



CIRCULAR SOURCING

Circular economy can help purchasing departments reduce costs, secure supplies and save resources

Focusing on exercising power or creating advantage, sourcing strategies often fail to address material efficiency

Main sourcing strategies

Exercise Power

- Consolidate number of suppliers
- Aggregate volume across units
- Redistribute volume among suppliers

- Compare “total” costs
- Model “should-costs”
- Renegotiate prices
- Hold an online auction

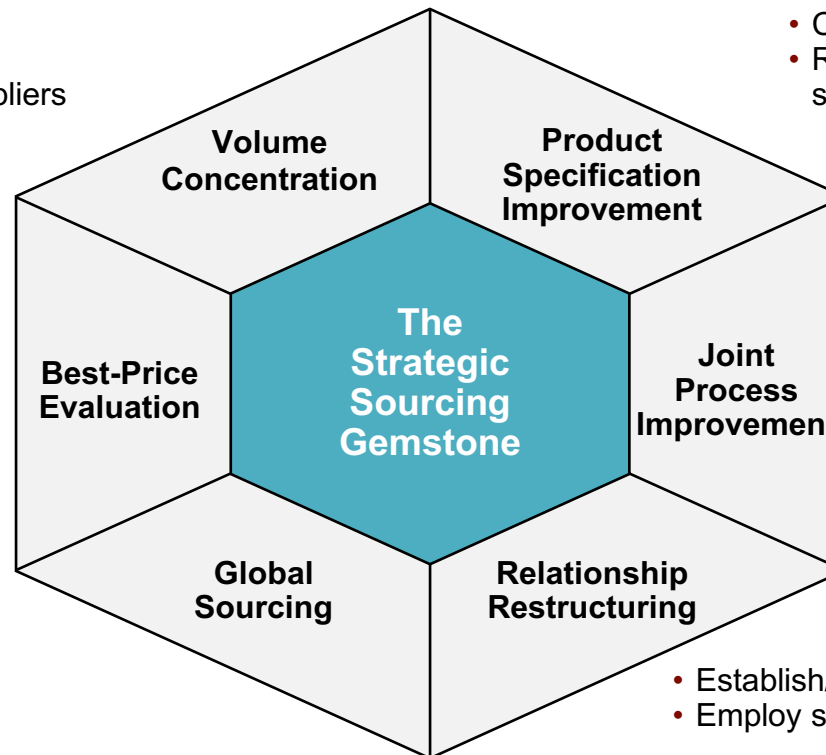
- Expand geographic supply base
- Develop new suppliers

Create Advantage

- Conduct product value analysis
- Rationalize / standardize specifications

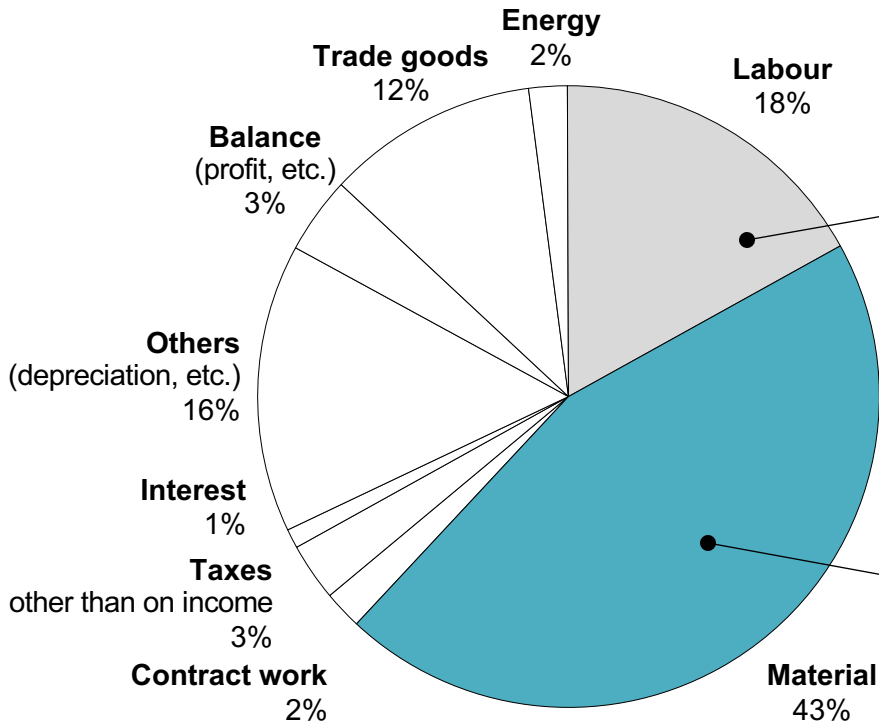
- Reengineer joint processes
- Support supplier operations improvement

- Establish/develop key suppliers
- Employ strategic alliances/partnering



As a result, materials cost for industrial companies is increasing

Cost structure in the manufacturing industry
Germany, 2014



Sourcing strategies improved labour productivity...

