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*Discovering Efficiency.
Delivering Results.*

Welcome to the Alliance Cost Containment e-newsletter,

Delivering Results. Our Fall 2008 edition includes articles and opportunities that you should find interesting. Our 700 plus clients have benefited from our proprietary methodology to significantly lower costs and improve profitability. To see how we can help your organization, or to explore a business opportunity, please email us at MLee@alliancecost.com, visit our website at www.alliancecost.com, or call us at (866) 364-2848.

ACC Saves Private College More Than \$200,000

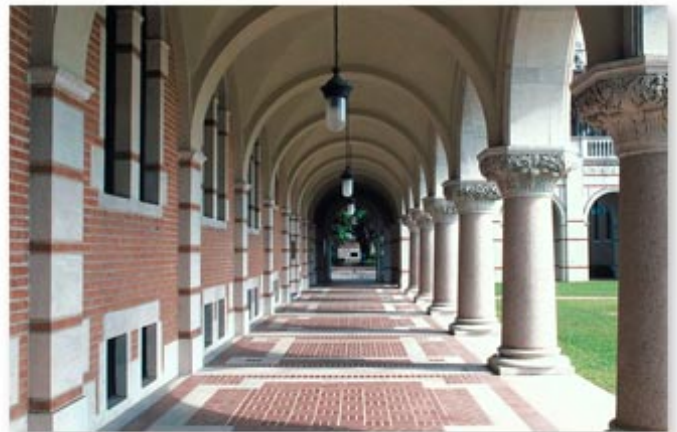
Businesses aren't the only ones enlisting ACC to help improve the bottom line. Our Atlanta, GA based Principals recently completed a successful engagement with a prestigious private college located in the southeast. This client has multiple campuses and an enrollment of more than 5,000 students. Following a thorough examination of the college's annual expense detail, and by working closely with the staff of this college, ACC helped generate more than \$200,000 in annual cost savings from both incumbent and alternative suppliers.

The most significant savings were achieved in the following areas:

- **\$75,000 savings on foodservice supplies**
- **\$47,000 savings on office supplies**
- **\$38,000 savings on printing**
- **\$15,000 savings on cleaning and janitorial products**

The CFO of the college was extremely pleased with the results of this engagement. They made a top-down commitment to drive costs out of the institution, even if it entailed changing long-standing vendor relationships, and followed through with that commitment. The ACC consultant attributed the success to ACC's national

vendor network, its subject matter expertise in key expense areas, and a rigorous attention to detail throughout the project.



Please contact us at (866) 364-2848 or MLee@alliancecost.com if you are interested in how we can help you reduce your costs.



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Procurement: The Next Trend in Outsourcing

*By Rudy Moeller and Mark Braverman,
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As companies continue to look for ways to lower operating costs, improve performance, and bolster net profits, the concept of Business Process Outsourcing (BPO) has moved to the forefront. According to a November 2007 report by the Aberdeen Group, a premier management research firm, one of the biggest growth areas in BPO is procurement outsourcing.

This study of over 260 companies, in a variety of sizes and industries, found that purchasing departments are seeking the involvement of third-party experts to drive down corporate operating costs. In fact, 40% of the organizations surveyed indicated that they would be outsourcing part, or all of their procurement functions in the next two years.

What are the key drivers for this move to outsource procurement? The top four reasons cited were:

- **45% Need to lower procurement transaction costs**
- **41% Increased global competition**
- **36% Ability to access improved pricing**
- **34% Desire to focus personnel on more strategic activities**

These **key drivers** are certainly reflected in ACC's experience with clients throughout the US. Procurement:

Typically, procurement is keenly focused on direct purchases, like raw materials and key components. Tactical, or indirect purchases, such as office supplies, freight, packaging, telecom services, utilities, and maintenance supplies, may not be scrutinized unless major price increases or service lapses force them to the forefront. Or, there may be insufficient in-house expertise to address these specialized niches. Worse, every small requisition may be put out to bid, spending valuable time to generate a small savings and generating a false sense of economy.

