

Supply Chain Cost Optimization Playbook for Sourcing & Procurement



72% of sourcing & procurement leaders plan to deliver value to their organization by optimizing total cost of ownership. This playbook outlines the top three ideas to optimize costs through both short-term tactical improvements and longer-term transformational changes.

Action Category	Time Frame	Decision Complexity and Execution Difficulty	Sourcing and Procurement Initiatives
Operate Better Implement changes and actions within the function to reduce waste and improve total unit cost.	Short term (weeks/months)	Low. Focused on improved awareness, visibility and waste reduction; no major qualification processes needed	<ul style="list-style-type: none"> Negotiate better pricing conditions with the supply base. Improve compliance with policies and contract terms. Increase or optimize spend under contractual agreements. Increase automation and reduce time spent on low-value, administrative activities. Negotiate directly with sub-tiers for raw materials and components used across multiple suppliers. Identify, measure and control extraordinary costs.
Reconfigure Design changes for better alignment that reduce structural cost and operating losses.	Midterm (quarters)	Medium. Organizational realignment to leverage spend; process, supply and product changes that may require a lengthier qualification process	<ul style="list-style-type: none"> Deploy category management for improved spend visibility and control across the organization. Outsource noncore process activities to suppliers and other third parties. Engage the supply base to identify cost optimization opportunities. Reduce working capital tied to supply operations. Optimize product specifications to eliminate excess quality and reduce material costs.
Transform Invest in changes to operating capabilities that significantly improve cost competitiveness.	Long term (quarters/years)	High. Investment of resources and capital required for long-term adoption of new operating models, systems and practices	<ul style="list-style-type: none"> Deploy digital technologies to automate and optimize manual processes. Launch a companywide cost optimization program with participation of functional leaders across the organization. Implement total cost of ownership models across critical categories. Create shared value partnerships with strategic suppliers and external networks.

The role of sourcing & procurement is to unlock new value from the supply base and protect the organization from future disruption. Gartner can help: We offer insights, advice and tools that support performance management, risk mitigation and innovation of the sourcing & procurement team as well as suppliers. Learn more on [gartner.com](https://www.gartner.com).

Contact us  Follow us on LinkedIn  Follow us on Twitter → [Become a Client](#)