

# ***Procurement Transformation:*** Towards Sourcing & Procurement Excellence



---

*PwC firms provide Industry-focused Assurance, Tax and Advisory services to enhance value for their clients. More than 161.000 people in 154 countries in firms across the PwC network share their thinking, experience and solutions to develop fresh perspectives and practical advice.*

## *Organisational challenges identified by PwC clients*

Organisations are increasingly confronted with greater global competition, changing markets or business models, cost reduction pressure, or price volatility and scarcity of raw materials. Organisations respond to these challenges by reducing their cost base, exploring new markets or partnerships, introducing new products and services on the market, or by redesigning the organisational structure to become more responsive to new trends and opportunities. Such strategic initiatives impact all functional areas of the organisation. Procurement is recognised by PwC clients as a key functional area which contributes to realising these strategic initiatives.

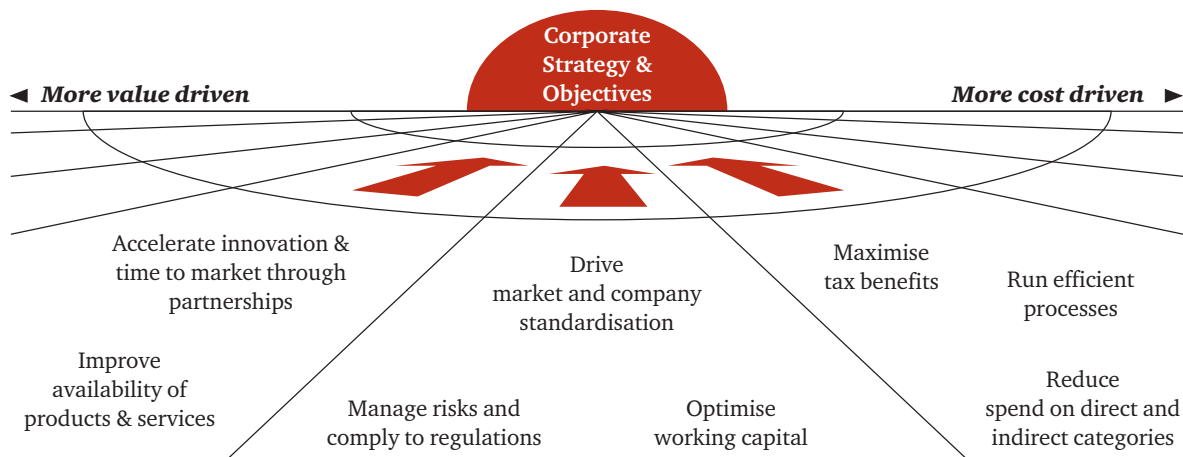


<b>Organisational challenges</b>	<b>Impact on procurement</b>
Compete in an increasingly global market and realise profitable growth strategies	<ul style="list-style-type: none"> <li>• Create supplier partnerships to support new products or services introductions in new emerging markets</li> </ul>
Ongoing cost reduction and profit margin pressure	<ul style="list-style-type: none"> <li>• Strengthen procurement capabilities to realise bottom line saving targets</li> </ul>
Manage the cost and availability of products and services as well as fluctuating prices and scarcity of raw materials	<ul style="list-style-type: none"> <li>• Explore new emerging markets, identify alternative sources of supply or find substitute products and services.</li> <li>• Use market and business intelligence for improved decision making in procuring raw materials</li> </ul>
Increased focus on innovation, time to market, or new product and/or service introductions	<ul style="list-style-type: none"> <li>• Leverage supplier capabilities in product, service, and process innovation</li> <li>• Establish and optimise true interdisciplinary cross functional teams that operates both between organisational departments as well as with suppliers</li> <li>• Design, implement and operate a procurement operating model which allows for changing strategic and operational needs</li> </ul>
Realise and sustain value from mergers, acquisitions, and joint ventures	<ul style="list-style-type: none"> <li>• Leverage scale and best practices to obtain better pricing and terms &amp; conditions whilst maintaining consistent and integrated procurement practices and policies</li> </ul>
Meet legal, financial, and safety regulations. Reduce legal, financial and operational risk to the organisation	<ul style="list-style-type: none"> <li>• Meet regulatory and internal control standards for all 3<sup>rd</sup> party working relationships</li> <li>• Mitigate risk and ensure value delivery and cost competitiveness of suppliers by effective contract, supplier, and risk management</li> </ul>
Optimise the organisation's operating model or tax and legal structures	<ul style="list-style-type: none"> <li>• Realise tax benefits by redesigning the procurement organisation</li> </ul>

