

WHITEPAPER

# 10 Strategic Levers in Procurement: how to reduce costs, minimize risks and create value.



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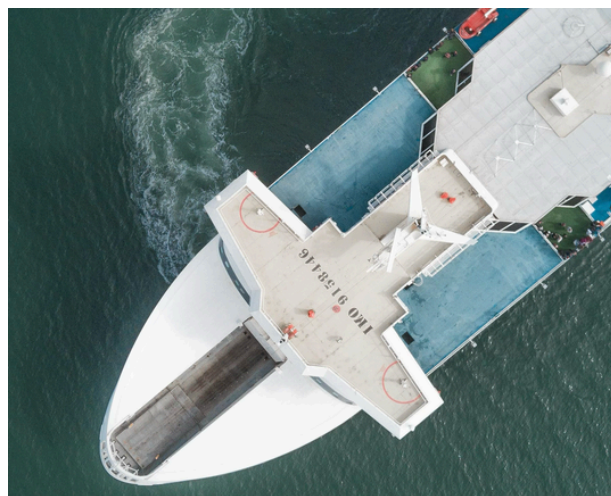
**The global manufacturing industry is facing unprecedented challenges: geopolitical tensions, rising cost pressures, and declining demand have created a complex and volatile business landscape. In the midst of these uncertainties, procurement plays a crucial, yet often overlooked role. In this context, the 'hidden champion' holds substantial potential for cost savings—particularly through strategic management of material costs.**

This whitepaper offers procurement leaders insights to **10 strategic levers in procurement.**

The goal is to provide you with a better understanding of these levers and support you in reducing costs, minimizing risks and creating value.

## Challenges in Procurement

Global supply chains, volatility, data usage, and cost pressure influence decision making. Let's take a look at current challenges in procurement and how they can be tackled.



## Supply Chain Volatility

Disruptions from geopolitical tension, pandemics, climate events, and wars (e.g., in Ukraine or the Middle East) continue to affect sourcing and logistics. Supplier risk management is now a core capability, not just a side task.

## Material Price Fluctuations

Volatility complicates the understanding of the overall impact of price fluctuations for individual parts, a commodity or the company as such. This makes it hard to keep an overview over fluctuations. Factors like different starting times of contracts, data and index sources and the pure amount of contracts further complicate identifying the right actions.



## Geopolitical Decisions

Geopolitical decisions and developments like the decision of the U.S. government to implement tariffs increasingly influence the industry, creating new challenges.



## Data Usage

Another critical factor lies in data utilization. Typically, data is categorized into internal and external sources, each comprising a multitude of diverse origins, formats, and update frequencies. Consolidating and preparing this data for analysis demands significant time and resources, complicating procurement teams' ability to achieve a coherent and actionable overview.

## Cost Pressure

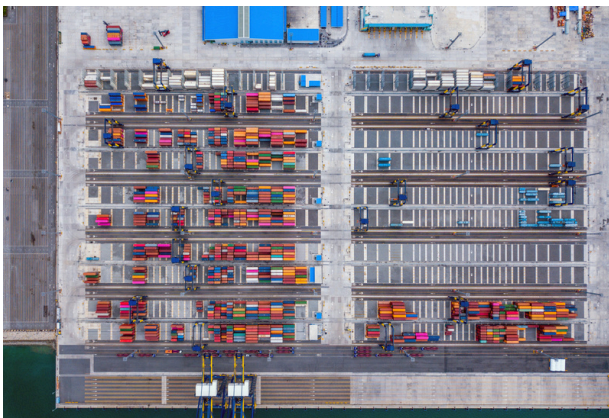
Procurement is a central part with direct impact on the profitability of a company and therefore can't be overlooked.

## 10 Strategic Levers

Having looked at the challenges, the question how we can tackle these problems, comes up. In procurement there are various levers that can be used to achieve specific goals. Looking into those areas can help your company reduce costs, which will simultaneously lead to higher profit margins.

### 01 Dual & Multiple Sourcing

Dual and multiple sourcing can improve risk management strategies by having different sourcing options to rely on and supports procurement in having a stronger position in future negotiations. Diversification of suppliers can reduce risk and secure supply chains by having alternative suppliers. This lever helps to respond to short-term changes in demand and to lose dependencies on individual suppliers.



