analysis of your corporate spending;
- Streamlining your supplier base;
- Re-engineering your sourcing and procurement processes;
- Building your business case for E-procurement;
- Managing your tender process; and
- Facilitating strategic change management and coaching.

We will bring our unique approach, independent perspective, global insights, deep cultural change experience and advanced facilitation tools and techniques to the task. Your team will bring a deep understanding of your vision for procurement, your culture, the business landscape and an intimate understanding of your staff and their existing skills and mindsets.

Together, we can achieve great results for your people and your business.

Case studies

APP consultants were involved in strategic procurement reviews for an Australian water company and an Australian energy company. Both businesses needed to have an assessment of their current operations performed and wanted to determine if they could implement a full-scale E-procurement strategy, in line with other systems in operation.

The following approach was successfully implemented:

- Analysis of the current situation;
- Development of an E-procurement business case;
- Development and implementation of new policies and procedures;
- Streamlining of the supplier base; and
- Training, change management and documentation.

APP is also involved in tender management facilitation for Government agencies. We have developed sound tender management tools and methodologies that allow us to be effective immediately and support our clients in the ongoing development of their businesses.

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