

# Dodging the Savings Trap

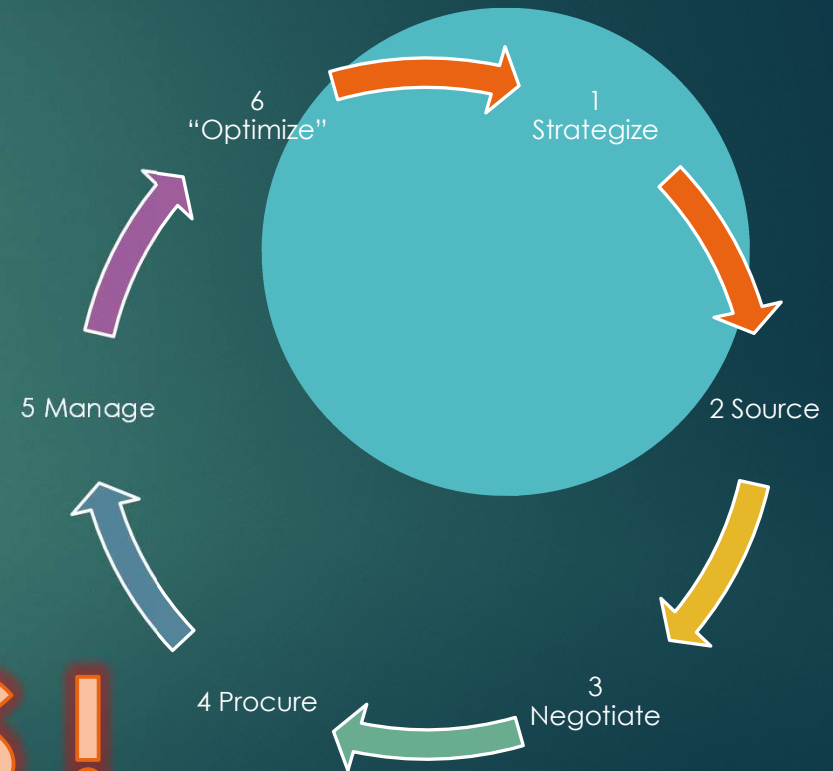
CAPTURING AND KEEPING THE C-SUITE THROUGH VALUE CREATION



A short time ago, in a supply chain career close by . . .

**A young category manager learned of  
The Eternal Cycle –  
The Great Enabler of**

**. . . SAVINGS !**





# SAVINGS – the best metric to measure real impact of procurement . . .



## Empirical & Objective, since it is

- Market-driven
- Subject to a defined process & method
- Broadly accepted across direct & indirect categories

## Immediately Quantifiable & Measurable via

- Reduction in spend (contract or category)
- Avoidance of spend (cross-category)
- Company- or industry-specific metrics

## Tied to Business Outcomes through

- Retained earnings
- Decreased COGS
- Zero-based budgeting (to prevent subsequent spending of saved money)

