



Innovation and Procurement

An important success factor for meeting the challenges of procurement in a sustainable, cost-effective way is to take a mid- to long-term strategic approach that not only makes use of the latest technology and innovations but that also steers the development of new solutions that outperform the solutions available on the market .

Industrial Logistics Institute, through experience, have identified actions needed to improve and coordinate procurement practices with regard to innovation so that industry has flexibility rather than provide customer-individualised solution resulting in technological delay and lack of economy of scale. This approach is achieved through:

Networking and cooperation among organisations in the development process of new solutions; and

Maintaining the consultation process for competitiveness and innovation

As technology advances first buyers or online purchasers, can drive innovation from the demand side. This enables an organisation to innovate the provision of online products and services faster and create opportunities for organisations to take international leadership in new markets. Reducing time to market by developing a strong market for innovative products and services become the key for growth in quickly evolving markets such as ICT.



Suppliers

Product companies

Customers

Consumers

On-line Procurement (eMarketplaces)

- | | | | |
|--------------------------------------|-----------------------------------|---|----------------|
| ➤ Access to larger market | ➤ Larger supplier pool | ➤ Decreased material and services costs | ➤ Lower prices |
| ➤ Yield management | ➤ Decreased material costs | | |
| ➤ Market-driven pricing | ➤ Process efficiencies | | |
| ➤ Reduced customer acquisition costs | ➤ Lower search costs | | |
| ➤ Improved process efficiencies | ➤ Improved control and compliance | | |

Customer and consumer marketing

- | | | | |
|-----------------------------------|-----------------------------------|----------------------------------|-----------------------------------|
| ➤ Additional volumes | ➤ Increased sales | ➤ Improved customer satisfaction | ➤ Increased consumer satisfaction |
| ➤ Cooperative product development | ➤ Improved customer service | ➤ Improved customer information | ➤ Improved access to information |
| ➤ Continuous improvement | ➤ Cooperative product development | | ➤ Increased involvement |

Supply chain collaboration

- | | | | |
|---------------------------------|----------------------------|----------------------------------|----------------------------|
| ➤ Reduced logistics costs | ➤ Reduced inventory costs | ➤ Improved access to information | ➤ Reduced stockouts |
| ➤ Improved inventory management | ➤ Reduced processing costs | ➤ Reduced logistics costs | ➤ Increased service levels |
| ➤ Reduced cycle times | ➤ Improved coordination | ➤ Improved coordination | |
| | | ➤ Reduced cycle times | |
| | | ➤ Improved customer satisfaction | |

Related services

- | | | | |
|---|-------------------------------|---|----------------|
| ➤ Broader access to lower cost services | ➤ Lower capital expenditures | ➤ Broader access to lower cost services | ➤ Lower prices |
| ➤ Reduced implementation risk | ➤ Reduced implementation risk | ➤ Reduced implementation risk | |

Source: PWC

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