What is Strategic Sourcing?

**Definition:** A systematic and fact-based approach for optimizing an organization's supply base and improving the overall value proposition.

<table>
<thead>
<tr>
<th>What it is</th>
<th>What it is NOT</th>
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<tbody>
<tr>
<td>Focused on the Total Cost of Ownership (TCO) incorporating customer needs, organizational goals, and market conditions</td>
<td>Focused ONLY on cost</td>
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<td>Getting the best product/service at the best value</td>
<td>Getting the cheapest product/service</td>
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<td>Driven by a rigorous and collaborative approach</td>
<td>Ad-hoc activities involving only purchasing</td>
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<td>Addresses all levers for savings</td>
<td>Focused on “beating up suppliers”</td>
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<td>Decisions based on fact based analysis and market intelligence</td>
<td>Decisions based on opinion, unjustified preference, or complacency</td>
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<td>A continuous process</td>
<td>A one-time project or decision</td>
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Scope of Strategic Sourcing?

The scope of strategic sourcing extends beyond supplier price negotiation and takes into account the total cost of ownership.
Advantages of Strategic Sourcing?

- Best practice sharing
- Cost savings
- Increase quality
- Spec
- Standardize pricing
- Improve operational efficiency
- Access to new suppliers
- Create partnerships with suppliers
Objectives of Strategic Sourcing?

Objectives of strategic sourcing surround the reduction of cost while maintaining or improving quality

- Improve the value-to-price relationship (i.e. achieve cost reductions while maintaining or improving quality/service)
- Examine supplier relationships across the entire organization
- Leverage entire organization’s spend
- Understand category buying & management process to identify improvement opportunities
- Develop & implement multi-year contracts with standardized terms and conditions across the organization
- Share best practices across the organization