

**Spikes Cavell**  
KNOW, KNOW, KNOW

Presenter: Jonathan White

## A BLUEPRINT FOR SAVINGS DELIVERY

Region II Conference

October 29, 2012



- There are competing focuses, but savings is #1
- Developing the 'blueprint' requires both hard and soft information.





How many of you  
have tried to make a  
home budget plan?



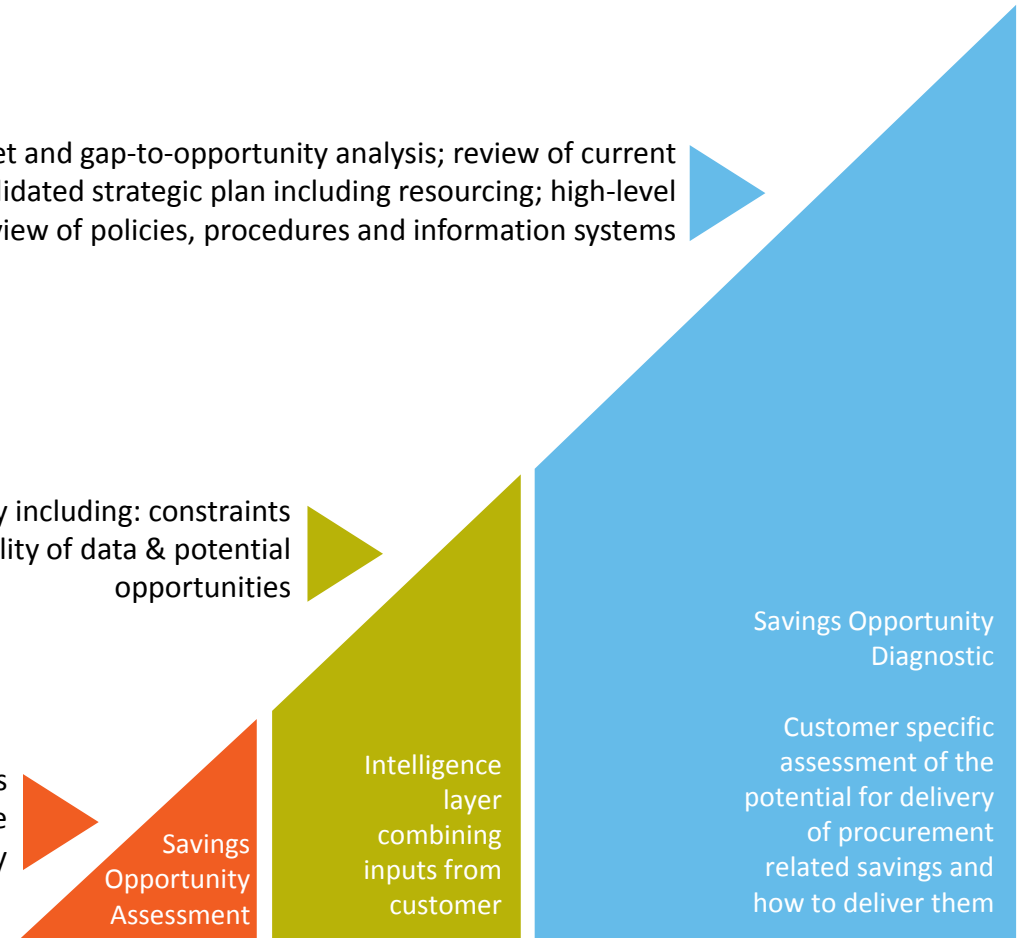
Do you have a  
procurement  
savings plan in place  
at your organization  
now?

