

# Circular sourcing

*How the 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

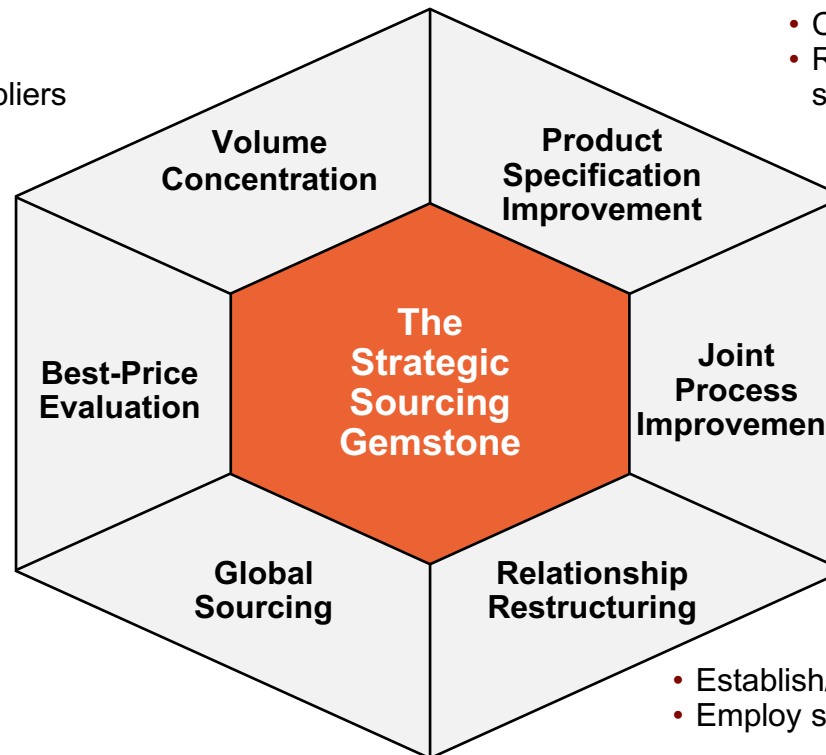
- Expand geographic supply base
- Develop new suppliers

### Create Advantage

- Conduct product value analysis
- Rationalize / standardize specifications

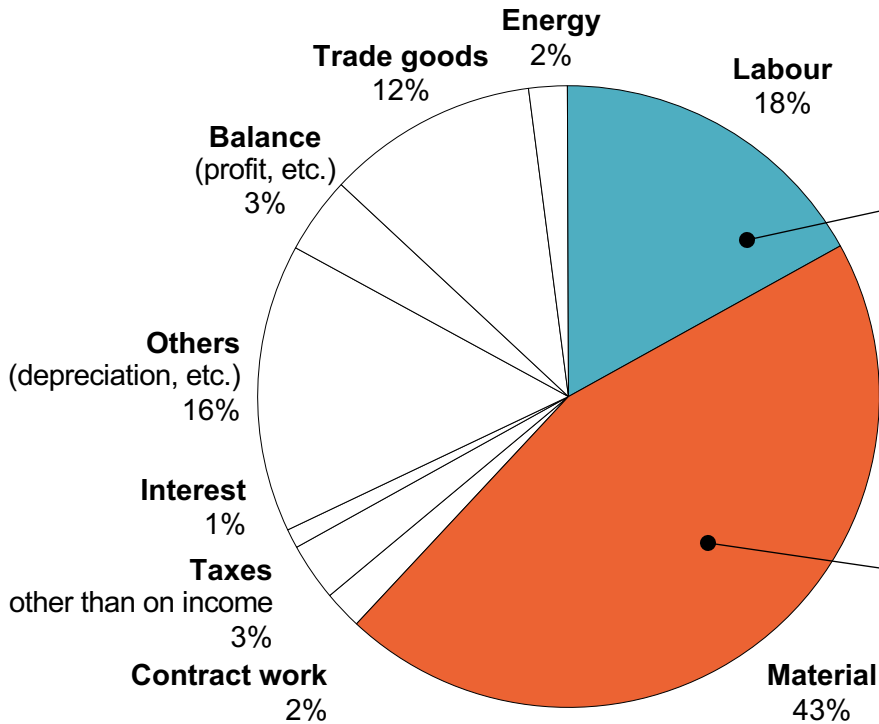
- Reengineer joint processes
- Support supplier operations improvement

