

Today, CPOs face a difficult new reality – there is a gap between performance targets and available talent

Financial targets have elevated, despite supply market challenges...

- Performance targets remain aggressive – companies expect margin expansion, risk resilience and digital/ AI strategies at unprecedented levels
- Suppliers feel they have more leverage given macro-economic conditions and covid resiliency concerns
- Innovative procurement actions (like R&D collaboration, vertical integration & near-shoring) are expensive and long-developing – short term finance pressure persists
- Suppliers have savings fatigue, especially from top supply partners – the last 3 years have exhausted negotiations



...while procurement talent is more vulnerable...

- Existing procurement staff is fatigued – rounds of pandemic resiliency and inflation pressure have led to 3+ years of negotiating, especially with top suppliers
- Resiliency has diminished strategic sourcing – many suppliers have not experienced any traditional strategic sourcing activity (like RfQ and negotiation) as procurement has been forced to prioritize on top suppliers & resilience activity
- Hiring is a challenge – there is a shortage of elite procurement talent, and the hiring cycle can take months to find the right talent...
-meanwhile, CPO staff budgets have reduced as companies put more Opex under the microscope



“Target to Talent Gap” — leads to untapped margin performance

The Target to Talent gap is top of mind for leading procurement think tanks & researchers

Excerpts from 2023 publications



***“Stakeholders now expect a diverse set of value contributions from procurement that go well beyond cost, quality & speed...
...staff are experienced increased levels of burnout, giving rise to trends like ‘the great resignation’ ”***