Questions to assist you in assessing your current sourcing strategy:

- ? How do you currently respond to short-term changes in demand?
- ? What dependencies exist with individual suppliers?

### 02 Currency Clawbacks & Risks

Exchange rate fluctuations are time consuming and hard to keep track of without the use of AI. But those fluctuations have a huge cost saving potential. Hedging exchange rate risks in framework agreements with suppliers or reclaiming of currency gains from suppliers can be advantages of using this lever.

Keeping track of exchange rate fluctuations can prevent suppliers from having “Windfall-Profits” and strengthen procurement in future price talks.

**i Fun Fact:** In theory there are 16,110 unique currency pairs! In total, around 100-200 pairs are commonly quoted on Forex platforms.

In March 2022, you agreed on a price of €1.00 per unit with your supplier based in China for a multi-year framework contract. At the time of the contract signing, the exchange rate was 1.00 EUR = 7.04 CNY. Tracking the development of the CNY from March 2022 to August 2024, the exchange rate has changed to 7.84 CNY per 1.00 EUR. If you continue to pay €1.00 per unit, this has significantly increased the supplier's profitability. Time to "claw back".

#### **Questions to assist you in handling currency fluctuations:**

- ❓ Do you already consider exchange rate fluctuations in your contracts?
- ❓ Do you calculate the impact of exchange rates on part number level?

### **03 Linear Pricing Progression**

An analysis of linear pricing structures can help to identify price outliers and excessive price increases in the market.

It helps with the optimization and renegotiation of linear prices based on quantities, economies of scale, and technical cost drivers. This way, the price aligns with market conditions and actual costs currently existing, promoting fair pricing.

#### **Questions to assist you in analyzing your current linear pricing structures:**

- ❓ How often do you compare pricing trends across suppliers to identify potential alternatives with better rates?
- ❓ How do you use price data to achieve the best price in negotiations with your suppliers?

## 04 Localization Opportunities

Current trends show that procurement is moving back to “near-shoring”. Main driver is the need for more resilience and independence on suppliers. Especially higher import costs neutralize the anticipated savings from producing in “low-cost-countries”. Using localization opportunities can reduce delivery, freight, and customs costs, as well as risks through local sourcing and shorter delivery routes.

### Landed Costs

By comparing landed costs you can identify optimal cost conditions at a glance enabling quick insights into the most competitive pricing options.

### Questions to help you analyze your supply chains:

- ❓ How reliant is your supply chain currently on foreign or distant suppliers?
- ❓ Do you regularly compare your landed costs?

**i** ivoflow comes equipped with nearly 200 indices for the most commonly used industrial materials worldwide. We've also helped clients map over 1,000 indices to their respective commodities—making cost analysis up to 90% more efficient.

## 05 Raw Material Clawback & Risk

Tracking material costs can be time consuming and it is hard to allocate resources for that. But with considering market price developments it can help with managing and reclaiming raw material costs.

### Questions to assist you in managing material costs:

- ❓ Have you paid a price increase during a period when material prices have risen significantly?
- ❓ What percentage of the cost of these items is influenced by the market price?

## 06 Energy Clawback & Risk

In a fast changing market it is important to have flexible contracts to be able to respond properly to market changes. Especially energy costs are changing fast, so the right strategies are necessary to respond in time. This lever helps to identify cost saving potentials and protect against price fluctuations.

A comprehensive analysis gives you the possibility to demand cost clawbacks from your suppliers and to strengthen your position in negotiations. This way you can use the effects on the market to optimize your procurement.

### **Questions to help you in adjusting to fast changing market prices:**

- ❓ How flexible are your current contracts in response to market changes?
- ❓ Do you have strategies in place to protect yourself against price fluctuations?

## 07 Benchmark & Quote Comparison

Even though delivery costs and tariffs can increase the total costs considerably, they are often left out when comparing offers. Benchmarking regularly helps gathering information about the competitiveness of suppliers. It also gives insights into potential new suppliers and innovations, which can be used in price negotiations with current suppliers and in developing a targeted product group strategy.

