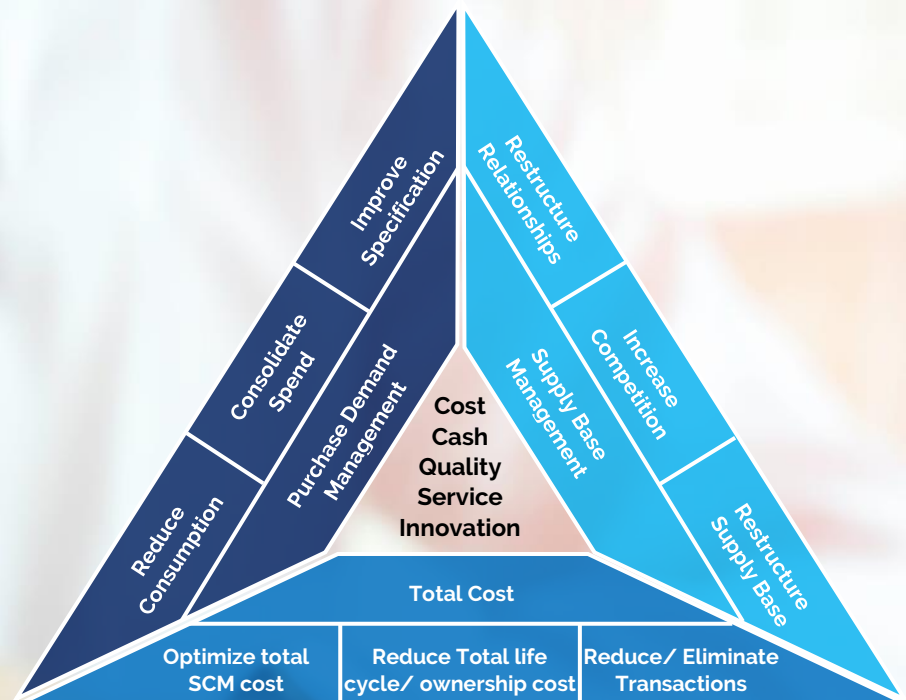


How to measure Procurement Savings?

Irrespective of the industry sector, the size of an enterprise or the maturity of the procurement discipline, realizing cost savings will always be one of the most important objectives of the procurement function.

This is hardly a surprise. In most organizations the percentage of revenue that is spent on procurement has grown to 50-70%, depending on the type of business. procurement has a huge impact on the profitability of a company. For large organizations a reduction of maverick buying between 5-10% can easily generate millions of dollars of savings.

From a procurement perspective there are three areas to look for cost savings. These are represented by the three sides of the triangle shown in figure 1: the demand side, supply side and total cost side.



Complexity:

From the presented overview of types of savings, it is clear that cost savings cannot be measured using one standard formula. This complicates both measuring and gauging the value of savings. A third issue is the definition of 'saving.' When is it fair to claim a procurement saving?

Effectively measuring and reporting:

- 01 Determine method and framework
- 02 Identifying and quantifying saving opportunities
- 03 Implementing and securing savings

Excerpts from <https://www.capgemini.com/ch-en/2011/11/how-to-measure-procurement-savings/>

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