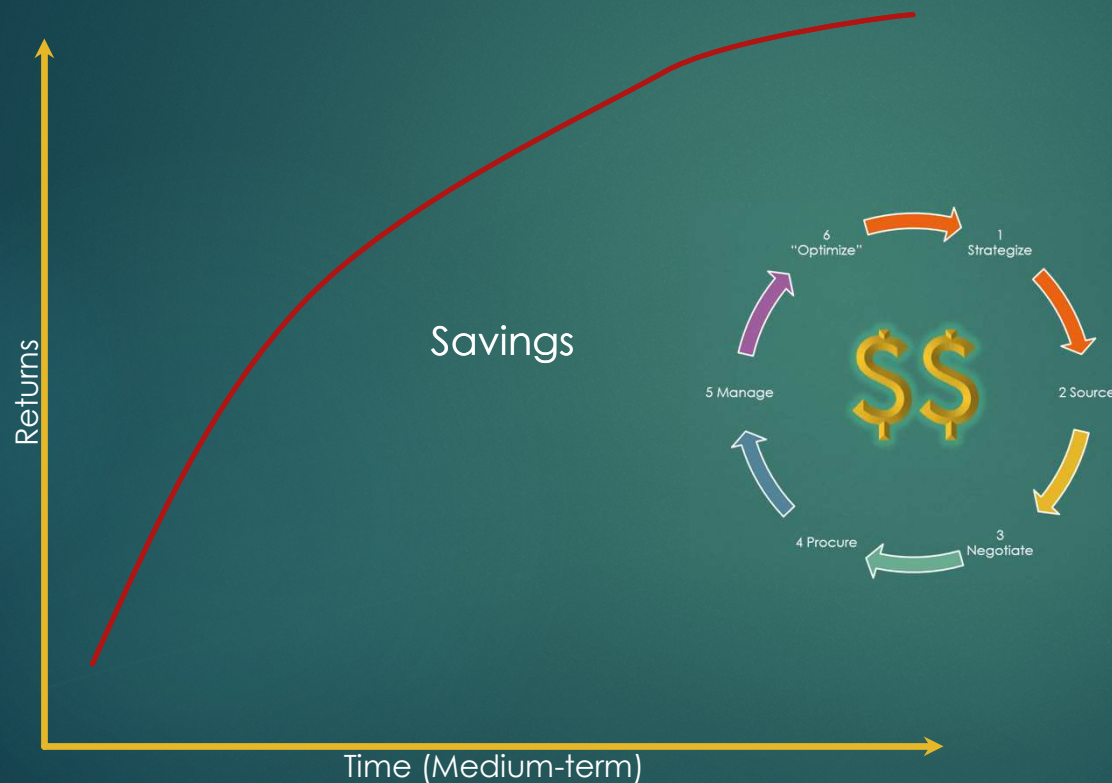
# Early SAVINGS are “low-hanging fruit” and impact is clear . . .



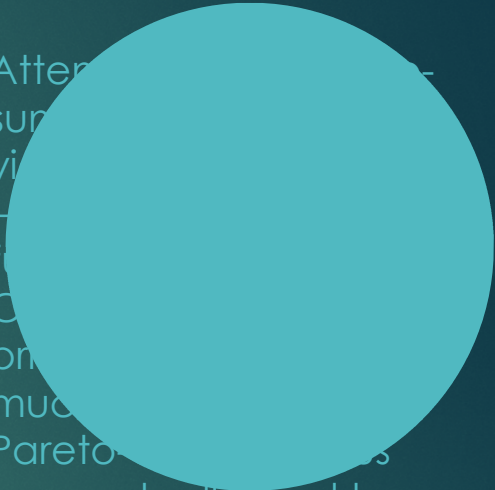
- Order
- Pareto on categories greater impacts
- Immediate results taken to the bottom line
- Everybody's happy



# SAVINGS tend to even out as “low-hanging fruit” is gobbled up . . .



- Longer deals
- Com add market
- Pareto yields still returns
- “Hard” results are still good and “banked”
- C-Suite generally pleased, yet CFO is worried – maybe just an off-year?

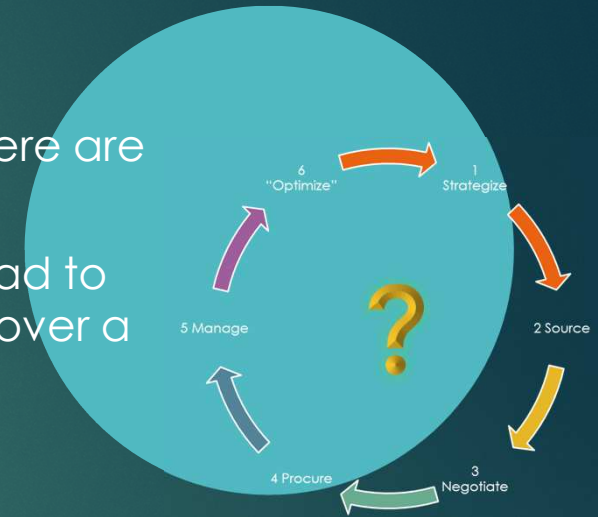


- Attention – supply vs demand
- Competition – focus on product differentiation
- Capital – much more available than before
- Pareto principle may actually lead to diminishing marginal returns
- C-Suite is muttering about who lost their mojo
- Update CV



