

THE WORLD HAS CHANGED PURCHASING COST REDUCTION STRATEGIES



THE WORLD HAS CHANGED

The IMPOSSIBLE Happened! A Worldwide Shutdown 2020; this CHANGES EVERYTHING in Cost Down and a NEW NORMAL will emerge!

A Worldwide Recession, Business Model Change, Work from Home, Communication Delays, Reduced Investments, Compulsory Health Screening, IT Dependence, etc.

The more 'adept' companies will achieve Profits Faster. We MUST expect Supply Chain Disruptions, Vendor Financial Meltdown, Lack of Materials, Slow Operations, Unpredictable Demands and a myriad of NEW CHALLENGES, NEVER EXPECTED!

The COST REDUCTION RESET in Rethinking 'Traditional' Strategies, Persuade Vendors to CHANGE and Support Initiatives – New Strategies, Creative Solutions and Move Away from Current Practices – It requires a Cost Down Paradigm Shift!

SCOTS LEARNING OBJECTIVE

Scots Skill ONE

Direct Materials Costs Reduction

Scots Skill TWO

Supplier Costs Reduction

Scots Skill THREE

Logistics Costs Reduction

Scots Skill FOUR

Equipment Costs Reduction

Scots Skill FIVE

Purchasing Operations Costs

Scots Skill SIX

Maintenance Costs

Scots Skill SEVEN

Indirect Materials Costs

Scots Skill EIGHT

Purchasing 'Hidden' Costs

Scots Skill NINE

Staff Reduction Costs

Scots Skill TEN

Inventory Reduction Costs

WHO SHOULD ATTEND?

Procurement, Purchasing, Transport, Material, Logistics, Supply Chain, Inventory, Project, R&D Planners, Executives, Managers and People involved in Daily Cost Reduction



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The World Has Changed –
Cost Reduction Paradigm Shift Post-Covid 19!

PART A – PURCHASING COST DOWN – THE WORLD HAS CHANGED

- 1. The World Has Changed 2020 –**
Fluctuating Orders, Delivery Failure, Shorter Terms, Cash Flow Pressures, etc.
- 2. Purchasing Cost Down Post-Covid 19 –**
Cost Analysis, Reduction Focus and Action Plan Implementation

PART B – POST-COVID 19 PURCHASING COST REDUCTION ANALYSIS

- 1. PURCHASING an SBU – PROFIT by COST DOWN**
 - A. Purchasing Cost Down Intensity** – Purchasing Laser-Focus Attitude on Cost Down, Cost Down and Cost Down!
 - B. Purchasing Cost Reduction Model** – Objectives, Cost Analysis, Priorities, Strategies and Action Plans
- 2. PURCHASING COST DOWN ANALYSIS – POST-COVID 19**
 - A. Cost Reduction Benchmarks** – Cost Comparison by Pareto 80/20, Month/Month, Total Cost and Pricing Trend
 - B. Present Cost Down Proposal** – Direct/Indirect Materials, Maintenance, Equipment and Services Contracts
 - C. Scots Skill ONE** – List Down TOP TEN Cost Down Priorities Post-Covid 19!
 - C. Scots Skill TWO** – Team Cost Down Brainstorming – New/Refreshing Ideas on Delegates Company!

PART C – PURCHASING COST REDUCTION BRAINSTORMING

3. TEN KEY PURCHASING COST REDUCTION STRATEGIES

STRATEGY 1 – DIRECT MATERIAL COSTS

- High Costs of Wastages
- Standard Specifications
- Direct Material Costs Breakdown
- Obsolete/Expired Stocks
- Consumption vs Requirement

STRATEGY 2 – SUPPLIERS COST REDUCTION

- Supplies Control
- Continuous Sourcing
- Cost Breakdown
- Volume Purchase Pricing
- Market Demand
- Payment Terms

STRATEGY 3 – LOGISTIC COSTS REDUCTION

- Missing/Lost Stocks
- Shipping & Insurance Costs
- Transport Trips
- FOREX Choice
- Warehouse Stocks Level
- Incoterms

STRATEGY 4 – EQUIPMENT COST REDUCTION

- Best Financing Rates
- Equipment Training
- Spare Part Price Fixing
- Parallel Purchases
- Make/Buy Decisions
- Servicing Contracts

STRATEGY 5 – PURCHASING OPERATION COSTS

- Sourcing Costs
- Ordering Costs
- Documentation
- Office Operation Expenses
- Vendor Visits
- Staff Recruitment & Multi Tasking

STRATEGY 6 – MAINTENANCE COSTS

- Maintenance Contracts
- Maintenance Training
- Spare Part Control
- Outsourcing Services
- Servicing Cost Breakdown
- Autonomous Maintenance

STRATEGY 7 – INDIRECT MATERIAL COSTS

- Fixed Material Allocation
- Volume Discounts
- Blanket Orders
- Standard Purchases Contracts
- Consignment
- Consumption vs Requirements

STRATEGY 8 – 'HIDDEN COSTS'

- Last Minute Order Costs
- Return Shipping/Insurance
- Down Time Costs
- Re-Work/Re-Order Costs
- Administration Costs
- Wrong Item - Non-Returnable

STRATEGY 9 – STAFF COST REDUCTION

- Training Costs
- Recruitment Costs
- Software Licensing
- Capex Costs
- New Staff 'Mistakes'
- Supplier Manpower Support

STRATEGY 10 – INVENTORY COST REDUCTION

- Consignment/VMI
- Warehouse Operations
- Third Party Logistics
- Minimum/Maximum Stock Level
- Obsolete/Expired/ Missing Stocks
- Daily/Weekly Delivery

PART D – PURCHASING COST REDUCTION PLAN IMPLEMENTATION

4. ANNUAL PURCHASING COST REDUCTION PLAN 2021 – POST-COVID 19

- A. Achieve High Impact Cost Down Performance –**
Setting Challenging Objectives, Goals, Targets and KPIs
- B. Purchasing Cost Reduction Champion –**
Assertive Leadership and Motivation to Achieve the Unachievable!
- C. Scots Skill THREE** – Develop, Implement and Present Annual Purchasing Plan 2021