



HOP

HOUSE OF PROCUREMENT
Enabling Sustainable Profit Centers

CREATING VALUE THROUGH PROCUREMENT ACTIVITIES OUTSOURCING WITH HOUSE OF PROCUREMENT (HOP)

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As procurement & supply chain specialists, our sole objective is to determine our clients' real supply chain and procurement needs and produce long-term solutions. We start from where you are and do whatever it takes to deliver your objectives.

*At HOP, we focus on results. We measure success by the actual, hard savings, cash and operational efficiencies we deliver. HOP has the talent, category expertise, experience, and tools to help put innovative ideas in sourcing, supply chain management, logistics, inventory management, supply chain technology and procurement to work for you. We take the time to understand your organization, its culture and adopt our strategies to your needs, not vice versa. We deliberately and extremely focus and settle for helping you improve the effectiveness of your supply chain and procurement spend, **MAKING AND SAVING YOU MONEY.***

In procurement, the outsourcing process has followed the same trajectory, as other functions such as finance, IT and HR albeit more slowly. Outsourcing transactional procurement, like order processing or the management of invoices, is now relatively common. Only in the past ten years, however, has the outsourcing of strategic procurement activities, like supplier selection, market intelligence, supplier development, value chain auditing, contract negotiation and administration or specification management etc., become more widespread



POTENTIAL PROCUREMENT ACTIVITIES FOR OUTSOURCING

Exhibit 1

Procurement outsourcing can span a number of activities, from strategic to transactional.

NOT EXHAUSTIVE

Purchasing process							
Strategic (sourcing) activities				Transactional (procure-to-pay) activities			
Demand and specification management	Strategic sourcing	Supplier management	Sourcing support	Operational purchasing	Procurement admin	Accounts payable processing	Technology and support systems ¹
<ul style="list-style-type: none"> • Specification development • Policies/ processes development and implementation • Change management • Procurement market intelligence & surveys • Supplier Audit and Value Chain Assessment • Tender process management 	<ul style="list-style-type: none"> • Developing and implementing category strategy • Supplier selection • RFx • Negotiations • Contracting • Enterprise development programs 	<ul style="list-style-type: none"> • Supplier performance management • Contract management • Supplier relationship management • Supplier development • Supplier diversity programs 	<ul style="list-style-type: none"> • Spend analytics • Market analysis • Supplier profiling • Contract administration • Risk management • Contract administration • Risk management • Spot buy • Auction support 	<ul style="list-style-type: none"> • Requisition processing • Purchase orders processing and expediting • Materials and services receipt recording 	<ul style="list-style-type: none"> • Performance monitoring (supplier, financial) • Compliance monitoring (policies, contracts) • Reporting 	<ul style="list-style-type: none"> • Supplier masterfile set-up and administration • Invoice processing and payment • Bill auditing • Time & expense (T&E) auditing 	<ul style="list-style-type: none"> • Help desk • Catalog management • eProcurement • Solution hosting

Managed/sourced separately or as a part of procurement outsourcing (PO) agreement (PO provider utilizes own or third-party technology).

McKinsey & Company

To make both indirect transactional non-core and strategic procurement outsourcing a success, we help companies take a highly systematic approach with three basic steps:

1. Diagnose and outsource strategic buying only in categories where doing so offers clear value.
2. Demonstrate a precise understanding of the sources of that value and how to unlock them.
3. We have strong strategic global outsourcing partners and alliances that have the capabilities to address those sources of value, then define and implement agreements that maximize the chance of capturing potential savings