# SAVINGS OPPORTUNITY ASSESSMENT

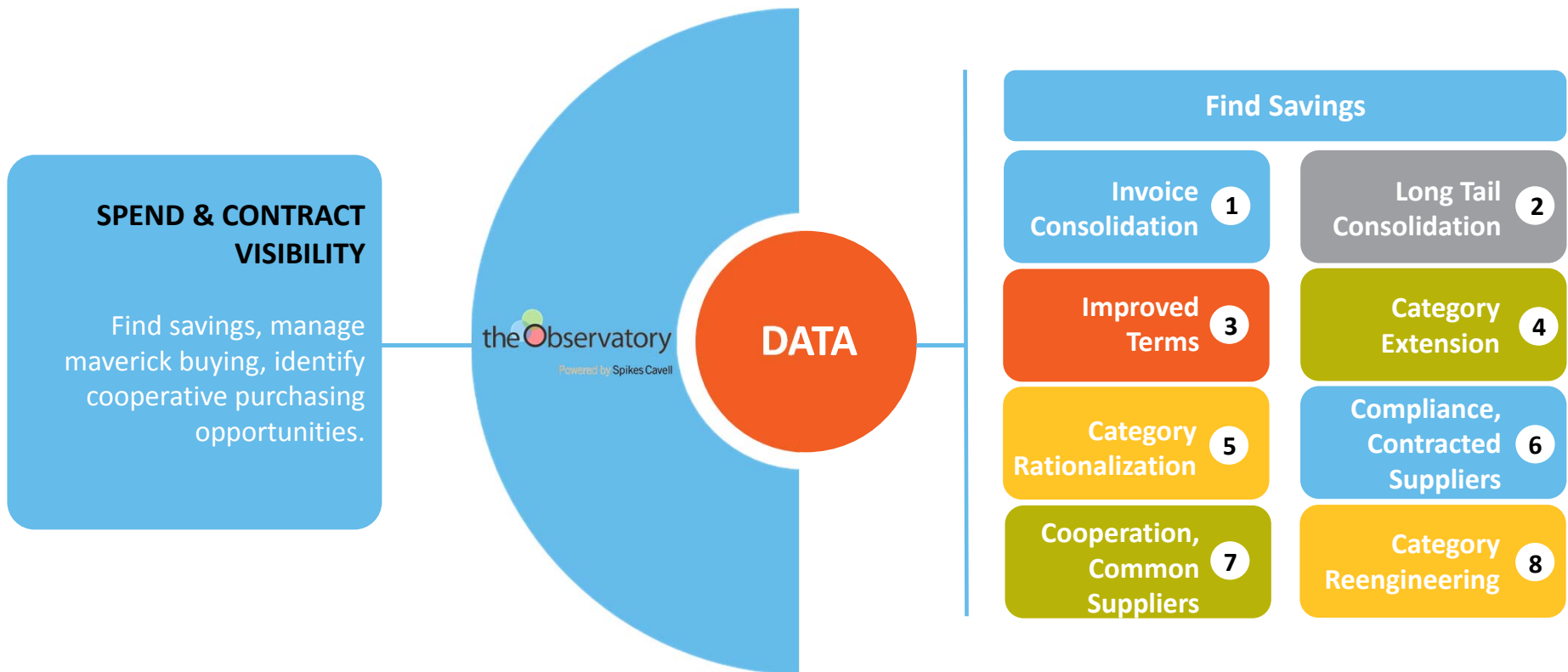
Comprehensive assessment, typically including: gap-to-budget and gap-to-opportunity analysis; review of current initiatives and risk profiling; business case development and validated strategic plan including resourcing; high-level impact assessment; review of policies, procedures and information systems

Additional information provided by the public body including: constraints and current strategy; increased confidence in quality of data & potential opportunities

Spend analysis and indicative opportunities based on comparator data; no input from the public body



## 8 POINT PLAN

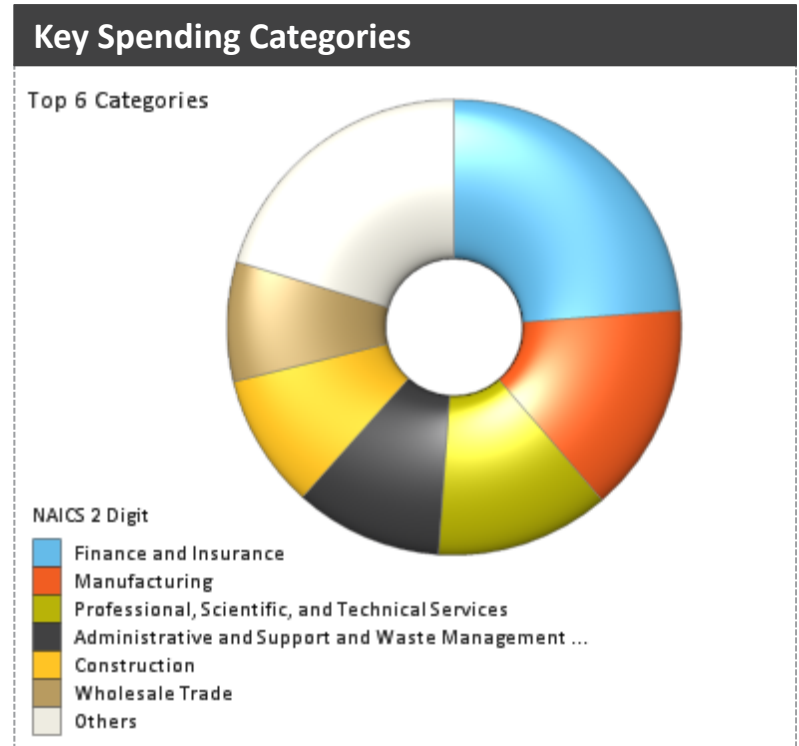
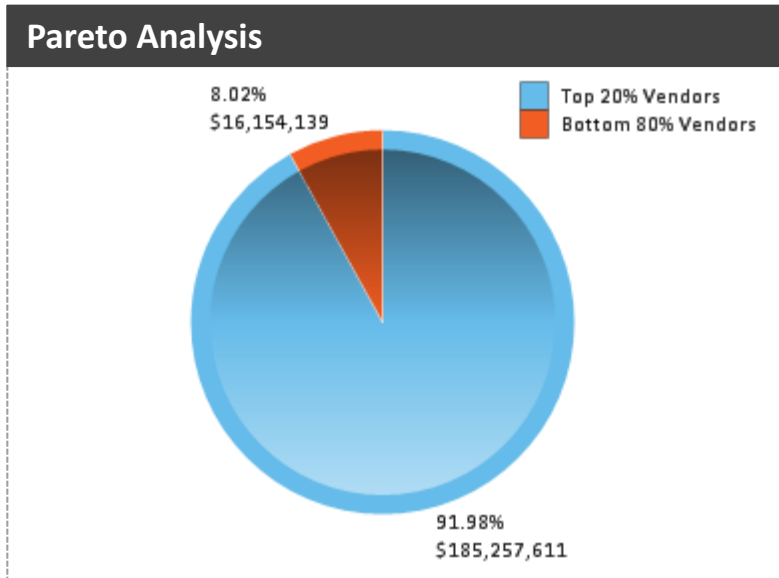