### **Questions to assist you with benchmarking:**

- ❓ Do you regularly analyze spending trends of individual product groups or part families?
- ❓ Do you consider TCO (Total Cost of Ownership) when contracting a new part?

## 08 Manufacturing Part Number Analysis

In ERP systems, multiple different part numbers often exist for the same physical item. A reason could be the use of different distributors or same components used across different BOMs. This increases the risk of paying higher prices for the same part. Analyzing the manufacturing part number is therefore essential to find cost saving potentials. Aiding that analysis are the standardization and optimization of part numbers. This also increases the efficiency of procurement.

### Questions to assist you in analyzing manufacturing parts:

- ❓ How do you ensure that a single part doesn't get assigned multiple part numbers?
- ❓ Are there processes in your company to ensure the data integrity and consistency of MPNs?

## 09 Cost Model Target Analysis

Identifying price deviations on the cost driver level by comparing supplier cost-breakdowns to internal cost models helps identify discrepancies in key cost elements.

### Questions to help you in improving your cost model target analysis:

- ❓ How often do you compare target costs with actual costs and take action accordingly?
- ❓ How often do you check if there are alternative technologies, materials, or designs that could reduce costs?

## 08 Payment Terms & Cash Flow Analysis

Standardizing and harmonizing payment terms across all vendors—especially on a global scale—is often an overlooked lever in procurement. Inconsistent terms across regions can lead to inefficiencies, missed opportunities, and unnecessary financing costs.

By aligning payment conditions, companies can not only improve supplier relationships but also support cash flow and working capital management. Extending payment terms, particularly for goods supplied from overseas, can significantly ease liquidity pressures.



Combined with strategic discount negotiations, a unified payment strategy enhances financial flexibility and strengthens your procurement position across the supply chain.

### Questions to help you with optimizing payment terms & cash flow:

- ❓ What payment terms do you typically negotiate with suppliers?
- ❓ Have you ever analyzed whether adjusting the payment terms leads to direct savings?

## Solution?

# ivoflow Spend Analytics Platform

Keeping track of all 10 levers for multiple part numbers can quickly become an impossible task, due to the time and effort required.

We at ivoflow made it our mission to support you in that task. That's why we implemented a cost savings toolbox in our software, to provide you with all this information in one place. We assist you with identifying opportunities to:



Save cost & prevent price increases



Recover from inflation



Enhance supplier resilience



Leverage market intelligence data



Prepare for smart negotiations



Formulate category strategies



## **We Are ivoflow.**

From Procurement for Procurement

„It was about time for a software that really shows cost saving potentials to procurement organizations.“

This was the vision of Nicolas Neubauer and Daniel Demuth. With years of experience in strategic purchasing within the automotive industry, they decided to tackle the challenges of procurement — and thus, ivoflow was born. Since 2021, ivoflow has been successfully established in the market and is used by leading companies across various industries.

With ivoflow, manufacturing companies can efficiently manage their strategic procurement, uncover potentials and risks, and make data-driven decisions. The software automatically identifies savings opportunities and helps balance inflation risks, strengthen supplier resilience, develop category strategies, and prepare optimally for data-based negotiations.

# Why us?



## **Recognized by leading procurement platforms:**

ivoflow has been listed on the prestigious ProcureTech100 list for two consecutive years and was also included in Spend Matters' Future5 list.



## **We see the bigger picture:**

We don't just think in terms of ERP data and dashboards; we combine your internal procurement data with external market intelligence data.



**20+ years of experience in strategic procurement:** Our founders bring over 20 years of experience in strategic procurement within the automotive supplier industry. Our team complements this expertise with strong know-how in software development and data integration.



## **Trusted by global players such as Jaguar Land Rover, Dräxlmaier, ZWILLING and many more:**

Renowned industrial companies trust our Spend Analytics Solution to drive the transformation of their procurement processes.





# Save Your Power. Empower Your Savings.

ivoflow stands for **Intelligent Value Orchestration** for Procurement. We empower manufacturing companies to effectively manage their procurement performance.

**Baxter**

**ZWILLING**  
IT'S A CULINARY WORLD

**DRÄXLMAIER**



**BÖLLHOFF**

**TROX**

**IMS:GEAR**

**VOLTAIRA**



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