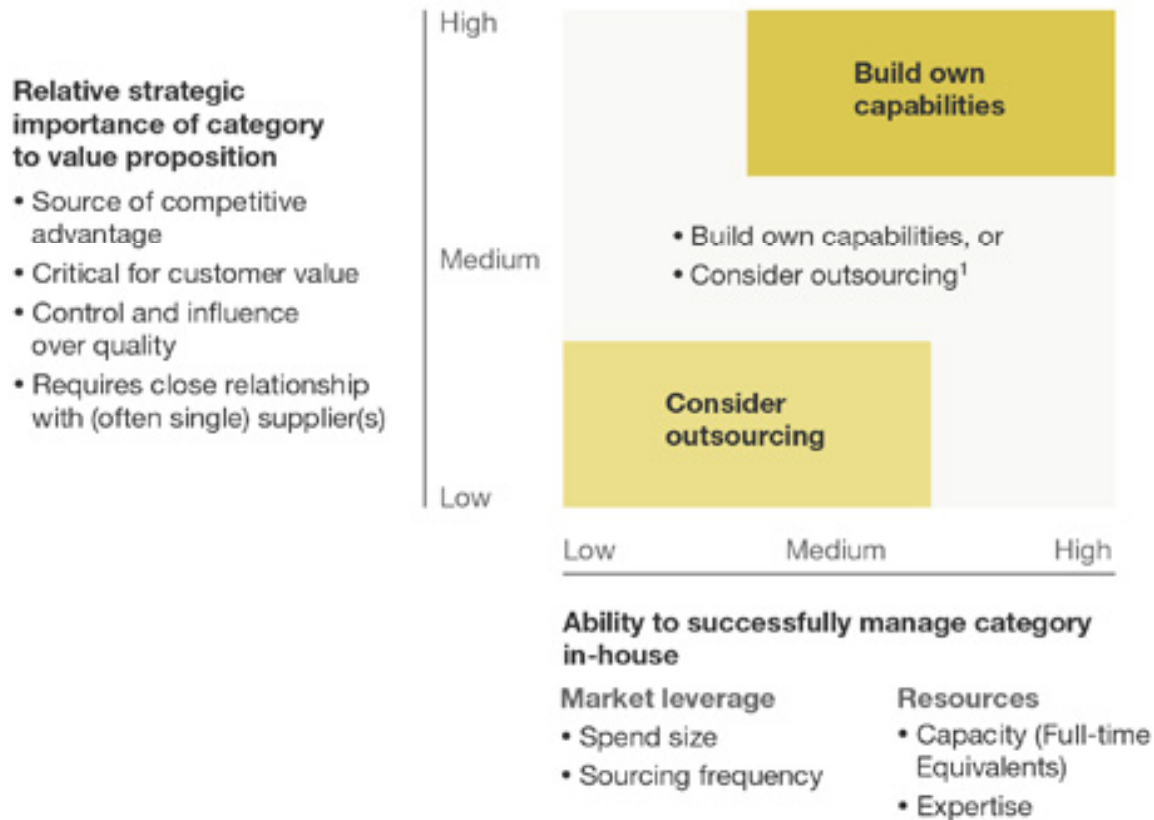
Picking the right categories to Outsource to HOP

"The beginning of wisdom is to define" – Aristotle (Philosopher)

Deciding whether to outsource strategic buying in a particular category requires the same thought and analysis as any other make-or-buy decision. The right decision rests on two factors as shown below

Exhibit 2

High-level approach for strategic segmentation of categories.



¹Decision based on whether internal or external party can generate more value.

McKinsey&Company

- What is the strategic importance of the category? Some categories may be a distinctive source of competitive advantage for you, or of such significance to quality requirements or customer value proposition that generating sustainable value from outsourcing them would create impact to the bottom-line and liquidity to the business making it a leader amongst its peers & competition.
- Can the you manage the category effectively in-house? Your ability to capture the maximum possible value from a category depends on a host of factors, including the size and complexity of the supply market, the organization's relative influence in that market, the existence of appropriate in-house expertise, and the availability of sufficient capacity to manage the sourcing process.
- In the case of non- critical categories, you should ask yourself if another organization might be in a better position than you to manage that category.

WHERE IS THE VALUE?