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# SAVINGS OPPORTUNITY ASSESSMENT

Key Metrics	
Total Spend	\$234,528,183
<b>Core Trade Spend</b>	<b>\$201,411,749</b>
Core Trade Vendors	2,522
Core Trade Invoices	59,650
Core Trade SME	49.8%
Core Trade Local	34.7%



### Potential Savings

?

<b>Situation</b>	Vendors sending too many low value invoices
<b>Strategy</b>	Reduce the number of invoices by negotiation with vendors or use of e-procurement systems or payment cards
<b>Outcome</b>	Efficiency gains, plus cash savings driven by re-deployment of staff

16.53%



% Invoices Saved

Total invoices received: 59,650

Invoices from Top 10 most frequent senders: 19,714

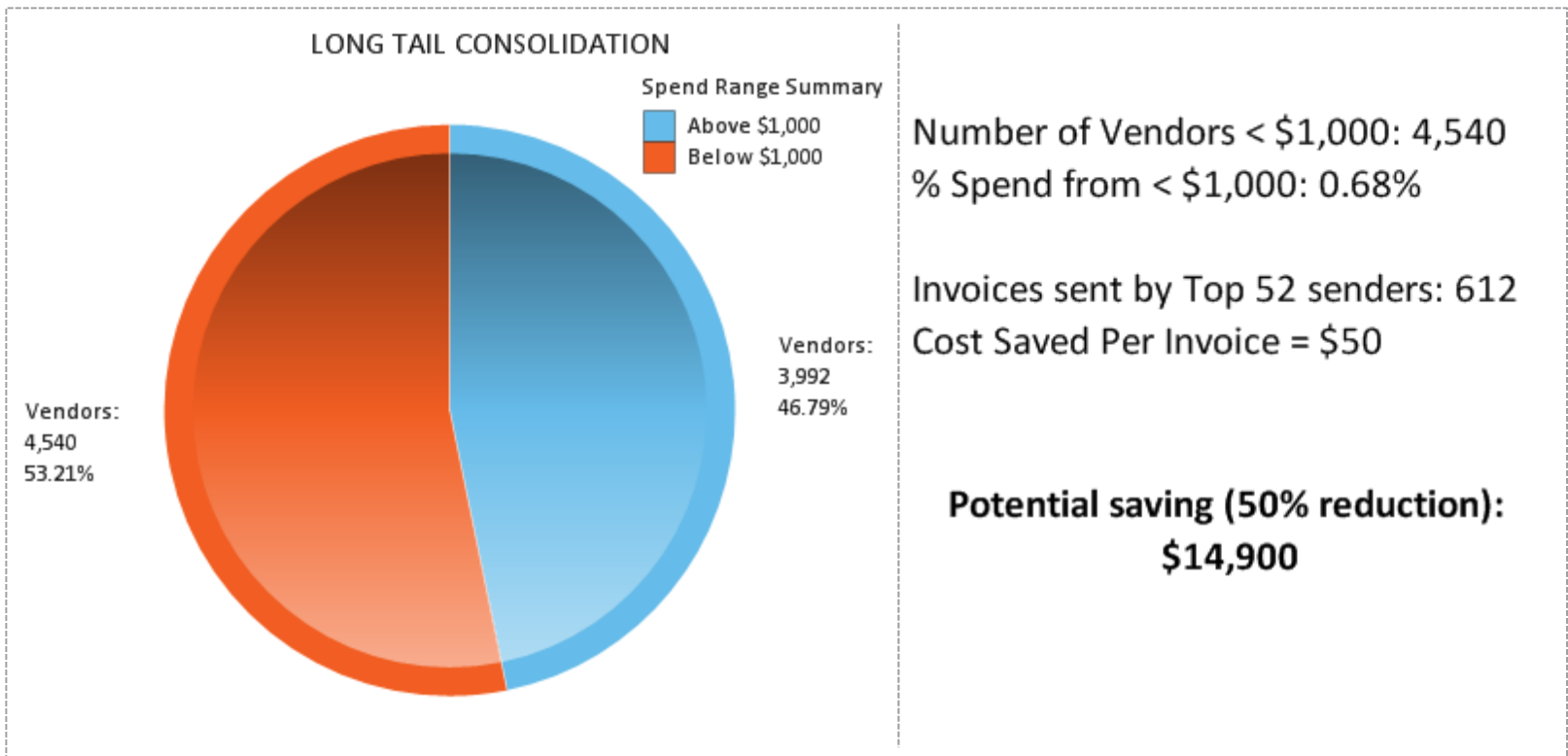
Cost per invoice: \$50.00

**Potential saving from 50% reduction from Top 10: \$492,950**



## POINT 2 – LONG TAIL CONSOLIDATION

<b>Situation</b>	High % of vendors providing less than \$1,000 of goods/services over 12 months
<b>Strategy</b>	Reduce the number of invoices by negotiation with vendors or use of e-procurement systems or payment cards
<b>Outcome</b>	Efficiency gains, plus cash savings driven by re-deployment of staff