- 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*



## Existing sourcing strategies have improved labour productivity

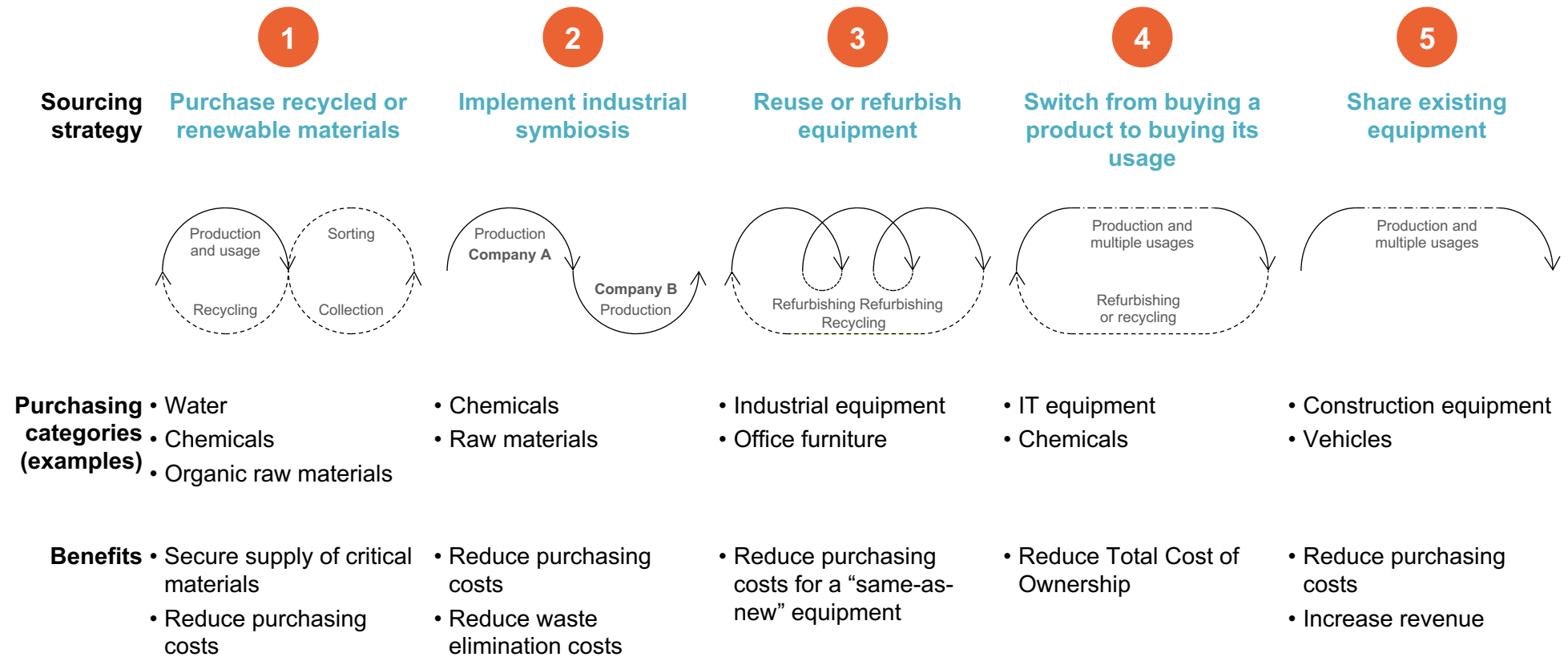
For instance, global sourcing, by sourcing in low-cost countries, has significantly reduced labour costs. Today, labour only accounts for 18% of manufacturing costs against 27% in 1993.

## However, most existing sourcing strategies fail to improve material productivity.

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

# To improve material efficiency, purchasing departments could leverage circular sourcing strategies

## Circular sourcing strategies



# To help our clients adopt the 5 circular sourcing strategies, we provide a set of services



## Conduct trainings & workshops

### What we do?

We conduct trainings and facilitate workshops on circular economy opportunities for purchasing departments.

### Case studies

For a luxury goods manufacturer, we organised a half a day training on circular sourcing strategies.



## Improve a purchasing category performance

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

For a consumer-packaged goods manufacturer, chemical prices were not only high but also volatile. Chemicals total cost of ownership was increasing year after year, partially due to disposal costs.

Together, we reviewed the sourcing strategy of over 50 chemicals. We assessed alternative strategies such as recycling, chemical leasing or cascading use. We identified several sourcing strategies to reduce the TCO of 4 major chemicals by more than 20%.



## Define circular sourcing strategies

Using a 4 steps approach, we help our clients define circular sourcing strategies.

A global chemical company purchased 8 billion € worth of products and service worldwide. It succeeded in improving labour productivity but struggled to increase resource productivity.

Together, we reviewed the existing sourcing strategies for industrial equipment used in more than 100 sites worldwide. We identified several strategies that reduced the TCO of several equipment by more than 20%.

# Who are we?

Gate C is a consulting firm helping companies to **map the benefits** and **capture the value** of the **circular economy**.

Our firm has conducted **more than 100 consulting assignments** on circular economy.

We use **proven methodologies and tools** to ensure the success of our assignments and delivers **training and workshops** to build clients capabilities on circular economy.



**Gate C**

[www.gateconsulting.com](http://www.gateconsulting.com)