



# Make Smarter Purchasing Decisions with **Market Intelligence**



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# What Can Market Intelligence Do for Me?

Procurement departments are working harder than ever, often with reduced resources, to keep costs in check and contribute to the organization's overall goals. Market volatility, ever-increasing rates, price inflation and changing regulations are facts of procurement life, and procurement departments are expected to be experts on it all.

As procurement leaders strive to build world-class purchasing departments, they are realizing that market intelligence (MI) is necessary to help their companies make smarter, faster buying decisions. However, creating and maintaining robust market and category intelligence is a challenge even for the most sophisticated and resourceful organizations. So, if you're looking to save time and money, reduce risk and have easy access to reliable information, third-party intelligence is a clear solution. This paper will illustrate how and why MI will help you make smarter decisions and achieve departmental and organizational goals.



## What is **Market Intelligence**?

Market Intelligence (MI) is information and data about an organization's markets. Companies use it to make educated decisions and guide strategy for product development, pricing, market penetration and more.

For procurement departments, MI provides information relevant to an organization's supply markets, to support confident purchasing decisions. It can also be used to discover new suppliers, to provide insight into supplier financial viability and business continuity, and to plan for supply market changes.

# The Case for Market Intelligence: How Did We Get Here?

## Procurement's Transition from Tactical to Strategic

Procurement is evolving from departments focused on cost-savings and cost-avoidance into teams of strategic business partners. This modern strategic sourcing function aims to enter long-term and mutually beneficial relationships with suppliers and stakeholders. This means that procurement professionals must evaluate a growing number of factors, such as total cost of ownership (TCO), risk, service levels and quality. To achieve this, they need market, supplier and category information that is accurate and up-to-date. But trusting data on the internet is questionable and using data solely from suppliers can be biased, so procurement departments are harnessing market intelligence as one of the most efficient tools to develop and support strategic sourcing decisions.

## Benefits of strategic sourcing:

- ✔ Contribute to overall company goals and bottom line by aligning purchasing and business strategies
- ✔ Become a trusted advisor, leading to increased spend management and greater demand influence
- ✔ Reduce risk by diversifying, managing and segmenting suppliers to protect against supply-chain disruptions
- ✔ Foster internal communication and improve the procurement department's credibility
- ✔ Prioritize long-term benefits over short-term gains; save more money in the long run
- ✔ Build a supplier base that is highly invested in mutual success and innovation while gaining support and flexibility from vendors

# A New Focus on Indirect Products and Services

Another factor illuminating the need for market intelligence is that procurement practitioners are no longer only responsible for optimizing the purchase of direct materials. Companies are now realizing that indirect spend, which covers hundreds of categories and sub-categories, is a huge opportunity. In the past, suppliers were a primary source of data, which sometimes resulted in biased information. Today, the internet provides access to massive amounts of information, but the usefulness of that information is questionable – it could be out-of-date, taken out of context or just plain unreliable. Allowing that there is accurate information out there, finding it is like finding a needle in a digital haystack. Market intelligence, on the other hand, provides concise, easy-to-use and reliable information at your fingertips.

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“Companies are now realizing that indirect spend is a huge opportunity”

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# Engaging with Stakeholders to Increase Spend Under Management

Do you address 100% of your organization's direct and indirect spend? Probably not, but it's likely that increasing spend under management is a key departmental goal. But there are obstacles to expanding it, including gaining the trust of internal stakeholders. Procurement must be seen as a function that helps solve problems instead of creating them and you must be able to prove your value up front. Yet again, market intelligence provides a solution. With robust data and intelligence, you can develop a deep understanding of suppliers, markets, risks and objectives, helping you build credibility and develop mutual respect with your internal stakeholders.



*"Procurement must be seen as a function that helps solve problems"*



# Market Intelligence Solutions

With a new focus on indirect categories, the struggle to gain stakeholder trust and expand spend under management, and the desire to become more strategic, the need for more and better intelligence is critical.

But even for those companies that have some level of intelligence, perhaps for frequently sourced, high-volume purchases like commodities, it's still a big task to maintain. The data will require constant updates, especially because commodity prices can be volatile and are subject to political, economic and social issues. Less frequently purchased items are an even harder sell, as it would take an inordinate amount of time to research, compile and maintain the information when the purchase is not common.

However, if you're like most procurement professionals, you don't have the luxury of robust, in-house intelligence on ANY of your purchases. The types of intelligence needed to make the best procurement decisions range from broad macro data on economic trends to granular information on specific suppliers. You also want access to a wide variety of sources, from publicly available data to hard-to-find field intelligence and proprietary information. All of those types and sources require huge amounts of research time and resources. In any of these cases, external intelligence will be most efficient in terms of cost and time.



# Using Market Intelligence to Achieve High Performance Procurement

Market intelligence, in any form, is a critical tool to drive smarter, faster purchasing decisions and help you achieve your goals. If your company does not have the luxury of robust in-house intelligence, where can you turn to get the information you need, across hundreds of products and services, in order to do your job well? Seize the opportunity to become a world-class, strategic procurement department that consistently surpasses its goals with third-party market intelligence.



# Five Key Areas Where **Market Intelligence** Will Drive Smarter Decisions

The case is clear for why market intelligence is a valuable tool in a broad, strategic sense. But when it comes to detailed goals for which you're responsible, perhaps you need more clarity. Here are five key areas where MI will help you make smarter, faster purchasing decisions.