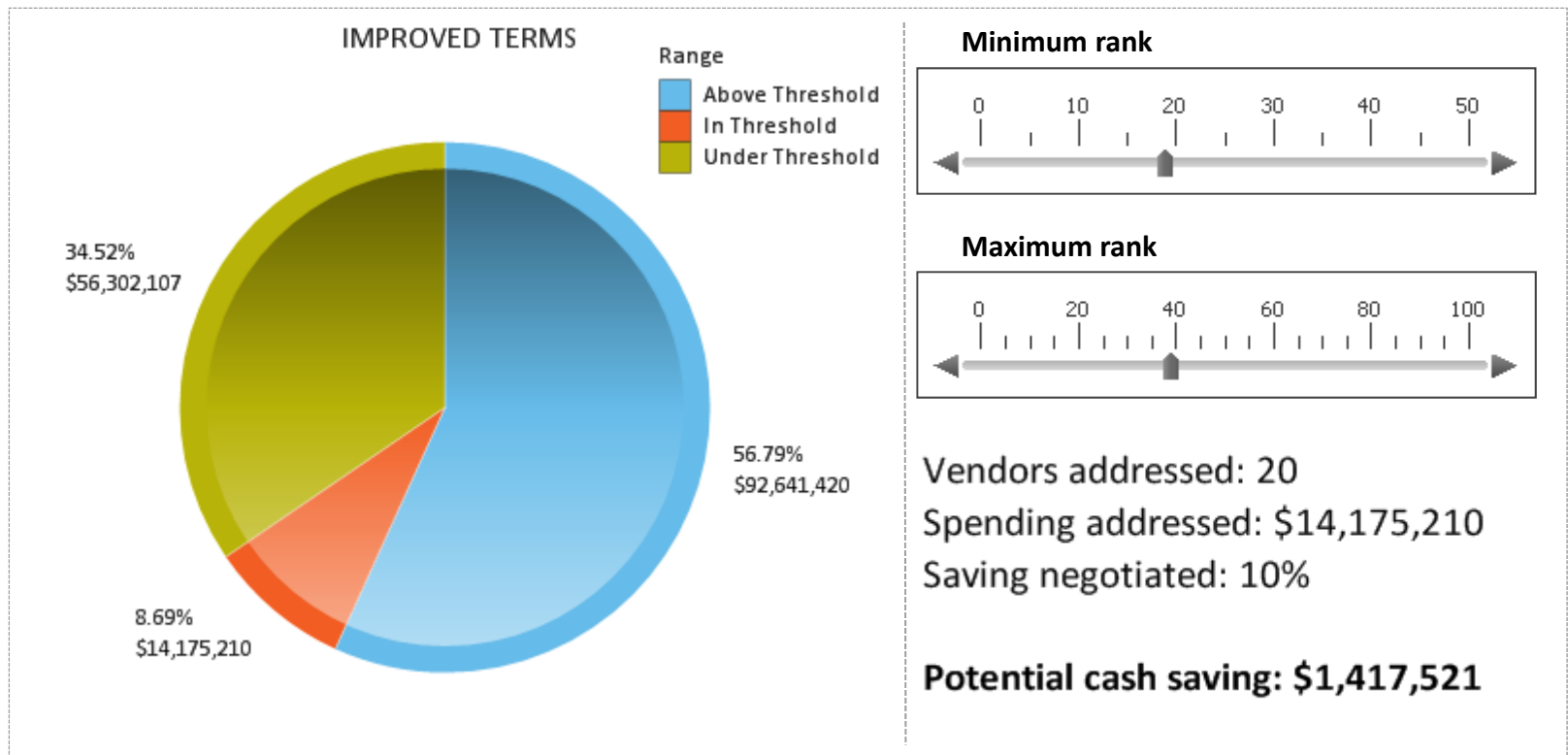


## POINT 3 – IMPROVED TERMS

**Situation** Second-tier vendors are not managed as closely as main vendors

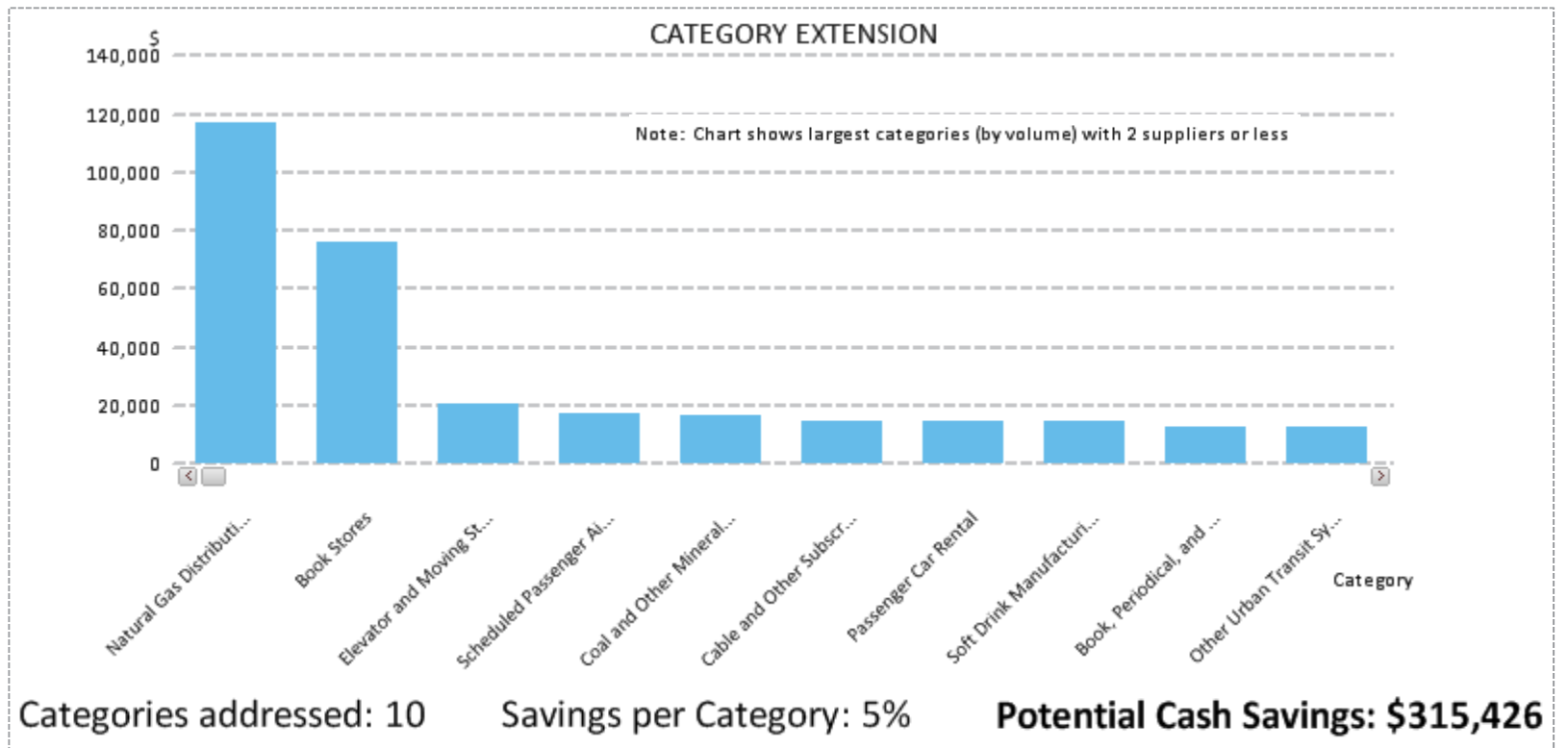
**Strategy** Identify second-tier vendors of non-commodity goods and services; negotiate improved terms to reduce cost per unit

