

# THE WORLD HAS CHANGED PURCHASING COST REDUCTION STRATEGIES



## THE WORLD HAS CHANGED

The IMPOSSIBLE Happened! A Worldwide Shutdown 2021; 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



Please call:  
SMI Asia Australia



enquiry@smiasia.org  
[website: www.smiasia.org](http://www.smiasia.org)

# THE WORLD HAS CHANGED PURCHASING COST REDUCTION STRATEGIES



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 2021 –**  
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