



PROCUREMENT REBRANDED

LEVERAGING THE WISDOM OF BRANDS
TO PRODUCE A STAR FUNCTION

The transformation in procurement during the past two decades has produced significant impact – greater clarity in spend, expanded category coverage and increased return to shareholders. Nonetheless, we often hear clients expressing a concern that the function is not yet considered a true strategic partner in the C-suite. While there is much to this complaint, it does not hold true in every organization. Companies that demonstrate strong procurement brands ensure that the function is central to their decision making. The reward for the company is seen in improved results. We show how the wisdom of branding can help procurement unlock its potential.

The CPO of a leading consumer goods company told us, 'What is frustrating is that we deliver significant savings, the team is extremely capable, but we are still unknown by the business, which continues to see us as a support function. How can I convince the rest of the company that procurement is a strategic partner?'

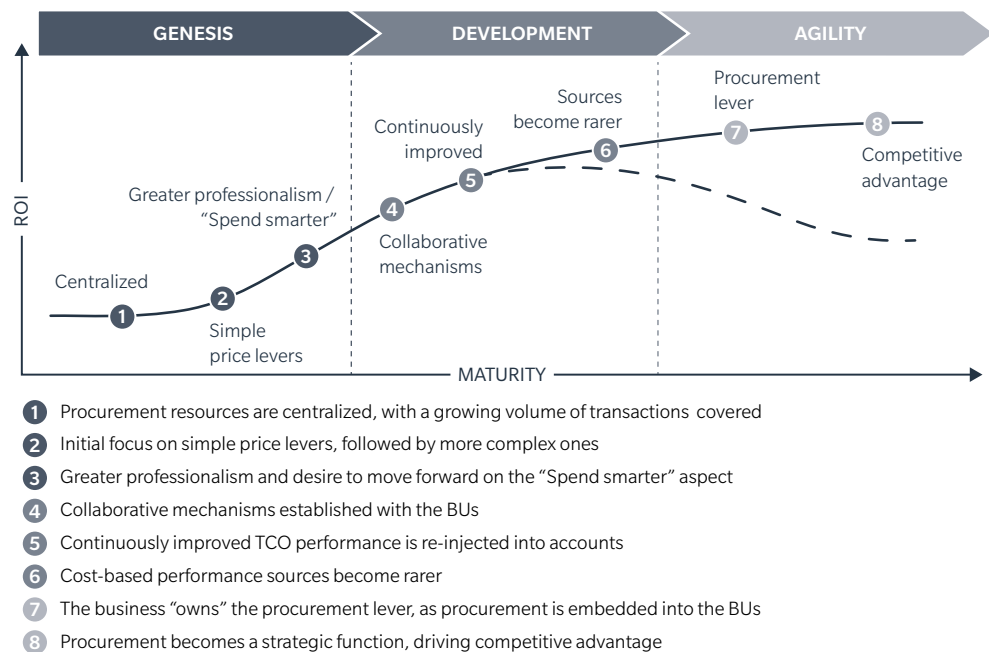
There is evidence that the CPO's concern is justified. Most of our clients face the same perception that reflects a hard truth: in most organizations, procurement is not strategic. The question implicit in the CPO's comments is 'but why not?' Surely procurement's successes over the past two decades in improving the bottom line should give it access to the C-suite?

Yes and no. Our analysis suggests that for procurement to be perceived as a strategic partner it needs to act like one. This demands that the function should be embedded within the business units and that it should be in a position to help shape the strategic goals of the organization. We estimate that only 20 percent of companies have developed these capabilities in procurement. Those that have exhibit very different characteristics to their less developed peers.

The evolutionary path taken toward this 'agile and embedded' structure is shown in Exhibit 1 below.

A CPO might well argue quite reasonably that getting procurement into the position

Exhibit 1: Evolution of procurement ROI with function maturity and distribution of organization maturities



or being a strategic partner is something of a chicken-and-egg situation: once in the C-suite, procurement can deliver on its promise; however, while it is still out in the cold, the organization as a whole will continue to remain unaware of its full potential – its lack of strategic impact thus becoming a self-fulfilling prophecy.