**Outcome** Cashable savings from reduced cost per unit

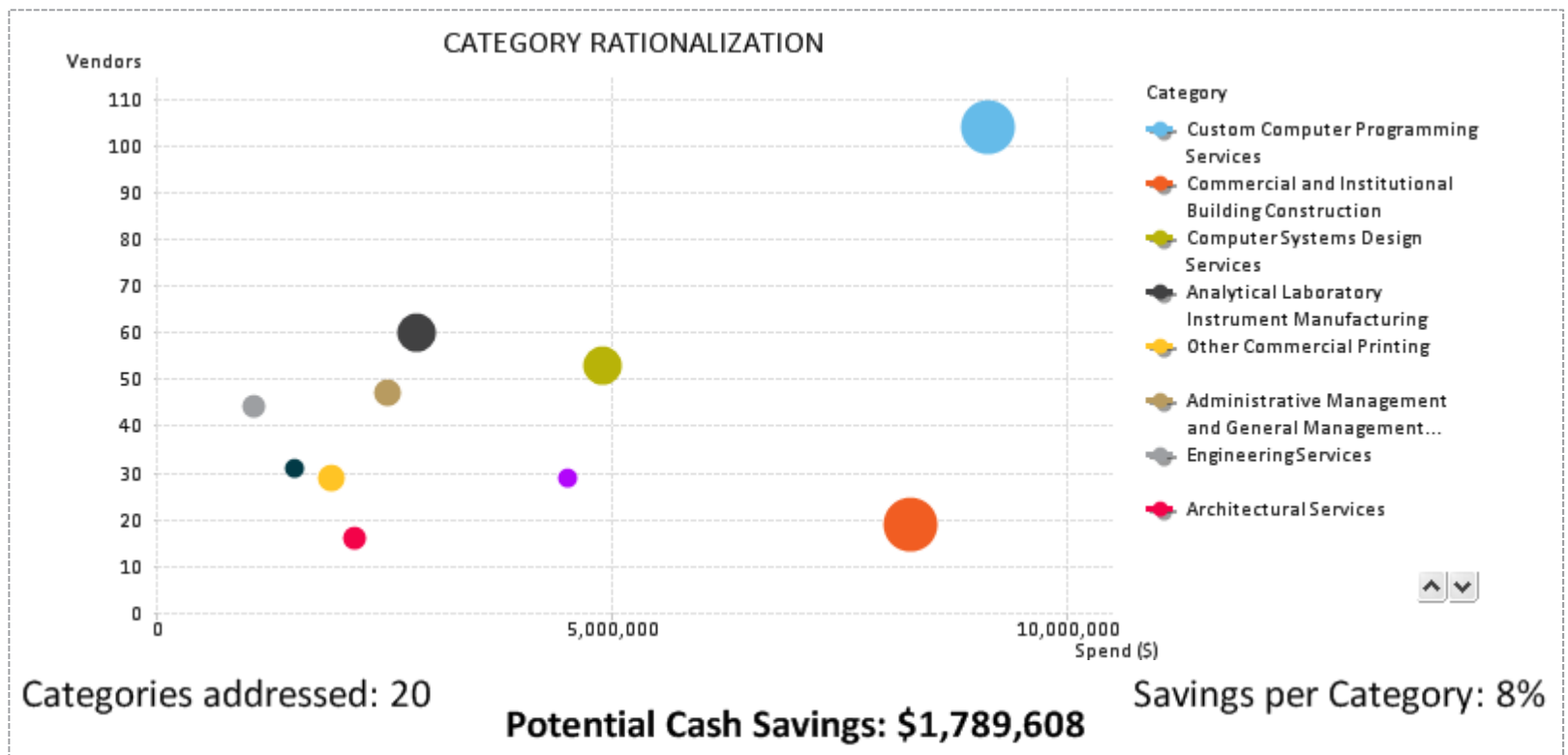


# POINT 4 – CATEGORY EXTENSION

<b>Situation</b>	Categories with only one or two vendors can limit price competition
<b>Strategy</b>	Identify categories of significant spending with few vendors; review & renegotiate existing vendors or initiate bid/proposal process to spread risk
<b>Outcome</b>	Cashable savings from increased price competition



<b>Situation</b>	Categories with many vendors reduce benefit of economies of scale
<b>Strategy</b>	Identify categories of significant spending with many vendors; review and rationalize where appropriate
<b>Outcome</b>	Cashable savings from economies of scale