*Table 1: Organisational opportunities and challenges*

# ***PwC clients are realising that procurement becomes a key enabler in achieving corporate objectives***

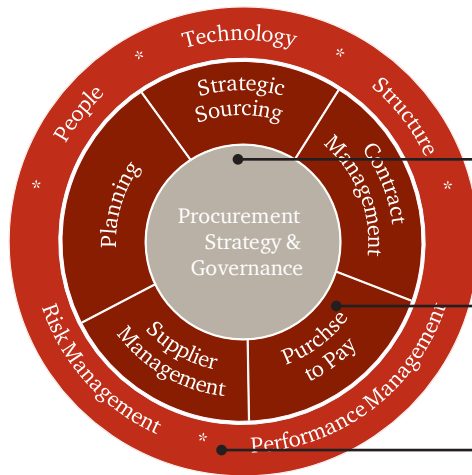
For many of PwC's clients, Sourcing and Procurement is on top of today's corporate agenda. The role of the Chief Procurement Officer is changing, shifting from an operational towards a more strategic focus. As a result, procurement becomes a key enabler in achieving corporate objectives in today's challenging environment.



*Figure 1: Procurement becomes a key enabler in achieving corporate objectives*

# The PwC Global Procurement Capability Framework

The PwC Global Procurement Capability Framework helps PwC and organisations to assess the procurement function in a holistic manner. The Framework consists of eleven dimensions outlining the strategic direction, procurement processes and key procurement enablers. These dimensions are essential aspects to consider when executing a Procurement Transformation programme and achieving Procurement Excellence. Many of our core service offerings are derived from this framework.



## **Direction setting:**

The procurement strategy is the heart of procurement and should be aligned to corporate strategy and objectives.

## **Processes:**

The operational side of procurement: from payment of invoices to managing contracts and suppliers.

## **Enablers:**

Key enabling factors are necessary to successfully design and operate the procurement strategy as well as supporting operational procurement processes.

*Figure 2: PwC's Global Procurement Capability Framework*

# The PwC six core service offerings in Procurement Transformation

PwC is a global organisation and has helped clients realise Procurement Excellence in many different industries, different geographical areas and for various spend categories. Our clients consider PwC as the leading firm for a wide variety of sourcing and procurement topics. PwC offers profound Sourcing & Procurement experience, spend category expertise, a proven pragmatic and tailored approach, as well as an innovative point of view on Procurement Transformation. Our three key service areas cover six core service offerings tailored to your situation while ensuring we leverage our company-wide capabilities and areas of expertise:

## 1. Procurement Diagnostic

- Spend analysis
- Maturity assessment
- Opportunity assessment
- Target Operating Model
- Business case
- Transformation roadmap

## 2. Strategic Sourcing

(Spend & opportunity analysis, in- and outsourcing, supplier selection & evaluation, sustainability, innovation and contract implementation)

## Procurement Excellence

3. Target Operating Model
4. Process Optimisation and Tool Selection & Implementation
5. Contract & Supplier Relationship Management
6. Tax Efficient Procurement

4 – 12 weeks

6 – 16 months

PwC Area of Expertise

- Sourcing & Procurement
- Technology and Data Management
- People & Change
- Forensics and Auditing
- Risk Management
- Sustainability & Climate Change

- Supply Chain Management
- Lean Operations
- Tax
- Marketing
- Human Resources

Figure 3: PwC's core service offerings



### ***Procurement Diagnostic***

The Procurement Diagnostic is used by PwC to scope the opportunity for transformational change in Procurement. It includes identification of savings opportunities and improvement

initiatives, assessment of the level of procurement maturity and identification of the gaps between the current procurement capability and the desired level of performance.

### ***Strategic Sourcing***

Our Strategic Sourcing delivery framework is designed to help clients reduce third party spend and secure supply in key spend categories. Our delivery approach covers a wide range of activities from spend analysis to contract implementation. Additionally, our Strategic Sourcing approach addresses in- and outsourcing questions as well as new developments such as sustainability and innovation in procuring goods and services.

### ***Procurement Excellence***

The Procurement Excellence framework addresses the changes required to build the necessary organisational, process and technological capabilities to deliver lasting improvements. PwC provides multiple service offerings to drive Procurement Excellence in organisations while leveraging many different area's of expertise in the global PwC network.

## ***PwC leverages industry experience and procurement expertise***

PwC uses its proven Transform™ methodology globally across a wide variety of Sourcing & Procurement engagements. This approach is standardised allowing effective project management, efficient realisation of

deliverables making sure that results are achieved quicker. The approach is flexible enough ensuring that client expectations and requirements are easily adopted. In addition to the Transform™ methodology, we leverage

benchmark information, best practices from PwC's Global Best Practices®, as well as practical tools & templates to drive results during and after the project.

