

An Introduction to: Procurement Process Management (PPM)

*The **Unrecognized** Need Inside
Every Business Organization*

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Principles of Procurement Process Management (PPM)

Your organization has a procurement process regardless of the size or type of your business;

Your process costs your organization more than the invoice price of the products or services you purchase;

Significantly, the way for your company to save is to reduce the impact of this expense-producing process on your organization; and,

Strategically, reapply resources freed up from your procurement process to the core, revenue-producing aspect of your business.



The Procurement Process for the End User: The Pie Chart



**PPM: Procurement
Process Management**

- THE opportunity for easing the end user's pain
- Understand the supply chain and procurement process for your customer
 - Become an expert in their pain
- Office products sales are a transaction
- Streamline the process = streamline costs



Recognized Expense Vs. Unrecognized Cost

ABC COMPANY, INC. PROFIT & LOSS STATEMENT FOR THE YEAR ENDING DECEMBER 31		
REVENUES		
Sales	\$5,500,000	
Cost of Goods Sold	<u>3,000,000</u>	
Gross Profit		\$ 2,500,000 ←
EXPENSES		
Employee Salaries & Benefits	1,480,000	
Rent	200,000	
Professional Services	60,000	
Vehicles	70,000	
Depreciation of Vehicles	70,000	
Maintenance	40,000	
Travel & Entertainment	50,000	
Telephone	70,000	
Computer Leasing	120,000	
Uncollectible Accounts	40,000	
Utilities	40,000	
Property Tax	20,000	
Other Taxes & Licenses	20,000	
Non-critical Supplies:		
Office Supplies		
Furniture		
Printing		
Computer Supplies		
Facilities Supplies		
Total Non-Critical Supplies	<u>120,000</u>	
Total Expenses		<u>2,400,000</u>
PROFIT (LOSS)		\$ 100,000

How much of this expense

is an unrecognized cost of procurement that really belongs down here?

How much do non-critical supplies really “cost” your company?



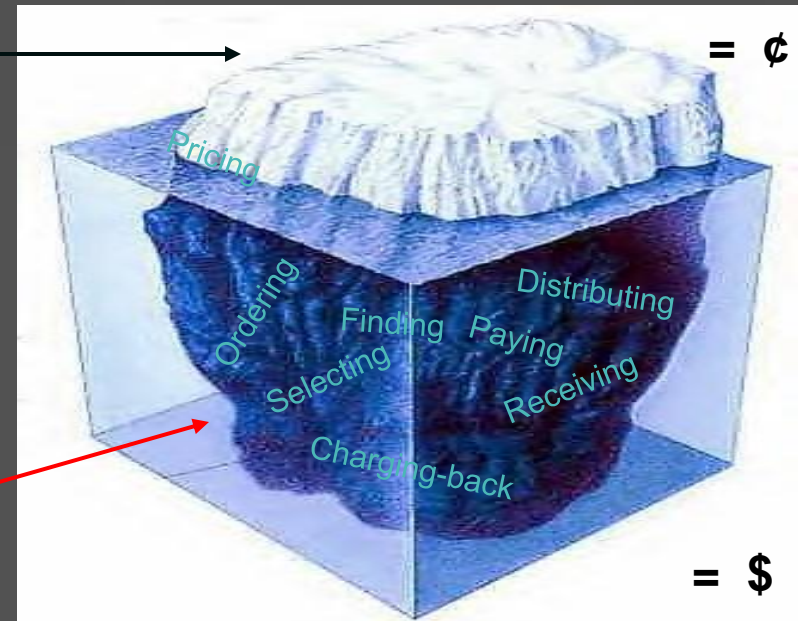
What was **unrecognized** sank the Titanic!

Recognized Need

The Price of Product
Recognized on your invoice
and P&L

Unrecognized Need

The Cost of Procurement
Process
Unrecognized on your invoice
and P&L



Are **unrecognized** procurement costs sinking your
organization's productivity?



Sell to the End-User of the Process

This is
where you
are selling

- A>B>C>D>E
 - A= manufacturer
 - B= wholesaler
 - C= reseller
 - D= end-user company
 - E= end-user of internal process
- If you don't sell in this channel, you sell price, bids and quotes
 - Fractured business



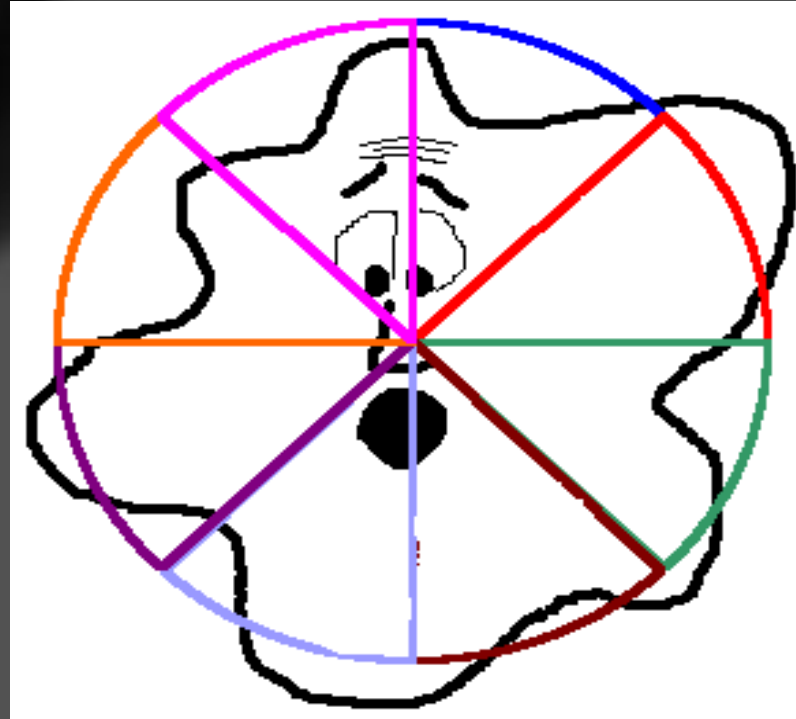
An Ameba On Drugs!