# Is the Eternal Cycle wrong? Where did things go off-course?

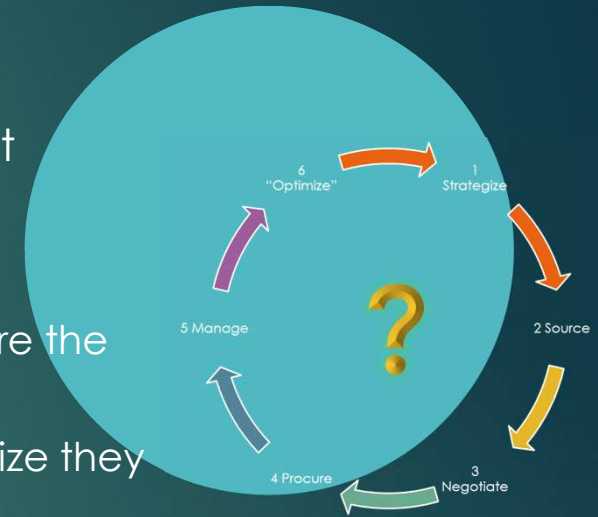
- ▶ One cannot impact what is not measured, yet maybe there are other levers besides savings that get ignored.
- ▶ Quick returns and monetization of cost-reductions can lead to complacency, and neglect of other larger opportunities over a longer time-scale.
- ▶ How do you know the need for hard savings and early successes aren't leading you into . . .



## . . . A SAVINGS TRAP?!

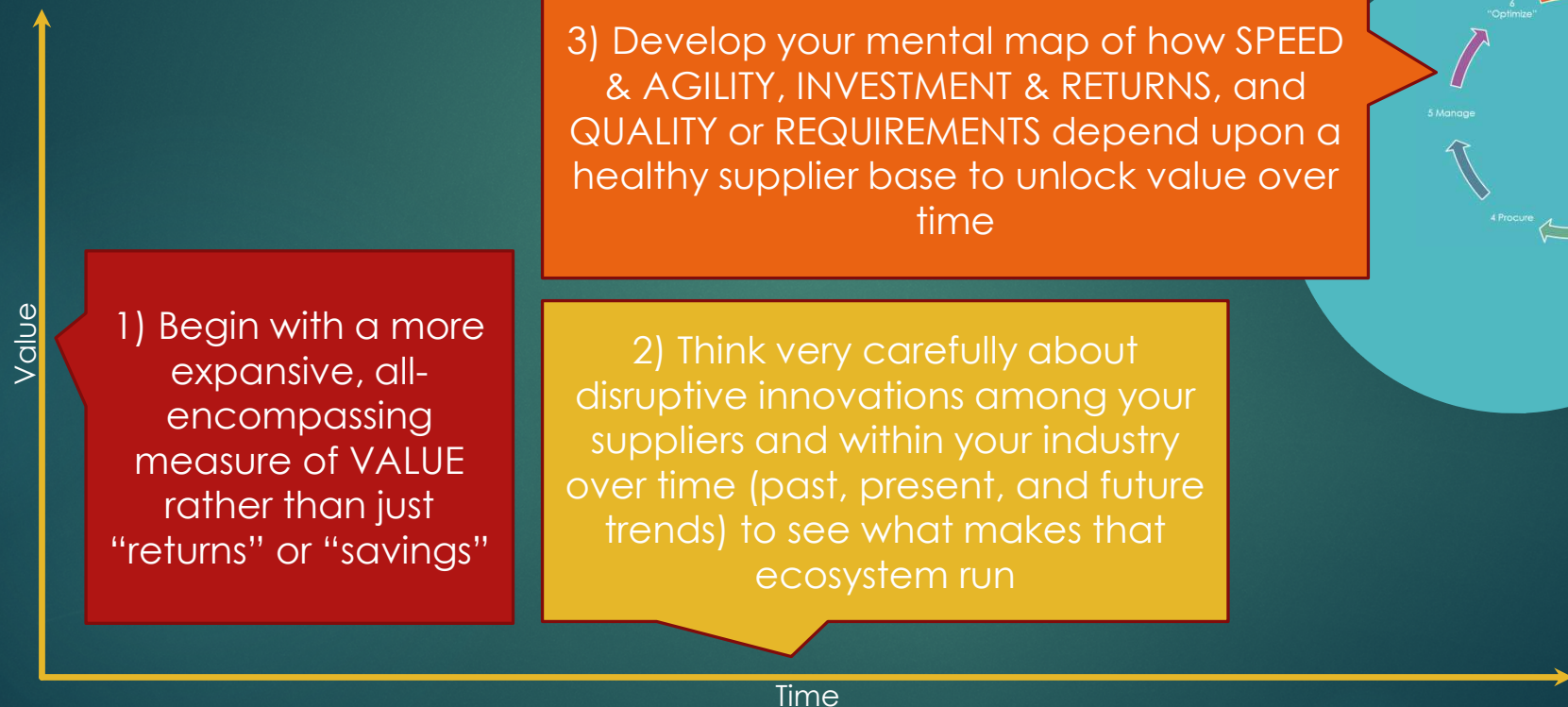
# Regardless of how good you are, you will run out of “savings”