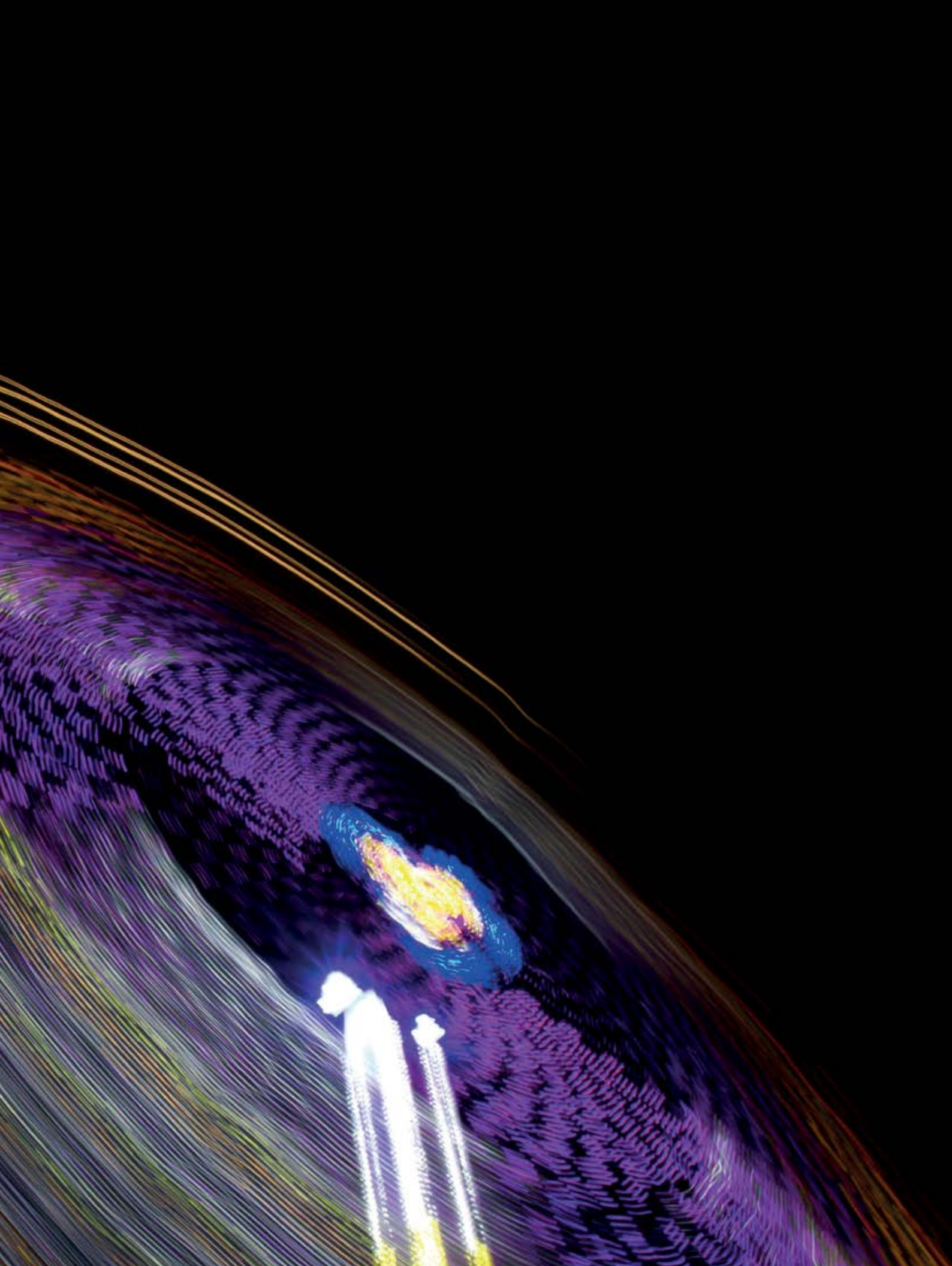
The good news for the CPO is that they can take control of this situation and act to break the stalemate. Given the right

leadership, the lessons from the world’s leading brands can help shift perceptions of what procurement can achieve – and thereby put the CPO in a position to unlock its full potential.

The recipe for success, illustrated by the world’s most successful brands, is highlighted in the ‘Irresistibility framework’ of Exhibit 2. This shows how procurement can leverage branding best practices.