"What gets measured, gets managed"

– Peter Drucker

We help organizations draw up a shortlist of potential categories for outsourcing, as well as to decide whether it should. To do that we help clients to understand exactly how outsourcing might deliver value in each category, then pick the right deal that capture that value. The value levers available to strategic buyers—whether in-house or outsourced—fall into four main categories.

BETTER COLLABORATION BETWEEN PROCUREMENT & FINANCE

For proper spend management, control and compliance we work very closely with your internal procurement and finance teams by ensuring we all work to;

- Improve spend control and visibility
- Drive process efficiencies
- Plan and set standards together
- Use collaborative technology
- Provide insights throughout the sourcing process

Finance and procurement have complementary strengths and corresponding priorities, so working collaboratively makes sense strategically and practically.

Volume aggregation and Economies of scale

By bundling demands from multiple clients, we can often negotiate better prices, especially in areas where your own spend is too small or infrequent to give it a strong position in the market. This works well in our Indirects group buying and consolidation. As a Procurement Service Provider working for multiple companies, we can achieve economies of scale which a client on a standalone basis could not leverage. We accomplish this through aggregating spend across multiple customers for the same category, investing in deep category knowledge and expertise, and lastly through negotiating leverage deals with suppliers.

Access to Expertise. Our scale and global networks offers deep expertise and real-time market insights across a broad range of categories. Access to leading expertise doesn't just provide direct benefits in categories where you don't have your own expertise. It can also help you to "learn from the best" and improve your own capabilities in other categories. **"With an outsourcing solution, we look to maximize the advantages of having access to intellectual capital, supply market information, sourcing techniques and tools."**

Labor arbitrage. We offer a combination of scale, standardized processes and low-cost resources designed to reduce the labor cost of sourcing activities. While labor arbitrage often delivers significant benefits in transactional sourcing activities, however, the nature of strategic buying can limit the savings achieved.

Many companies that offer procurement outsourcing focus solely on labor arbitrage. HOP leverages the creativity, education and brainpower of global talent pools in high-value labor markets across the globe.

Demand and specification management. In the most successful purchasing organizations, 40 to 50 percent of the total savings achieved come from changes in internal factors, like optimizing specifications to minimize total cost of ownership or controlling demand. Such savings also tend to be the most sustainable over the long term. Capturing the benefits of demand and specification management requires close and on-going collaboration between the purchasing function and other parts of the business, we help you develop, optimize and manage this process.

Sustained spend savings. HOP has a proven track record in driving high performance for clients based on deep sourcing savings, HOP strategies has enabled the procurement organization to generate net savings of between 5-20+% across the purchasing categories being outsourced, with double-digit savings for the entire project.

Improved transparency and increased control over procurement expenses. HOP's end-to-end capabilities combined with our analytic tools, clients gain a more comprehensive view of who is buying what from whom, leading to better contract management and control over greater percentages of spend.

Better compliance. An increase in category spend compliance to as much as 95 percent across the entire enterprise can reduce internal costs by as much as 3 to 5 percent. HOP helps companies improve compliance by increasing management control over spend.

One standard is worth a thousand committee meetings" – Dale Dauten

Improved supply quality & reliability. Through our systematic global and local supplier relationship management we keep your requirements in the forefront of the suppliers mind throughout the supply contract.

Increased productivity. Our end to end process and training delivers increased productivity in terms of time to re-source categories and staff per category, leading to reduced operating costs and quicker time to benefit realization.

Reduced supply chain risk. Through our objective and rigorous sourcing process we help our clients comply with Integrity, Competence, Audit, CSR requirements, international corruption legislation and increase the standards of contracted suppliers.

Increased business engagement and alignment. A key success factor for us is engaging the business stakeholders from the beginning to ensure the demand is truly understood and the sourcing model aligns to the operating model.