- ▶ There are lessons we all learn in Economics 101 and forget immediately after the final exam:
  - ❖ We exist in a world of limited resources
  - ❖ Relative factor endowments (“comparative advantage”) are the engine of commerce
  - ❖ Trade and commerce happen when rational actors recognize they can maximize their utility together
  - ❖ Price is a means of measuring value
- ▶ With the above in mind, how can your suppliers be the enemy to be bested in every negotiation? Beggar thy vendor, and they have no vested interest in your success . . .

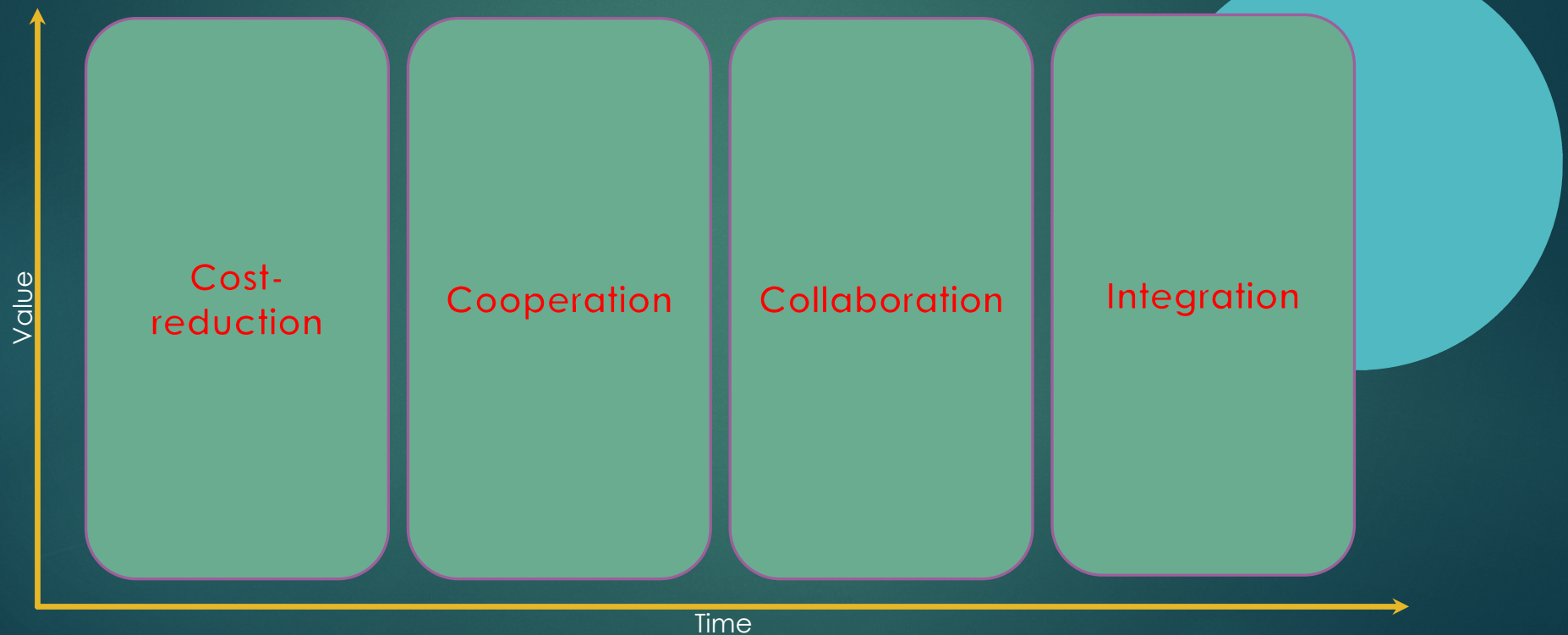




# Avoid the Savings Trap by unlocking the value in your supply chain



# Unlocking value across four broad phases of supplier engagement





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