We understand that no organisation is identical. Organisations operate in different markets, sell their products and services to many different customers, and procure from many different suppliers. We offer a specialised team of Sourcing & Procurement professionals, of whom many have worked in the industry, who have specific category experience in direct and indirect procurement. We are dedicated to work with your organisation in order to find the right solution for your business challenges.



# The value PwC brings to clients

The PwC Procurement Transformation approach helps clients to identify opportunities, realise savings targets, design tax efficient procurement structures and optimise operational procurement processes whilst ensuring ongoing cost and risk management using effective contract and supplier management.

Area		The value PwC brings to clients
1. Procurement Diagnostic		<ul style="list-style-type: none"> <li>• Rapid identification and prioritisation of savings opportunities and improvement initiatives</li> <li>• Improved spend visibility</li> <li>• Procurement maturity profile and identification of improvement area's</li> </ul>
2. Strategic Sourcing		<ul style="list-style-type: none"> <li>• Delivery of quick win savings</li> <li>• Bottom line spend reduction within 3 to 4 months (typically 5 to 15% of addressable spend)</li> </ul>
Procurement Excellence	3. Target Operating Model	<ul style="list-style-type: none"> <li>• Organisational alignment and integration with the business</li> <li>• Improved procurement responsiveness and agility to realise growth strategies</li> <li>• Ongoing value delivery by developing procurement capabilities</li> </ul>
	4. Process Optimisation and Tool Selection & Implementation	<ul style="list-style-type: none"> <li>• Reduction in procure-to-pay cycle time (typically 15 to 40%)</li> <li>• Thorough selection, evaluation &amp; implementation of e-procurement applications</li> <li>• Improvement in performance management, benefits tracking &amp; risk control</li> <li>• Improvement in productivity of procurement professionals</li> <li>• Better use of IT to drive bottom line savings</li> </ul>
	5. Contract & Supplier Relationship Management	<ul style="list-style-type: none"> <li>• Reduction in contractual risk and off contract purchases</li> <li>• Ongoing value delivery through supplier management</li> </ul>
	6. Tax Efficient Procurement	<ul style="list-style-type: none"> <li>• Optimisation of operational, legal and tax structures to align to business needs whilst ensuring delivery of tax benefits</li> </ul>

Table 2: The value PwC brings to clients

# PwC has successfully realised Procurement Transformations at various clients

*We have identified various savings opportunities and improvement initiatives in Procurement Diagnostics, delivered considerable savings in Strategic Sourcing engagements and we have professionalised procurement in many client organisations through a Procurement Excellence programme.*

## **Case 1: Procurement Diagnostic at a Dutch transportation and logistics company**

This client is a leading player in the transportation and logistics industry in the Netherlands. The company has a total spend of 407 million Euros distributed among rolling stock, MRO, infrastructure and indirect spend categories. While the company was going through several waves of boosting efficiency and professionalism, the CFO called upon PwC to perform a Procurement Diagnostic, quantify a realistic business case for procurement savings and implement a balanced procurement organisation.

The PwC team reached the following objectives:

- Analysis and prioritisation of indirect savings opportunities, and achievement of realistic, sustainable savings of more than 9% (which were fully supported by the business and management);

- Implementation of an optimal procurement target operating model (including detailed roles and responsibilities, reporting lines, KPI dashboard, governance structure, etc.);

## **Case 2: Procurement Excellence at a global animal nutrition and fish feed company**

This client is a leading player in animal nutrition and fish feed with over 100 production and processing plants in 30 countries and sales in more than 80 countries. From 2009 onwards PwC has been involved in a transformation programme that is aimed at defining and implementing standardised and optimised business processes, KPIs and master data for all core processes as well as defining and implementing a single ERP solution to support these processes.

Procurement is a key process for this client due to its high impact on profit margins, risk exposure and product availability. From the start of the

business transformation, PwC supported the client in assessing the procurement function and designing the future state considering elements such as strategy, process, structure, people and technology. Direct as well as indirect spend was covered. The client is in the process of building the new organisation and selecting & implementing additional procurement applications in addition to an ERP system.

PwC's long standing relationship as a trusted business advisor to the client has been one of the key reasons to ask PwC for support during the next phase of this major transformation programme.

### ***Case 3: Procurement Excellence at a large international brewing company***

This client is one of the largest beer brewers in the world with 40 breweries in 39 countries. The company has a total spend of 8 billion Euros a year covering direct and indirect

spend categories. Our client currently operates multiple procurement operating models from decentralised procurement to a central group procurement function. The client approached PwC to optimise the procurement organisation.