Exhibit 2: The Irresistibility framework

	BRAND	PROCUREMENT PROCESS
Pillar I Be customer-centric	<ul style="list-style-type: none"> • Understanding your client • Focusing approach and product around client needs 	<ul style="list-style-type: none"> • Understanding department needs • Setting-up proper demand management • Aligning the procurement function to the company culture and strategy
Pillar II Be innovative and unique	<ul style="list-style-type: none"> • Offering something valuable when weighed against the cost • Being innovative and anticipating client needs 	<ul style="list-style-type: none"> • Getting away from the commoditized “cost-cutter” image • Promoting open innovation and Supplier Relationship Management
Pillar III Be an influencer	<ul style="list-style-type: none"> • Having an influential leader that acts as networker between functions • Setting up internal competencies needed 	<ul style="list-style-type: none"> • Acting as the Networker • Supporting the strategic thinking of a department • Setting up the right capabilities to become a likeable function
Pillar IV Be consistent	<ul style="list-style-type: none"> • Establishing stability in terms of attributes, behaviors and characteristics • Building trust by extending coverage 	<ul style="list-style-type: none"> • Increasing consistent coverage • Establishing an agile process and common set of tools • Reconciling sourcing performance and P&L
Pillar V Be visible	<ul style="list-style-type: none"> • Generating awareness to be in people’s mind • Reaching customers through multiple channels 	<ul style="list-style-type: none"> • Having a seat at the table • Leveraging digital channel • Re-establishing proximity within other departments



The five pillars of procurement branding

Branding provides the answer as to how procurement can reposition itself at the center of business strategy and ensure that its full potential is realized. The world's great brands use their brand strength to command attention: their power creates value. The secrets of how they achieve this can help unlock the full potential of procurement. Most important of all, from the CPO's point of view, companies that fully understand these lessons are creating far greater value and driving improvement throughout the organization. This has a direct impact on the P&L account. This is the number one reason why procurement becomes seen as strategic.

In the following, we use the wisdom of branding to show how the CPO can achieve this goal, focusing on the five pillars that ensure the strength of the world's most treasured brands.

Pillar I

Be customer-centric

Characteristics of customer-centric procurement branding

Strong brands understand and appeal to their customers. The aim is to be top of mind for those you serve. This requires developing a deep understanding of your customers. Who are your key target groups? The answer is not always as obvious as it might seem at first sight. Are some more critical than others? Can winning key customers swing others your way? Once you are sure who your target groups are, the next step is to address each of them in terms of their specific needs and expectations. The secret is to identify the distinct characteristics that the brand needs to resonate with for each group. This requires possessing a thorough understanding of every aspect that is critical for fulfilling these requirements, including your customers' short-term and long-term objectives, as well as the constraints they face, their culture, and their spoken and unspoken expectations. Only once these characteristics are thoroughly understood is it possible to design and implement an operating model that is truly appropriate for capturing their custom.

Branding practice example

Every manager at Amazon, including the CEO, is asked to spend two days each year at the

customer service desk. This enables Amazon managers to hear feedback direct from their customers and to build field knowledge that forms the background for ensuring that their decisions are appropriate to their customers' needs.

How can procurement become customer-centric?

Procurement's customers are usually internal ones. If procurement is to become truly customer-centric, therefore, it needs to develop a thorough understanding of these internal partners. There are many approaches to achieving this that will feed into the procurement strategy. Engaging in regular conversations with the various business heads will help to ensure procurement's alignment with their priorities and strategic objectives. Conducting departmental surveys will provide a clearer view of current and future requirements – as well as any potential issues. Sharing best practices from other organizations will not only help internal partners but will also ensure that they engage more fully with procurement, starting to see it as a potential business counterpart.

To meet the goal of becoming a full strategic partner, however, demands that procurement

should set strategies and objectives that mirror and support those of its stakeholders in the wider business. For instance, while procurement may favor pushing for increased standardization and consolidation, this does not always deliver the best value at the local level. When defining the most appropriate strategy in this case, therefore, procurement needs to find the appropriate balance between the need for global optimization and local market needs. The right answer will depend on the business priorities – and the range of solutions can vary significantly according to circumstances. In industries that face pricing pressure, for instance, cost optimization is the most important factor. However, in other industries, securing the supplier panel, innovation and flexibility can prove more important.

One way that procurement can define the right balance between the global and the local and is to adopt a 'demand management' approach that recognizes that one size really does not fit all. This will enable procurement to better tailor offers to specific client needs using mature category management approaches. This should ensure that global category strategies are cascaded locally wherever possible, while ensuring local needs are met.