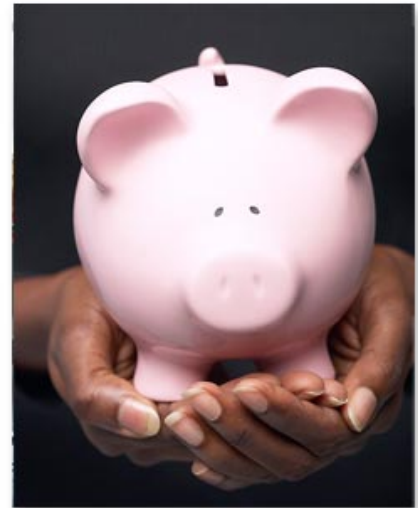
Companies engaged in procurement outsourcing lower their expenses through the reduction of transaction costs, as well as by achieving lower absolute costs on the items purchased. As part of this study, Aberdeen measured the cost of the requisition-to-order cycle. For companies with the lowest amount of outsourced procurement, the average cost of each requisition-to-order cycle was \$33.00. For those with the highest levels, the average cost was \$14.15, or a savings of over 57% in staff resources. In the full cycle of procure-to-pay, costs may be as high as \$75 per transaction. In a niche with a high volume of transactions, like office supplies, with an average order size of only \$125, this incremental cost is extraordinary.

In a typical ACC engagement, we partner with our clients to find considerable reductions of transaction costs through a number of initiatives. Vendor consolidation reduces redundant transactions and increases leverage. On-line order entry reduces the "window shopping" time, as well as order generation time, and drives purchases to lower priced, contracted items. In fact, the savings achieved in process improvement may actually be greater than the savings found in price reductions. Or, the process change may achieve both goals. In a recent project for a client using a substantial amount of freight services, ACC introduced them to a computerized ordering system. It shops for multiple bids simultaneously, on-line, rather than having the client manually call a number of carriers. The result is a significantly shorter requisition-to-order cycle, providing both lower soft and hard dollar costs.

Third-party procurement specialists frequently offer clients volume purchasing agreements with blue-chip suppliers in key commodities, with prices that the client could not access as an individual company. Aberdeen found that for each dollar brought under outside procurement management, companies were able to realize cost savings of between 5% and 20%. This is consistent with ACC's experience. For example, with use of the freight broker above, we were able to offer provide client savings of nearly 40%. In another recent case, we were able to provide our client access to our national contract with one of their largest incumbent suppliers. This resulted in an immediate discount of 12.6%, due to the power of ACC's aggregated national volume.

The Aberdeen study also states that companies enjoying the greatest success from procurement outsourcing share common characteristics:

- They have evaluated their purchasing competencies and have differentiated strategic purchases from tactical purchases.
- They have established monitoring procedures to measure savings and track results.
- They have defined procurement procedures and have a limited group of pre-approved suppliers.
- They utilize category experts in areas like telecom or utilities, when in-house expertise is not available.



As with most forms of outsourcing, procurement outsourcing will be driven by the need of companies to focus on the true nature of their businesses. Are you in the business of designing, manufacturing and distributing world-class products, or are you in the business of buying pens and paper? Companies that invest more heavily in improving core competencies, while outsourcing non-core functions to others with the appropriate expertise, are able to gain the maximum leverage from their capital and human resources in the pursuit of their strategic goals. And the financial impact of procurement outsourcing can be felt in a number of ways:

- Improved cash flow
- Greater access to credit
- Improved valuation
- Reduced pressure to increase top line revenue by compromising quality or margins

Please contact us at (866) 364-2848 or MLee@alliancecost.com if you are interested in how we can help you reduce your costs.



ACC Featured on Forbes.com

Industry experts are taking notice of Alliance Cost Containment and our powerful business model. A successful ACC engagement was recently featured on the *Forbes.com* Web site.

http://www.forbes.com/entrepreneursmanagement/2008/05/20/small-business-purchasing-ent-manage-cx_gm_0520genemarkspurchasing.html

About Alliance Cost Containment

Alliance Cost Containment is a leading national procurement company that helps businesses and organizations significantly reduce operating expenses. Since 1992, we've helped nearly 700 businesses and organizations find undiscovered cost savings. And there's no risk. We don't get paid unless and until you get the savings. Please contact us at (866) 364-2848 or MLee@alliancecost.com if you are interested in how we can help you reduce your costs.



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