## 1. **Benchmarking Prices**

Pricing for commodities like gold, steel and oil are easy to find, since these markets are open to the public and a quick Google search will tell you what you need to know. However, there are thousands of products and services where pricing doesn't occur in a public market, meaning finding a baseline from which to negotiate can be difficult, if not impossible. Market intelligence firms use their deep databases and research teams to build benchmarks for industries, products and services, which buyers and sellers can use as a reference for strategy and negotiation.

## 2. **Price Drivers**

Understanding what drives the cost of a good or service – both inputs and external influences – will help you budget and plan for smart purchases. Everything from raw material price trends to wages to demand to overhead costs can affect the current and future prices of your purchases and you need to be in the know in order to enter contracts at the right time and for the right terms.



### 3. Price Trends and Forecasts

Have prices been trending up or down, and at what levels? How can you predict what prices will look like in 1, 2 or 3 years? For commodities traded on public markets, this information is easy to find. But public markets don't drive prices for services like HR consulting or legal services, nor for products like laptop computers or office seating. To make accurate decisions on whether to buy now or wait, price trends and forecasts are critical.

### 4. Total Cost of Ownership

Strategic procurement dictates that you should consider all alternatives and factor in the total cost of ownership (TCO), looking at both the short-term (purchase) price but also the long-term costs, including training, service, support, maintenance, parts and other operating expenses. While initial expenses can be easily researched and reported, organizations must also analyze potential future expenses, as they can be a significant influence on whether or not to complete a purchase. When responsible for hundreds of unrelated categories, you'll be hard-pressed to pull together all of this information efficiently. Market intelligence, on the other hand, can present TCO information in a concise list, so you are sure to consider all of the present and future costs.

### 5. Negotiating

Whether negotiating a new contract or re-negotiating a renewal, this is a critical stage for ensuring you get the best pricing, terms and conditions you can while building a strong, lasting relationship with your supplier. Market intelligence has already helped you determine the benchmark price and the total cost of ownership, but there are still other areas to dive into during negotiation. To ensure you don't miss a beat, market intelligence can provide you with key questions to ask regarding delivery, warranties, quality, service and more. Plus, a full-service market intelligence solution will offer a way to evaluate suppliers on those elements, to further ensure you're getting the best possible terms.



# How Market Intelligence Will Help You Achieve Key Goals

Without a doubt, market intelligence applies to the strategic approach to purchasing. While your specific goals will vary from your peers, MI fits into broad goals that guide procurement's strategy.



## Save Money

Cost savings and/or cost avoidance remain top of the list for most organizations. Market and category intelligence can help in several ways, including:

- ✓ Providing benchmark pricing so you can be sure that what you're paying or being quoted is in line with average market prices
- ✓ Uncovering substitute or alternative products or services that you may be able to source at lower costs
- ✓ Gaining supplier management efficiencies and negotiating better pricing by consolidating vendors
- ✓ Shedding light on the TCO of a product, so you can budget more accurately
- ✓ Arming you with information and questions to ask during negotiations to ensure you get the best price and contract terms possible
- ✓ Offering cost transparency which can help business units understand where and how cost savings are realized



## Save Time

You're being asked to do more with less and you're always pressed for time, especially when it comes to the amount of time available for research. Instead of using a search engine and sifting through thousands of search results (which may be biased, inaccurate or out-of-date), third-party intelligence can drastically reduce your research time by providing condensed and concise data and information. This intelligence can help you in every stage of the purchasing process, from assessing an opportunity through negotiations and on to contract and vendor management – overall increasing your speed to market.



## Reduce Risk

Risk is everywhere in the business world, but it is possible to avoid or mitigate risk in procurement with the strategic use of category intelligence. Preparation and knowing which questions to ask up-front can help you evade or mitigate risks, such as: financially unstable vendors; upstream supply chain interruptions; disruptions from natural disasters or political unease; fluctuations in commodity prices; or regulatory change implications.



## Increase Credibility

Procurement professionals have struggled for decades to gain the respect of internal stakeholders and management. Market intelligence can be a critical tool in helping you to demonstrate your value and expertise across a wide array of categories, products and services. Arming yourself with unbiased, accurate data allows you to speak knowledgeably to key stakeholders and management when presenting your purchasing strategy. You'll also find MI useful when overlaying and integrating your sourcing strategy to the business roadmap and strategy. All of this will enable you to gain the confidence of key stakeholders so that they more often involve you early in their planning.



## Set Procurement Strategy

### *Category Strategy*

Building on your established category strategy, market intelligence can reveal ways to further streamline your process and save you time and money. Discover ways to reduce risk by developing strong relationships with key vendors and having a greater understanding of your upstream supply chain. Additional benefits that market intelligence can confer include understanding how timing affects prices and determining ideal contract lengths in relation to current and forecast prices.

### *Department Strategy*

If your company does not have a well-defined procurement process, you probably feel you're brought into the buying process too late to provide maximum value. Using category research to demonstrate your department's value can help you lead the charge to having a seat at the table with other departments. The bulk of savings opportunities are found in the initial phases of the buying process, so being proactive and strategic can result in real value for your organization.





Interested in learning more about how ProcurementIQ, a market intelligence firm focused on indirect category research, can help advance your department?

We'd love to learn about your research needs and business goals and explain how we can work with your team and your budget.

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