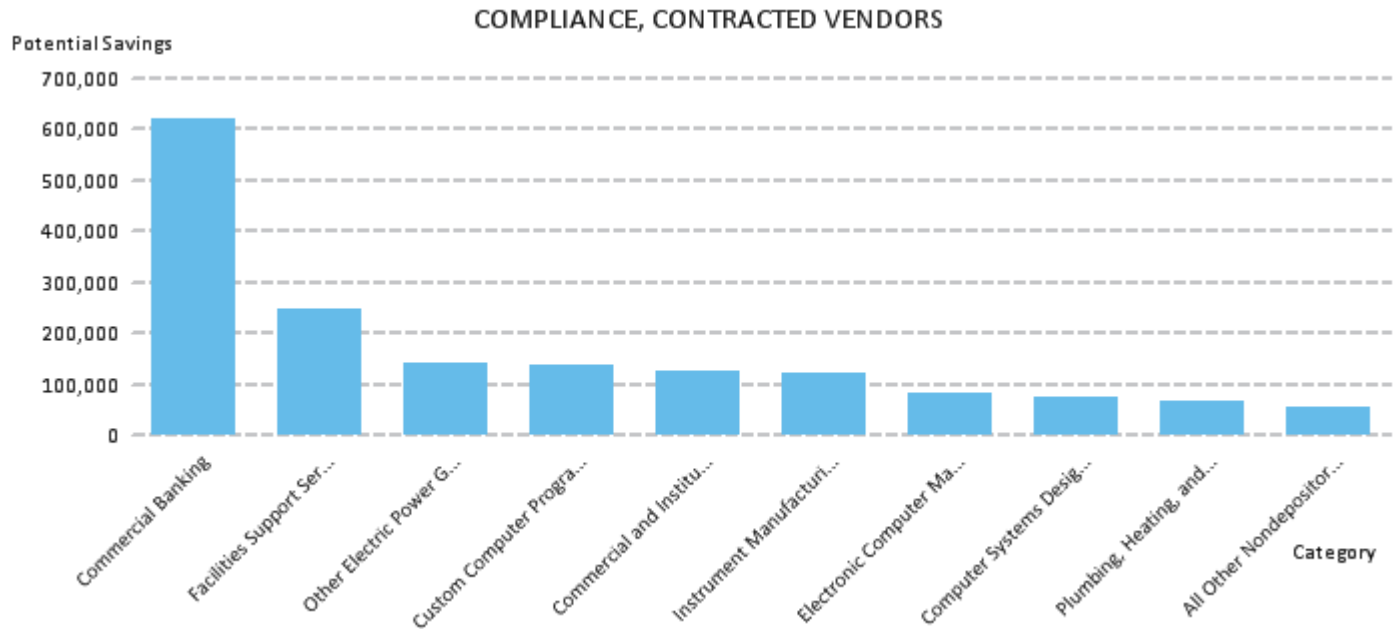


# POINT 6 – COMPLIANCE, CONTRACTED VENDORS

**Situation** Spending with non-contracted vendors where a contracted vendor exists

**Strategy** Move off-contract spending to contracted vendors or negotiate to move vendors onto contracts where they are not currently in place or expired

**Outcome** Cashable savings from reduced contract pricing



Categories addressed: 10  
Spend moved to contract: 10%

Savings on spend moved to contract: 15%  
**Potential Cash Savings: \$1,672,297**