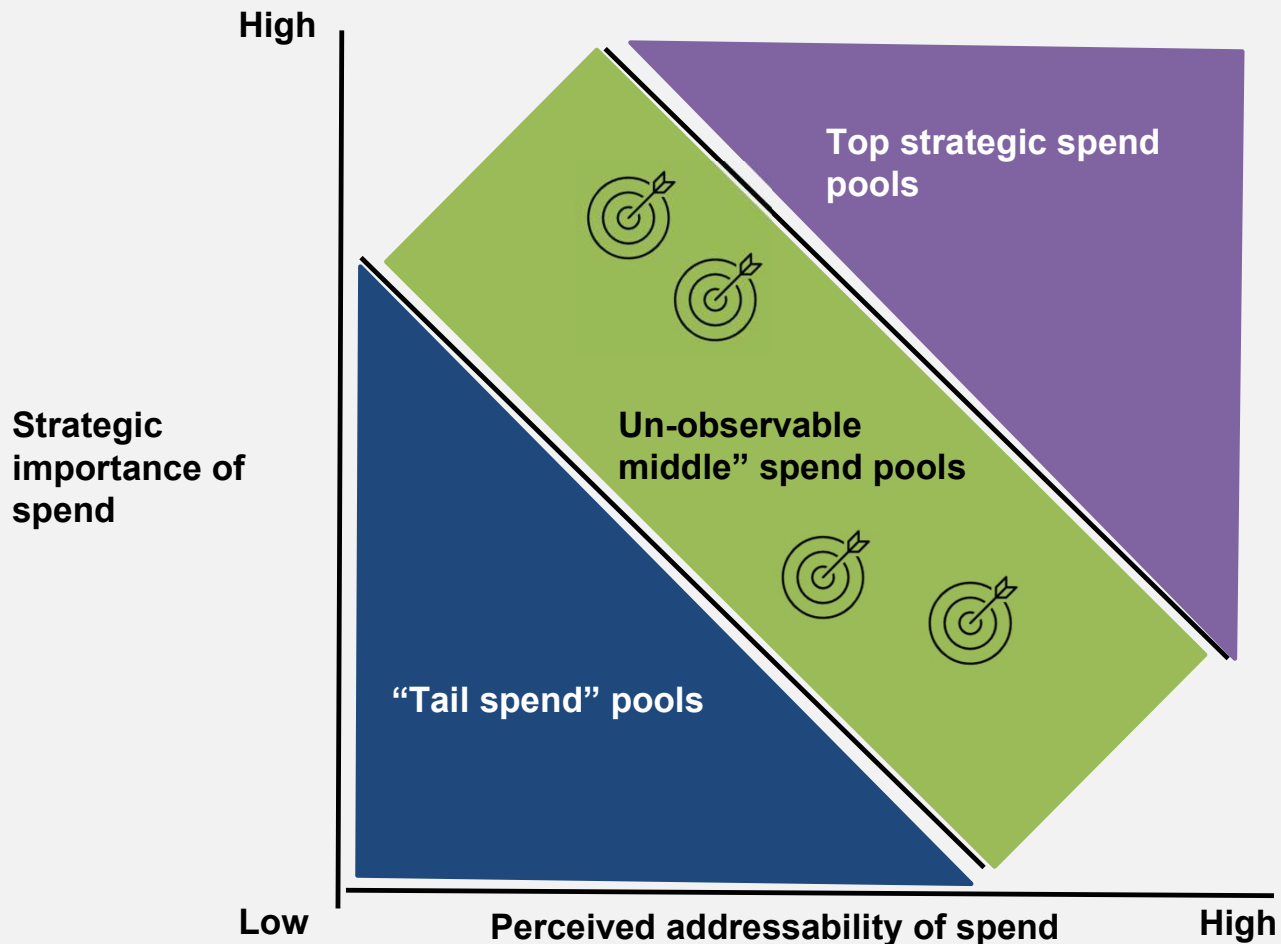


**“Supplier relationship management (SRM) will become increasingly critical in 2023...
...procurement teams will need to establish strong relationships with their suppliers to ensure they are meeting their needs and expectations”**



“When we ask procurement leaders what they are most worried about, they increasingly cite rising organizational stress and talent shortages among their top challenges for 2023”

This target to talent gap creates “un-observable middle” spend pools i.e. significant spend that is under-served by Strategic Procurement



Top Strategic:

These vendors typically get most of the strategic attention (e.g. from category managers & procurement transformations) – there is more sensitivity and less transformation aspiration in 2023

Un-observable Middle:

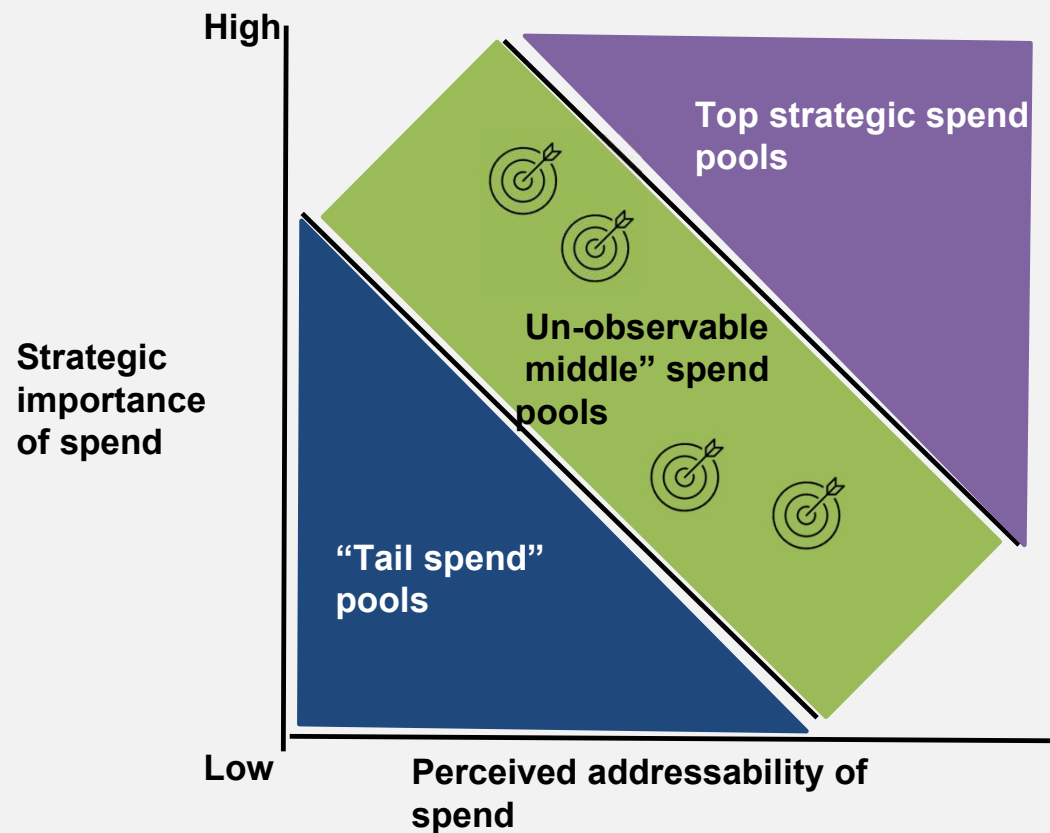
Many of these vendors/ spend categories are under-attended (thanks to resource strain) yet have enough purchasing spend to warrant focus – these spend pools can be quite large in complex supply bases with history of high M&A activity

