



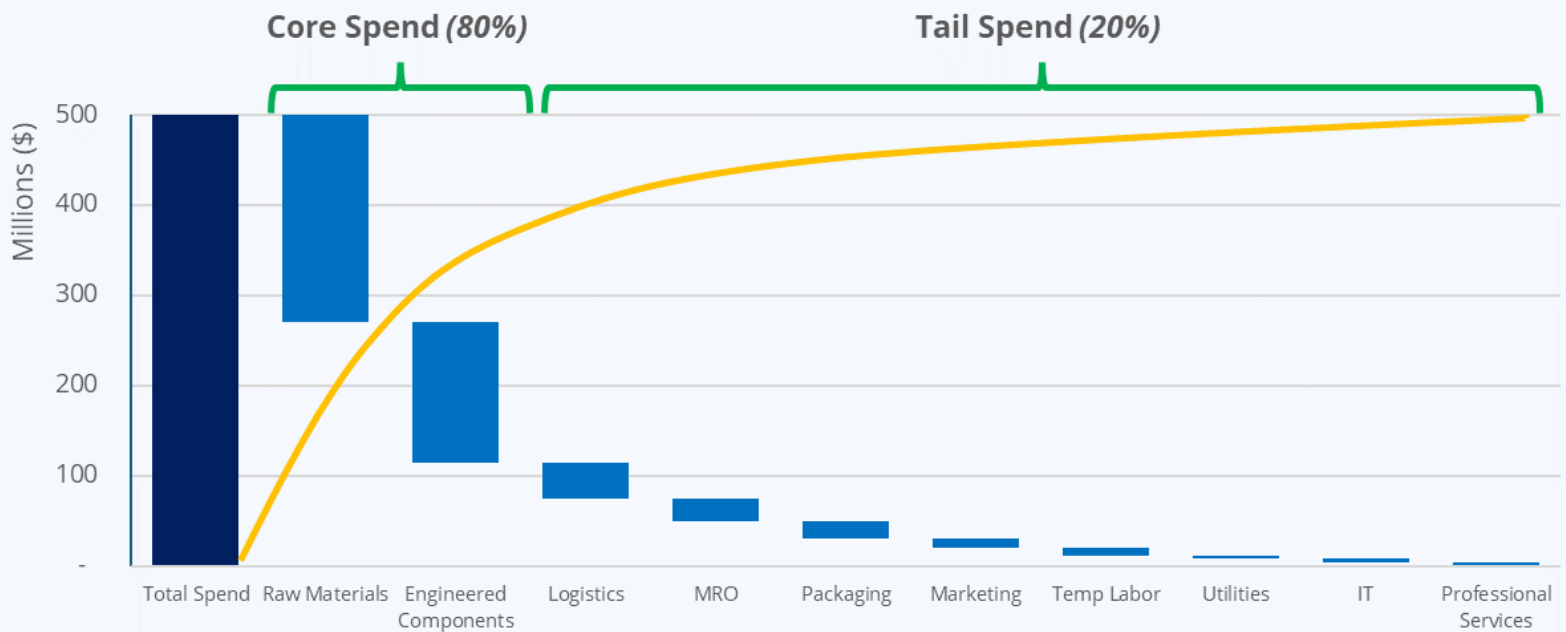
THE KEYSTONE GROUP

*making a difference*

# Procurement Excellence - Sourcing Strategies to Managing Core and Tail Spend

## Are you pulling every lever to maximize spend under management?

- Many companies find that core materials make up 80% of their spend, while the remaining 20% defines the "tail". This principle also has an inverse relationship with vendor count, where your top 80% of spend is attributed to only 20% of your vendors. This results in a tail of spend comprised of many indirect spend categories across a large set of vendors.
- There are several sourcing strategies to utilize across both core and tail spend to ensure that your procurement organization is maximizing value across 100% of your spend.



### Core Spend Strategies

- Value Engineering** - Collaborating closely with key suppliers to develop mutually beneficial product designs/specs
- Specification Optimization** - Ensuring the specifications of your products meet only the minimum need
- Total Cost Optimization** - Managing all aspects of cost beyond price (e.g., freight, quality impact, labor, etc.)
- Right Shoring** - Optimizing your mix of local, regional, and offshore suppliers
- Commodity Indexing** - Tie raw material purchases to applicable indices to ensure fair pricing

### Tail Spend Strategies

- Traditional Sourcing** - Leveraging the 7-step sourcing process on a cyclical basis to drive cost out
- Supplier Consolidation** - Reduce supplier proliferation and consolidate spend to improve leverage
- Group Purchasing Organizations** - Enroll in GPOs for categories with limited leverage; utilize third party buy desks
- Purchasing Policies** - Control rogue spend with clearly defined and enforced corporate purchasing policies
- E-catalogs** - Funnel spend towards approved products and streamline the purchasing process