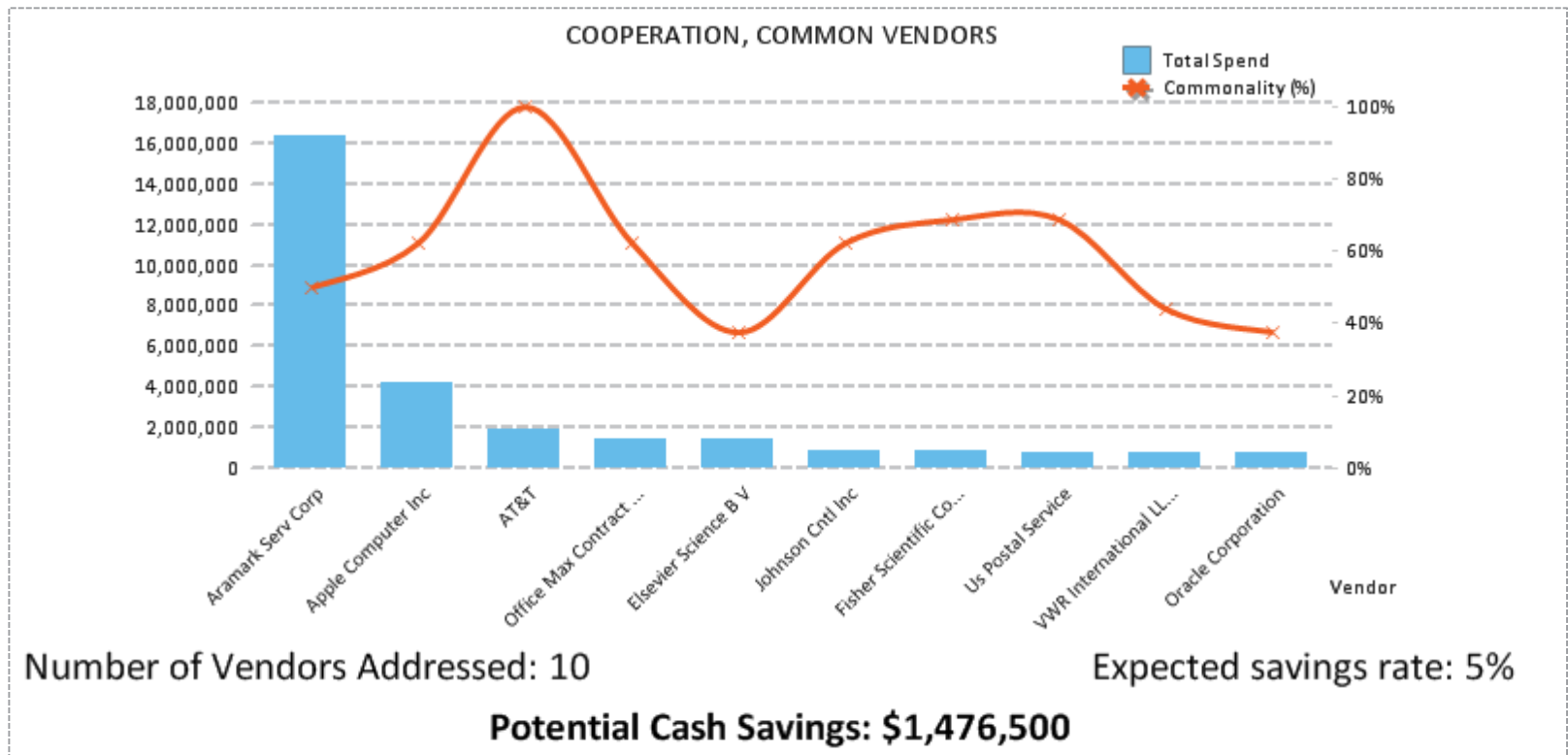
<sup>1</sup> Source: Aberdeen Research

## POINT 7 – COOPERATION, COMMON VENDORS

**Situation** Vendors supply goods & services to many public sector bodies

**Strategy** Identify common vendors across multiple organizations; work together to negotiate group-wide discount based on overall volume

**Outcome** Cashable savings from additional buying power



## POINT 8 – CATEGORY RE-ENGINEERING

<b>Situation</b>	The categories of Construction and Information Technology are often major areas of spending, but often seen as difficult & complex categories to make savings in
<b>Strategy</b>	Streamline purchasing to the benefit of both the buyer and vendor; detailed analysis of category needs and resultant spending
<b>Outcome</b>	Strategic plan to develop relationships with key vendors to deliver cashable savings

A digital display showing the number 2,309,631 in a stylized, segmented font. The digits are white with a blue outline, set against a blue background.

\$2,309,631  
Spend Saved

Number of Sub Categories Addressed: 37

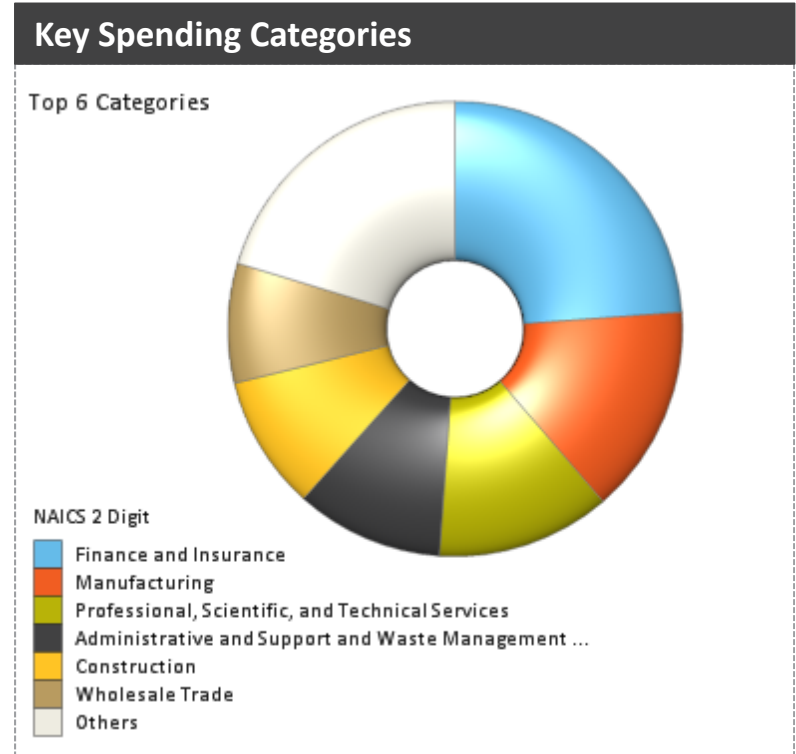
Total spending (Addressed Categories): \$46,192,625

Expected savings rate: 5%

**Potential Cash Savings: \$2,309,631**

# SAVINGS OPPORTUNITIES IN SUMMARY

Saving Summary	
<b>Core Trade Spend</b>	<b>\$201,411,749</b>
Invoice Consolidation	\$492,950
Long Tail Consolidation	\$14,900
Improved Terms	\$1,417,521
Category Extension	\$315,426
Category Rationalization	\$2,261,683
Compliance Contracted Vendors	\$1,672,297
Collaboration Common Vendors	\$1,476,500
Category Re-engineering	\$2,309,631
Potential Non-Cashable Savings	\$507,850
Potential Cashable Savings	\$9,453,058
Potential Savings	\$9,960,908
% Potential Savings	4.95%







- Get the data together
- Look for patterns and outliers
- Assess the available information, apply your own experience and judgment
- Create your ‘Savings Delivery Blueprint’
- Test the ‘blueprint’ internally





## FOR MORE INFORMATION



For more information about how the Observatory could help your agency to analyze your spend to find savings, manage maverick buying & identify cooperative purchasing opportunities, please contact :

Jonathan White:

(571) 527 - 8310

[jonathan.white@spikescavell.com](mailto:jonathan.white@spikescavell.com)

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