



# Procurement Trends: 2023



## 2022 SA HEALTH SUPPLIER CONFERENCE

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



Government  
of South Australia

SA Health

# 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

1. 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



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

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*Mapping expenditure against risk*

# Basic spend analysis

## ...The Kraljic Matrix

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



350

**Low spend: High risk**  
 Vital supply lines to be secured  
**Bottleneck**

**High spend: High risk**  
 Strategic relationships to be developed  
**Strategic**

30



**Low spend: Low risk**  
 Indirect purchases to be commoditised  
**Routine**

**High spend: Low risk**  
 Indirect supply lines to be leveraged  
**Leverage**

14,000

250

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

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*Mapping expenditure against risk*

# Top Tips for suppliers

How to win ....

- > Comply, 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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