Procurement branding example – Owens Corning

At Owens Corning, procurement is in the driving seat. The Ohio-based Fortune 500 giant has placed its sourcing organization at the center of the company's future growth plans by demonstrating the ability to understand and meet its business stakeholders' priorities. Procurement strategy leads three of the company's most recent growth initiatives – the construction of two new plants and a major acquisition. Subsequent to their introduction, the company has generated record cash flows: more than one-third are directly attributable to improvements in supplier productivity and supplier payment terms – both of which were driven by procurement. The implementation of a supply chain finance project with Citi has also played a crucial role in accelerating the company's continuing progress.

Pillar II

Be innovative and unique

Characteristics of innovative and unique procurement branding

To stand out among competitors, a brand must be unique in ways that matter to its customers. In other words, it needs to be 'valuable' – which we define as, 'when all of a brand's functional, emotional, experiential, and self-expressive customer benefits are weighed against the cost (money and time) of acquiring and using the brand, its value must be perceived to be good, excellent, or superior.'¹ Valuable brands command a premium. They are also innovative, anticipating their customers' needs and surprising and delighting them with a constant stream of relevant and valued innovations. This flow of innovations ensures that the brand will avoid being displaced by competitors.

Branding practice example – Apple

Apple consistently ranks top of the world's most valuable brands.² As such, it is not only able to persuade customers to pay a significant price premium for its products

but also ensures its distributors and partners agree to commercial and business conditions that they would not accept from any other company.

How can procurement be innovative and unique?

One reason that procurement frequently requires fresh branding is because other departments believe that they already address many of the same problems that the procurement functions are trying to solve. Changing this attitude frequently demands stepping away from procurement's past image – particularly that of being focused merely on cost-cutting – and to demonstrate where it adds unique value to the business.

Procurement is unique. Procurement departments are not only about cost; they are also about managing risk and growth. Which other functions can make this claim? The challenge is to let others know. In order to rebrand itself, procurement needs to market itself on each of these dimensions. It can do this by making its success stories more widely known in the organization, sharing

1. *Branding Strategy Insider*: 'Ten Qualities of World Class Brands,' March 2011

2. *Forbes*: 'The World's most valuable brands, 2017'

specific targets that are built around aspects such as risk monitoring, corporate social responsibility (CSR), and growth – as well as cost saving. On the growth axis, promoting open innovation and Supplier Relationship Management (SRM) can help procurement unlock its full potential, making it the favorite customer of its suppliers.

Procurement has a fantastic opportunity to demonstrate its unique value in the context of increasingly complex and ever-changing ecosystems. Being at the front edge of the market can enable it to create innovative partnerships that anticipate future disruptions to the value chain. This innovative position can make procurement central to value creation.

Procurement branding example – IBM

IBM Global Procurement has helped IBM to keep one step ahead of the competition in responding to the rapidly changing market dynamic. The function's transformation program has unlocked fresh opportunities while delivering additional value. Its extensive use of analytics and automation enables

it to gain the maximum insight from data, thereby ensuring that it remains sufficiently agile to adapt to the ever-changing demands of the market. IBM Global procurement also makes use of innovative collaborations with its network partners to produce greater efficiencies while meeting its clients' needs more swiftly as a result of increased alignment. IBM Global Procurement's increased value delivery has erased the former perception of it being a mere cost center.

Pillar III

Be an influencer

Characteristics of influential procurement branding

There is typically an influential leader behind every successful brand. Just as with any thriving community or sports team, brands require leadership. For large companies, this may be the CEO. For smaller ones, it is usually the owner. The leader motivates the team, guides the strategic vision for the brand, resolves complications, and acts to keep everyone on the same page.

Branding practice example – Disney

The Disney brand has made its way into every home and onto every screen. It got there because the brand is far bigger and more powerful than any individual film or cartoon. Disney's viewers trust the brand to deliver wholesome family entertainment. While Walt Disney attributed his success to the many talented individuals on his team, the real secret of his leadership was his ability to communicate his vision effectively and passionately to those that worked for him. Walt was the master communicator both on-screen and off – and he used this ability to shape the brand.

How can procurement be influential?

Influence and leadership go hand in hand. The CPO needs to be at the hub of the organization's network, shaping how procurement is viewed and building the brand with its customers. Both the CPO and the wider procurement team need to communicate proactively with their customers within and outside the company in order to understand their evolving needs and how to better serve them.