Typically, if procurement can expand talent coverage to cover these vendors, the spend justifies focus from a ROI lens

Tail Spend:

These vendors are under-attended, but the ROI for dedicated negotiation is typically too low – spend better left for tail-oriented services

CPOs can act on the un-observable middle spend by dedicating focus, quickly identifying high-impact spend & improving it



How can CPOs rapidly effect the un-observable middle spend pools?

Deploy dedicated procurement expertise onto the spend pool (e.g. through talent augmentation or reprioritization)



Utilize sourcing criteria to quickly filter which spend pools, are highly probable improvement candidates



Act on clarified set of improvement spend through dedicated talent focus that quickly generates spend improvement

We created the RIPE Vendor criteria to help identify spend pools that are ripe for improvement

R

Ready

Lack of recent negotiation or repricing activity (< 18 months)

Signs of macro economic relief in their cost drivers (e.g. material, labor & supply chain)

I

Impactful

Significant addressable spend

High opportunity of margin expansion

Predictable volume forecast (so that repricing will materialize in near term bottom line)

P

Plausible

Sufficient leverage with vendor (positive & negative)

Sufficient competitiveness in spend categories

Absence of extraordinary risk profile with vendor or category

Credibility of action in category (e.g. supply transfer or portfolio rebalancing near term)

E

Executable

Vendor contract/ supply agreement allows feasible repricing

Absence of obvious conflict with parallel procurement strategy or transformation programs

RIPE criteria:

Our RIPE diagnostic blends analytics and procurement expertise to quickly assess spend against the RIPE criteria

R

Ready

Analyze business drivers e.g.:

- Supplier profile
- Market trends
- R&D/ NPI forecast & implications
- Category trends & competition

I

Impactful

Analyze historical spend pattern & volume forecast

Analyze cost drivers e.g.:

- Raw material trends
- Labor cost
- Utility cost
- Vendor margin benchmark
- Vendor price trends
- Price variance

P

Plausible

Analyze relationship drivers e.g.:

- Constructive leverage (complaint resolution, better partnership behavior, spend growth, NPI)
- Deconstructive leverage (vulnerable spend, competitive threats)
- Human analysis (supplier negotiator profiles)

E

Executable

Analyze contracts & spend agreements
(where applicable for down-selected vendors)

← Interview category manager staff →

Diagnostic analytics:

We want to help CPOs tackle the RIPE spend in the fastest, simplest & easiest way possible

We know that vendors must do better...

- **Many middle suppliers have been “feeding at the trough”** – feeling comfortable and in power
 - **No vendor is currently offering the most efficient price**
 - **Every vendor can perform better**
-

...but there is a procurement talent gap...

- **Purchasing staff, today, simply cannot attend to most of the unobservable middle** – there isn’t enough capacity to filter vendors and then act
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...that we can help solve in a way that is CFO friendly and easy to start

- **We created a procurement service to help CPOs bridge this gap:**
 - **We help CPOs diagnose the unobservable middle** and identify RIPE vendors
 - **We help CPOs fill the talent gap** – we offer expert augmentation for near-term savings, typically via professional negotiation on CPO’s behalf
 - **We only get paid if you get savings (“gainshare” model), and our fee structure is flexible, varying to meet your CFO philosophy and budget constraints**

We offer a no-fee 3-week diagnostic to help you clarify the opportunity of your RIPE vendors in your middle spend pool

4 Diagnostic objectives

1. Identify the high impact/ high probability improvement vendors in middle spend
2. Clarify procurement action best-fit to help vendor get better
3. Complete in < 3 weeks
4. Minimize demand from your team

Diagnostic steps

Inputs from your team

1

View your spend

- Spend data (e.g. “spend cube” invoice transaction data from last 12 months)
- 2024 part volume forecast (as it stands today)

2

Filter vendors through RIPE criteria & analytics

- Category manager interviews (virtual, 1 hour)
- One POC on your team (for routine scheduling/ organization questions)

3

Review vendors & insights with you in 3 weeks

- Follow up meeting with you to discuss opportunity and potential actions, if applicable