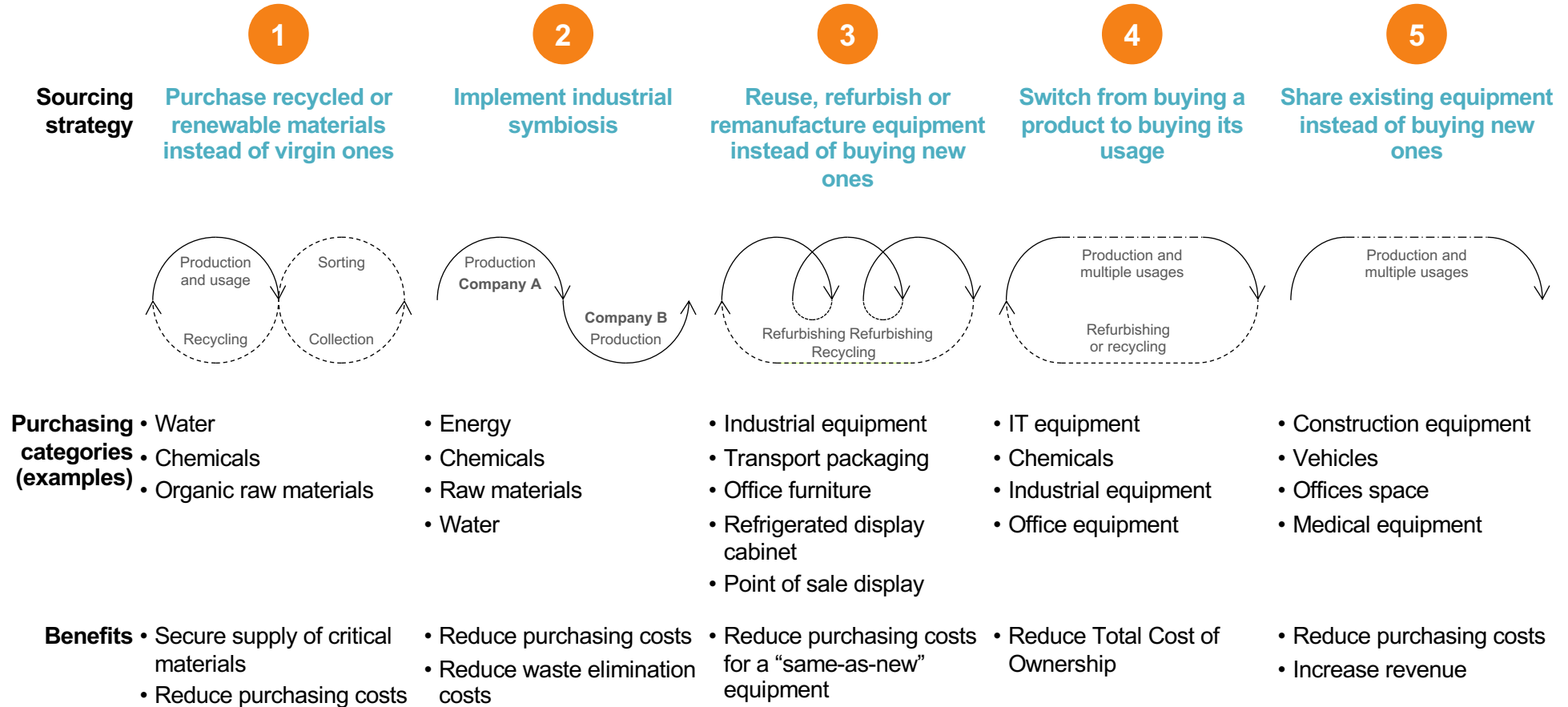
For instance, global sourcing, by sourcing in low-cost countries, has significantly reduced labour costs. Today, labour only accounts for 18% of manufacturing costs against 27% in 1993.

... but failed to increase material productivity.

Currently, materials account for 43% of manufacturing industry costs against only 36% in 1993.

To improve material efficiency, purchasing departments should leverage circular sourcing strategies

Circular sourcing strategies



To help our clients leverage circular sourcing strategies, we provide a set of services



Training

What we do?

We deliver training on circular sourcing strategies. We leverage more than 200 examples and cases studies.

Case studies

For a construction group, we organised a one-day training on circular sourcing strategies for 30 purchasers.

For a Regional Council, we organised a half a day seminar on circular sourcing strategies for 250 public and private purchasers.



Workshop

We facilitate one day workshops with category managers to identify circular sourcing quick wins. We use the Circular sourcing deck, a 32 cards deck that review circular sourcing strategies.

For a consumer-packaged goods manufacturer, we facilitated a workshop with 15 purchasers. We identified several cost reduction opportunities for chemicals, packaging and office equipment.



Opportunity study

For a given purchasing category, we help our clients identify, qualify and experiment relevant circular sourcing strategies.

For a global chemical company, purchasing 8 billion € annually, we reviewed the existing sourcing strategies for industrial equipment. We identified several strategies that reduced the TCO of several equipment by more than 20%.

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