The desired relationship between procurement and their internal customers can be reinforced by introducing changes to structure that ensure procurement is embedded within the various company functions. To meet this objective demands that the profile of the procurement team will also need to evolve. The center of gravity will necessarily shift away from a team comprised largely of buyers and negotiators to one in which networkers and relationship managers play a more central role. The goal is for all the team to be passionate influencers.

Adapting to this new profile can prove demanding for many procurement teams.

Bridging the gap often demands renewed focus on training, coaching and mentoring, as well as the introduction of mechanisms to foster internal mobility. The CPO will need to consider the full spectrum of motivational levers for stimulating the procurement team. This should include identifying those in the team that have a high potential to meet the new goals, establishing the right balance between a fixed salary and variable incentives, putting in place key performance indicators to incentivize collaboration and relationship management, and taking concrete actions to motivate the team. The latter focus should look beyond team-building events and acknowledging individual and shared achievements to creating environments that provide the team with greater client exposure, relationship management opportunities, and problem-solving responsibilities.

Procurement branding example – Cisco

Cisco's procurement torchbearer Alexandra Lopez demonstrates what exceptional leadership can do to shape a brand. The company's global procurement services have seen a complete transformation under his

guidance. Whereas the function formerly focused on supplier oversight and sourcing, it now seeks to be completely aligned and in tune with its customers' requirements. By ensuring that his team are always looking forward, Lopez' team are constantly seeking to drive and deliver value. This has made the procurement function central to Cisco's success. Their relentless focus on diversity is fundamental to this achievement – a factor quickly identified by Lopez as critical for ensuring the technology giant operates at its best across all communities – and not just in some.

Pillar IV

Be consistent

Characteristics of consistent procurement branding

According to Michelle Tillis Lederman, the founder of Executive Essentials, 'If you want to build a successful brand, first be clear on the brand personality. What are the ABCs: attributes, behaviors and characteristics? Then ensure that every interaction a client has with the brand infuses those ABCs into it. Consistency builds trust and solidifies the brand.'³

Branding practice example – Coca-Cola

The consistent promise of the world's largest beverage-maker is 'to refresh the world, to inspire moments of optimism and happiness, to create value and make a difference.' This has made Coca-Cola one of the most trusted brands on the planet. The brand promise connects directly to the fundamental needs of every customer. It never strays from this mission.

How can procurement establish consistency?

Consistency in brand is central – but what is the best way for procurement to establish this? The first task is to articulate

a common vision that expresses and defines the specific characteristics of procurement within the company. This needs to enunciate the fundamental goals of the function – for instance, is the aim to drive improved productivity first and foremost, or is it to be a catalyst for simplification and efficiency in other parts of the business? The second task is to define these objectives in a language that is held in common with other functions of the business, thereby enabling mutual understanding that can build bridges with customers. The language used should enable internal customers to understand what procurement can do for them, as well as demonstrate that the procurement team understands how its internal customers view the business. This might, for instance, require speaking of a 'chart of accounts' rather than 'a procurement taxonomy' or 'financial performance' rather than 'procurement performance'.

Once procurement has a common vision that applies across the whole organization, it can then deploy this to intervene in the various categories, geographies and businesses in a systematic manner. The objective is to ensure that the procurement process becomes a cornerstone of the organization that will drive cohesion and consistency throughout

3. *Forbes*: '13 Key Strategies For Building A Successful Brand In Today's Economy'

the business. To achieve this, it will need to leverage the support of top management, progressively removing unspoken 'non-addressable sanctuaries' within other functions and departments.

The drive for consistency in procurement requires that every employee across the whole organization should be trained in the processes and tools of procurement. To ensure that the approach used has the required flexibility, however, it will need to be adapted to the specificities of the organization, in terms of categories, departments and geographies – while always ensuring consistency with the vision.

Procurement can work with finance to demonstrate how the improved procurement performance translates directly into the P&L account. Procurement efforts need to be acknowledged and measured: any non-compliance or leakage needs to be explained. It is important to provide transparency about what has been and what has not been achieved. This can be communicated using shared tools and reports, which should reveal how well the procurement actions are performing against their initial targets. Honesty will encourage others to keep their promises.