OUR TEAM & PARTNERS

We are your right partner : **"A journey of a thousand miles begins with a single step"** – Lao Tzu (Philosopher)

Working as a unit, HOP professionals and partners have the capability to transform your procurement processes. We deploy expert teams in a number of flexible configurations, from end-to-end category management and procurement operations to a point solution. And in every scenario, our transition teams are equipped with change management and integration tools to speed design and smooth implementation.

We have different skills and different propositions for our customers. Our capabilities and geographic scope capture the value you need. Our alliances include and fall into three broad groups:

- **Multi-tower business process outsourcing (BPO)** generalists (led by Dragon Sourcing) who are a large global player that provide end-to-end services for procurement and other functions. Their key value propositions are volume aggregation, linkage with direct manufacturers, global supplier databases and price negotiation. They manage a very large and a wider range of categories. They operate across all emerging markets especially ASEAN region, China, India, Europe, Australia, North and South America.
- **Procurement specialists (led by LETSEMA)** who are a Pan African player with regional or category expertise. They provide end-to-end services, working closely with stakeholders. They deliver value through demand, specification and supplier management with internal customers, i.e., changing companies' purchasing behavior.
- **Offshore service providers (led by Beroe Inc.)** who are a large offshore services provider that offer cost savings from labor arbitrage through offshore resources, mostly for transactional and sourcing support activities.

Our Value Proposition

"Opportunity arises for the prepared mind" -Louis Pasteur (chemist and microbiologist)

Cost Reductions Opportunities Identification

Guaranteed within Seven Weeks

Fast Savings

Hidden Profits Revealed

No Hassle, You're in Control

Win Win Outcome – Guaranteed

We identify potential savings within your overheads

and manage suppliers' relationships. We guarantee you substantial savings in four weeks. Those are short and long-term savings. Our average is over 15%.

No Savings, No Fee (for Pre-Agreed Spend Categories)

We earn only when you save.

With their no savings, no fee model, The Distinct Procurement Group provide an impartial service that has become an integral part of our business...

Our business model is to align our interests to yours. Unlike commission-based firms, we remain impartial. Our fees are a fraction of what we save you. The more you save, the more we earn and we earn only when you save.

Industry-wide Cost Management

Over 95% of our clients would happily recommend us and all of them used our services to...

- Reduce costs
- Free up cash and time
- Control spend and suppliers

Clients appreciate our service because we impact where it matters: The bottom line.

External suppliers account for between 30-80% of corporate spend & overhead, making cost management a business imperative.

Few businesses have the time, the full range of skills, and/or the buying power needed to achieve this.

Genuine Procurement Expertise

Our consultants, partners and colleagues use industry best practices, guaranteeing genuine procurement expertise that goes deeper than one-off savings by delivering long-term cost management solutions.

Buying Power

The combined purchasing power of our networks, members, partners and clients gives us leverage. Maximum procurement savings because... A collective spend always packs more punch.

As we have an extensive network of service providers, we're always up-to-date with the best procurement rates and trends.

Total Cost Management Service

We do more than negotiate cheaper prices.

We offer commitment for the long-term by:

- Managing supplier relationships
- Handling paperwork and administrative work
- Procurement intelligence monitoring for new opportunities
- Supply Chain and Supplier Audits Tier 1,2,3....
- Localization and Inclusivity

Our clients can be sure that outsourcing with HOP really is the best way for them to access the value they seek. Scale is only one factor when seeking price reductions, for example. Many times we achieve significant savings through smarter negotiations of strategic importance to our suppliers. Similarly, we are able to access favorable prices through various purchasing consortia we belong to. At the core, we free up valuable time for your staff to focus on your core business. We become an extension of your team....

Get touch and let us help you CREATE, DELIVER, ASSURE, PROTECT & IMPROVE SUSTAINABLE VALUE TO YOUR ORGANIZATION, SHAREHOLDERS & STAKEHOLDERS.

"One standard is worth a thousand committee meetings" – Dale Dauten





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