





# Procurement Trends: 2023



# 2022 SA HEALTH SUPPLIER CONFERENCE

Jonathan Dutton FCIPS – 3<sup>rd</sup> November 2022



### Jonathan Dutton FCIPS

- > Procurement consultant, speaker & writer
  - Procurement thought-leader in ANZ
  - Consulting to the supply side
  - Non-Executive Director: Supply Clusters & Axis Group
- > CEO of PASA since 2020
- Former founding CEO of CIPS 2004-13
- > Careers in:
  - General management
  - Marketing
  - Corporate sales
  - Procurement



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# The procurement industry landscape in ANZ

- > Over 100,000 procurement practitioners in Australia
- > Private sector top 3,000 firms
- > Public sector:
  - Federal Govt and the CPRs
  - State Govt and their departments
  - Public agencies ~ 150 per state
  - Most local councils
  - NZ co-ordinated by MBIE
- > Typical procurement team: 10-20 staff with > \$500m spend
- > CIPS and a vibrant support sector ... including PASA



# The procurement challenge

"Intelligent spending is about far, far more than just PRICE"

Tom Derry – CEO, ISM

## The procurement challenge

- > To spend money responsibly & consistently is not easy
- > And manage risk:
  - Assurance of supply DIFOT
  - Compliance
  - Supply chain security supply, product, liability mgt, data ....
- > Procurement as an instrument of policy: ESG in action -
  - Buy local ... and Payment Times Reporting Act 2021
  - Modern Slavery Act ... and ethical procurement policies
  - Indigenous procurement policies
  - Net zero
  - Social procurement to support disadvantaged Australians
  - Supplier diversity



#### Procurement's OBJECTIVES

- 1. SAVINGS ... reducing cost is 'table-stakes'
  - Direct savings
  - Cost avoidance
  - Demand management
  - Mitigating 'COST-PLUS' inflation and the 7% problem

#### 2. Reducing RISK

- Supply assurance
- Other risks ...
- Balance SERVICE needs of USERS

#### 3. Policy

- Buy local for the economic multiplier effect
- Compliance ...
- ESG for all stakeholders

### 10 Current procurement trends

- Managing INFLATION
- 2. Rebuilding business continuity plans post-Covid
- 3. Addressing de-globalisation & INBOUND supply chain
- 4. ESG
- 5. Respecting small suppliers
- 6. Digitalisation
- 7. Capturing INNOVATION from the supply-side
- 8. Growing specialisation including use of outsources
- 9. SRM
- 10. Talent management internally & externally

### SA Health PSCM Procurement Strategy

- 1. SERVICE ... DIFOT for users and patients alike
- 2. SAVINGS ... cost management & rebalancing stock
- 3. Reducing RISK ... supply risk management
- 4. POLICY ... adherence and influence
- 5. INNOVATION ... to reduce LT cost
- 6. SRM ... to build relationships for secure supply & innovation
- 7. CATEGORY MANAGEMENT ... inc: medical & PPE, energy, ITC, Services
- 8. DIGITALISATION ... better data, spend analysis & performance

# Basic spend analysis

#### ... The Kraljic Matrix



Low spend: High risk

Vital supply lines to be secured

**Bottleneck** 

High spend: High risk

Strategic relationships to be developed

Strategic



Map your expenditure profile by category and define potential risk & reward

Low spend: Low risk

Indirect purchases to be commoditised

Routine

High spend: Low risk

Indirect supply lines to be leveraged

Leverage

High Spend Commodities LT, Hardware, fuel, utilities, travel, temp labour

CIPSA provide a when range of framing personal sufficient procession 50 from rivers years a company



Consumables

Stationery

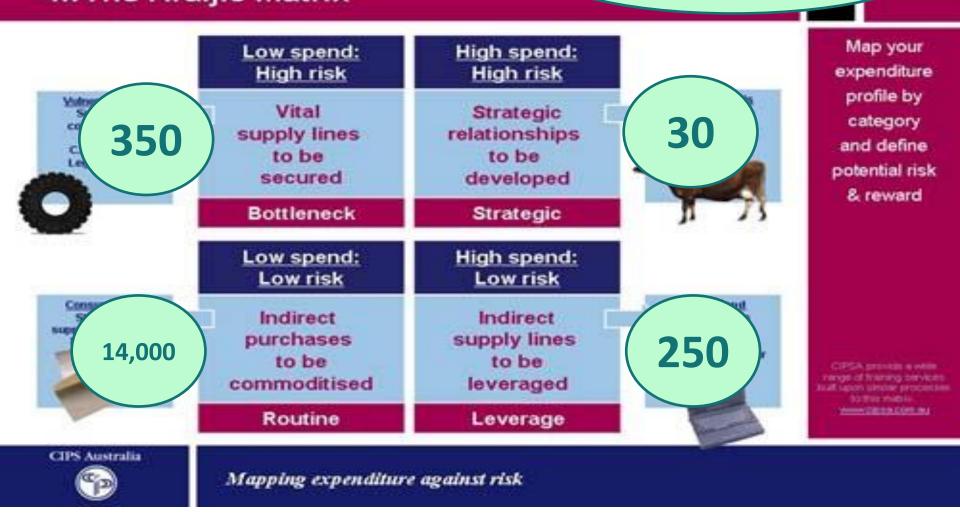
supplies, cleaning.

FM spridnes

Mapping expenditure against risk

# Basic spend analysis ... The Kraljic Matrix

SA Health
55,000 suppliers on Db in 2017
Today < 15,000



### **Top Tips for suppliers**

#### How to win ....

- > Comply, comply it doesn't win, but it can lose
- > Be proactive and think longer term
- > Build relationships *around the tenders*
- > Ask questions ...
- > Work out where you are in the customer's priorities?
- > Resist cynicism you might win it
- Help the customer achieve their strategy :
  - Make suggestions
  - Innovate
  - Find efficiencies
  - Embrace teamwork

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