Procurement branding example – Mars

In a demonstration of Mars Chocolate North America's strong CSR engagement and its continuing pursuit of excellence, the company has committed itself to using only high oleic acid peanuts (HOAP) in its product range. Mars chose to do so in response to the growing demand from consumers in North America for HOAP. HOAP contain much less bad (LDL) cholesterol than the normal varieties of peanuts, making them much better for health. The main issue facing the company was how to ensure that all its suppliers were completely onboard with this plan. To ensure that they were, the procurement team partnered closely with their suppliers and the industry at large, engaging with thousands of farmers to facilitate the desired change. This required developing consistent communication, which was then tailored to the various project-support processes and metrics. The effort to move to HOAP enabled the procurement team to engender a spirit of togetherness: this not only helped them to achieve the task but also ensured strengthened supplier relationships, to the long-term good of both the company and the industry as a whole. The result is that Mars is already well on the way to hitting its ambitious target.

Pillar V

Be visible

Characteristics of visible procurement branding

Brand awareness is everything: unless the customer is already aware of the brand before the time of purchase, little else will count.⁴ A big part of being recognized as a distinctive, successful brand is the ability to reach consumers through multiple channels.

Branding practice example – Red Bull

According to the market research firm, Tubular Insights,⁵ Red Bull is currently uploading 174 videos a month, generating 2.5 billion views on YouTube in 365 days – making it the most watched brand across all platforms.

How can procurement become more visible?

Procurement needs to ensure that it is marketed effectively within the company. The team should leverage multiple communication channels and seek to gain a seat at the table in strategic decision making.

The goal should be to raise its profile through both internal and external communication. It

might also consider relocating itself physically within the organization.

Internal Communication: Internal communication is paramount. Host regular procurement events with business partners and publish frequent, reader-friendly communications that showcases the procurement team's accomplishments and capabilities. Leverage digital technology fully, for example, by providing key internal customers with iPad dashboard views of the function's Savings and Actions Tracking Tool.

External Communication: External communication is much more than seeking publicity, it is about relationship building. Involve procurement in external professional organizations, jointly hosting events and contributing articles and interviews for publication. Procurement might also attend open innovation company trade fairs, as these can provide great opportunities for expanding the team's network and for developing relationships with suppliers and others in the industry. Develop a presence on networks like LinkedIn or Twitter. Successful procurement organizations are able to reach almost any internal or external customer.

4. *Branding Strategy Insider*: 'Ten Qualities of World-Class Brands,' 12 March 2011

5. Tubular Insights: 'How Red Bull Quietly Changed its Video Marketing Strategy'

Establish physical proximity within other functions and departments: Physical co-location can be an important driver for improved cooperation. Promote cross-functional work spaces where buyers and internal customers sit together. This will improve mutual understanding and increase opportunities for cross-fertilization of ideas. Transfer some procurement resources to other functions within the business (in terms of reporting). This will ensure that procurement professionals are fully empowered to deliver business projects. Set up a Procurement Board, composed of key BU heads and the CPO to drive the procurement function. Doing so will bring procurement into the center of strategic decision-making.

vibrant team can have in improving the functioning and efficiency of an entire organization. The attitude that procurement is a state of mind is best encapsulated by the #ProcurementisAwesome brand – which is positioned at the center of the airline’s transformation. This program has succeeded in delivering both significantly improved financial results and a dramatic shift in culture. Moving from a purely transactional role within the company, the MAB Group Procurement team now makes a genuine difference to the company’s results and helps shape its future ambitions. With its clear brand and consistent message, ‘procurement is flying’ – the wider business is reaping the rewards of these achievements.

Procurement branding example – Malaysia Airlines

As one of Southeast Asia’s largest airlines, Malaysia Airlines views procurement as more than a function: they believe procurement to be a state of mind. The Malaysia Airlines Berhad (MAB) Group Procurement Team was created to help reshape every facet of the airline. The results have demonstrated the impact that a skilled, motivated and

The brand promise

Procurement cannot reach its full potential without the benefits of a strong brand. A robust brand enables the function to play a much stronger role within the organization – ensuring that it recognized, advertising its consistency of purpose, driving its integration with the strategic goals of the company. A strong brand can catalyze change, helping to build the momentum necessary not only to move procurement further along the maturity curve but also putting it in a position

to reshape the entire organization. The impact of fully integrating procurement into the strategic planning of the company is directly measurable in the P&L account.

Strong brands require strong leaders to build them. Those in charge of brand building concentrate on constructing five pillars: ensuring that the brand is customer-centric, innovative, influential, consistent, and highly visible.

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