**Does your procurement process look like the PPM
Ameba on Drugs
and cost your company?**



Ameba On Drugs: *It Costs you!*



Pie Chart

Saves you

**Ameba on Drugs admitted into rehab and
converted into a Pie Chart**



#1
Your Core Business
(The reason you are in existence)

Revenue Producing Aspect
of your business

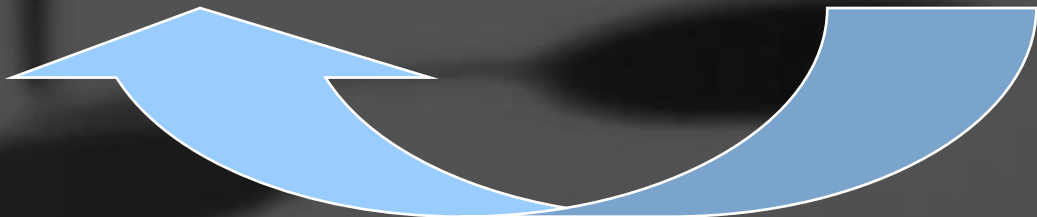
You add to the profitability of your company by re-focusing your time, resources, and efforts currently used in your procurement process on your core business.

#2
Your Non-Critical Products Business
(Your Internal Procurement Process)

Expense Producing Aspect
of your business

You do not add to the profitability of your company by getting lower prices on non-critical products...the procurement process costs incurred far outweigh the product price savings.

\$ The 'bottom line' on your Profit & Loss Statement \$

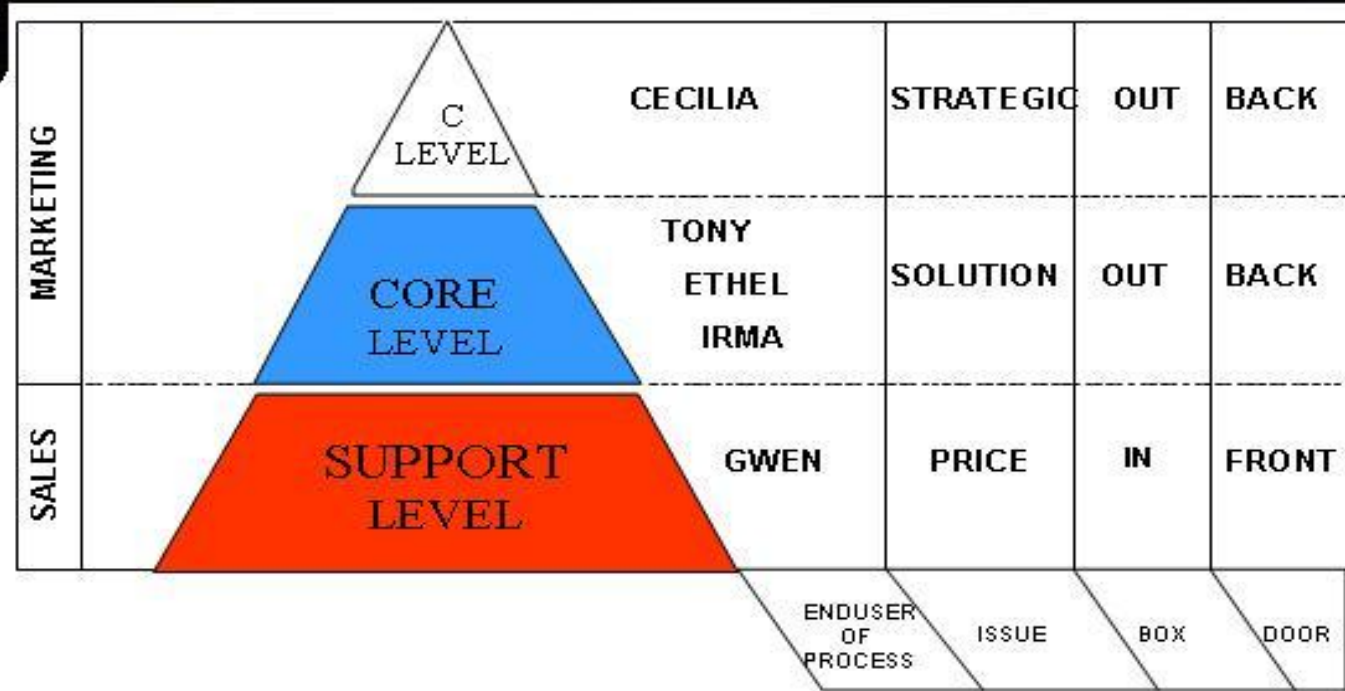


Two Business Principle



Company Organizational Pyramid

Organizational Pyramid
PPM vs Sales



Want To Train your Company & Sales Team on PPM?

- Train your company staff
- Train your sales team in a consultative sales strategy -1 day onsite
- Consumer Conference – breakfast meeting format off-site conducted by ISC
 - Email advertising content provided
- Sales calls with your sales team
- 10 Sales Management Training Modules to reinforce ongoing sales training