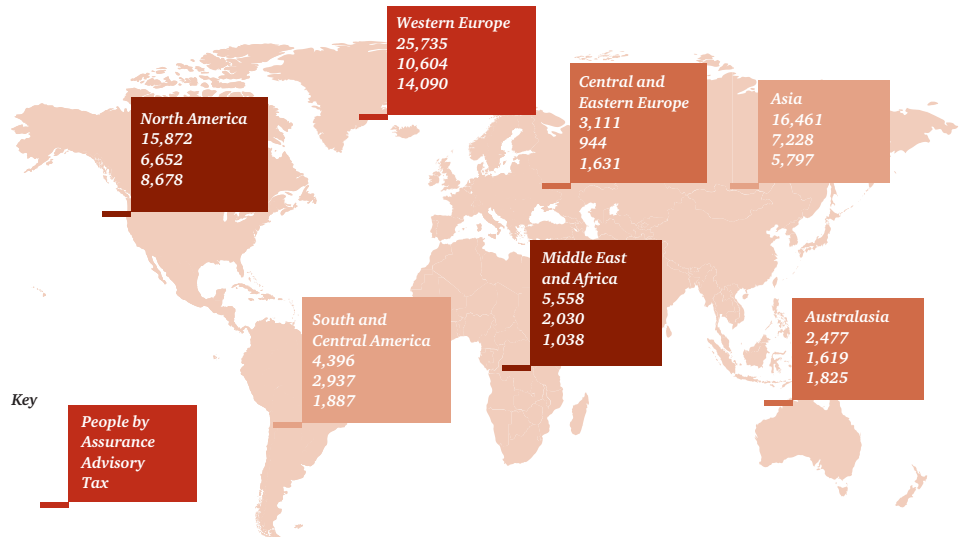
PwC was asked to design and implement a centrally led procurement organisation and optimise tax benefits. This involved setting up a new legal entity. Tax benefits were realised by implementing a central procurement organisation responsible for purchasing raw materials which are subsequently sold to the operating companies. The central procurement organisation employs procurement directors and spend category teams, while the operating company procurement is limited to demand and tactical support activities.

PwC combines its in-depth expertise in Sourcing & Procurement, Supply Chain Management, Legal, and Tax to offer an integrated solution.

# PwC is a global firm and operates in over 150 countries

PwC offers the following key differentiators which help your organisation to implement a Procurement Transformation project and achieve Procurement Excellence:

1. PwC is the leading tax provider worldwide. We advise organisations on strategic and complex tax structures.
2. PwC is a financial services provider for many top companies throughout the world. We have in-house core skills & competencies in finance concepts and techniques.
3. PwC has a global network of partner offices offering Sourcing & Procurement professionals with the right skills & competences.
4. PwC provides Sourcing & Procurement professionals with specific category experience in both direct and indirect procurement.
5. PwC has experience and expertise on every aspect of the procurement organisation: strategic direction setting, procurement processes, and key enablers.
6. PwC can help benchmark and provide best practices in achieving Procurement Excellence.
7. PwC provides independent advice of IT tool selection & implementation or Business Process Outsourcing decision making.
8. PwC has a very pragmatic, practical and hands-on approach. Our focus is on project execution and realisation.



---

## Contact Information



### ***Mathieu Rosier***

Partner Sourcing & Supply Chain Management

Telephone: +31 88 792 7541

Mobile: +31 6 22 33 25 30

Email: [mathieu.rosier@nl.pwc.com](mailto:mathieu.rosier@nl.pwc.com)



### ***Timothy Buysse***

Director Sourcing & Procurement

Telephone: +31 88 792 6131

Mobile: +31 6 51 84 36 74

E-mail: [timothy.x.buysse@nl.pwc.com](mailto:timothy.x.buysse@nl.pwc.com)



### ***Hubert Verweij***

Principal Manager Sourcing & Procurement

Telephone: +31 88 792 7262

Mobile: +31 6 10 61 04 36

Email: [hubert.verweij@nl.pwc.com](mailto:hubert.verweij@nl.pwc.com)

---

© 2012 PwC. All rights reserved. Not for further distribution without the permission of PwC. "PwC" refers to the network of member firms of PricewaterhouseCoopers International Limited (PwCIL), or, as the context requires, individual member firms of the PwC network. Each member firm is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way. No member firm is responsible or liable for the acts or omissions of any other member firm nor can it control the exercise of another member firm's professional judgment or bind another member firm or PwCIL in any way.

