

# Procurement Insights Guide

*Giving Sales professionals a behind-the-scenes look at how Procurement thinks, acts and plans*



Version 1.0

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## Thanks! And more to follow...

Thank you for downloading this *Procurement Insights Guide*. I look forward to staying in touch with you and providing more hints and tips to help you increase sales and shorten the sales cycle, by dealing more effectively with Procurement.

In this *Procurement Insights Guide* I have summarised and extended answers to questions you asked during our recent session together. I have also added answers to some questions you did not ask, but which I believe you will find helpful.

If you have any questions relating to deals you are currently pursuing or more general questions, feel free to contact me at [armand.brevig@procurementcube.org](mailto:armand.brevig@procurementcube.org). Also, if you would like to connect with me on LinkedIn, I am easy to find – I'm the only [Armand Brevig](#) on the platform.

In the near future I will launch some digital products and resources to give you even more Procurement insights – i.e., more ways of increasing sales and shortening the sales cycle. Most products will be free, and some will be made available at an affordable investment. Now that you have joined the *Procurement Insights mailing list*, you will be the first to know once a new helpful resource is launched.

Kind regards

Armand Brevig  
*Managing Director*



## What motivates procurement – what are their typical objectives and goals?

You have to distinguish between “old school” and “modern procurement”. These are at opposite ends of the spectrum in terms of the evolution of the function, so most procurement teams are somewhere in between.

Old school procurement is a transactional function with objectives and goals centred around process optimisation and achieving vendor price reduction. But a long and steady evolution has taken place in the procurement space. So, in most large companies today, procurement teams can no longer be described as purely old school. How far they have moved towards becoming a truly modern procurement function differs from organisation to organisation and industry to industry.

The more “modern” they are, the more their objectives and goals will have changed. They will have become “smarter” about savings by seeing the total cost picture, rather than just pursuing a reduction in price. By “total cost picture” I mean fully recognising how a sourcing decision impacts on cost, effectiveness and ultimately profit for the company. So, modern procurement is not the insular function of old school procurement.

Therefore, high level objectives and goals are more about adding value for the company, rather than exclusively reducing prices when sourcing. The way Procurement interacts with stakeholders (internal customers) is absolutely crucial to really being able to add corporate value. Therefore, objectives and goals of a modern procurement organisation seek to encourage and measure stakeholder engagement. And the breadth and depth of the engagement becomes part of the goals.

Most procurement teams aspire to become “trusted business partners”, but many still have a long way to go. I talk more about this phenomenon in the article, [Has Procurement REALLY Evolved Beyond Saving Money?](#)

So, having business focused goals does not mean that procurement teams today have completely abandoned the old school price savings agenda. It’s a patchy picture with elements of both “old school” and “modern” at play. In fact, there is often tension internally in Procurement between what remains of the objectives of yesteryear and the modern Procurement agenda.

## How are procurement teams measured? Do you really get bonuses for negotiating down vendors?

Despite the fact that most procurement teams in large organisations are now much more advanced than they used to be, the level of savings generated often remains a disproportionate part of how Procurement is measured. Any “value” that is added which does not fit into the “savings” bucket is also counted, but savings still matter most to the Procurement leadership team. In that sense, there can be a disconnect between what Procurement, as a function, say they want to achieve and what behaviours they actually reward.

However, Procurement professionals are **not** financially incentivised to negotiate individual vendors down in price. They are, however, rewarded on achieving their objectives, which includes realising savings. But it’s not as clear cut as X amount of savings releases Y% of bonus. For example, a procurement professional could achieve all personal objectives except falling short on the savings front. If, however, that shortfall was caused by factors outside the buyer’s control and despite his/her best efforts, the buyer would likely still get the full bonus.

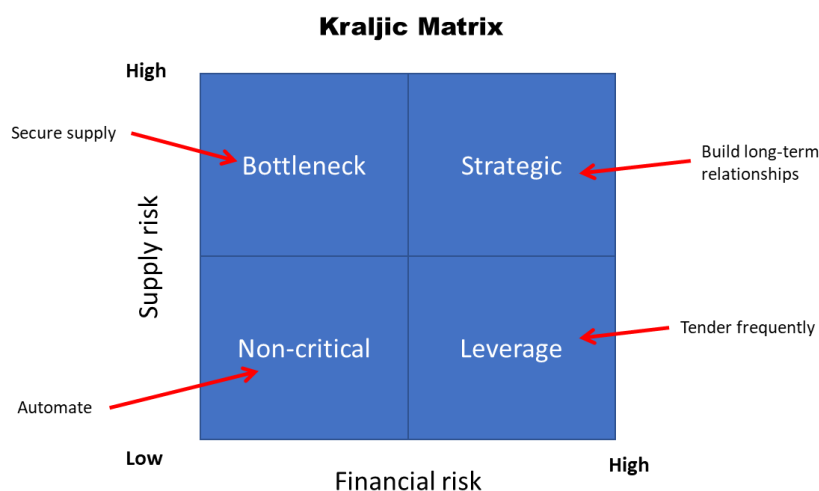
It’s also worth remembering that bonuses offered to Procurement staff resembles nothing like what you can expect in Sales commissions. The maximum the very highest performing procurement professionals can expect is 20% of base salary<sup>1</sup>. Average bonuses paid are much lower. While a bonus is great, what motivates career driven procurement professionals more is progression to the limited number of leadership positions available.

Modern procurement professionals think in “categories” i.e., the section of external spend they are responsible for, such as Professional Services, Software, Facilities Management, etc. Transforming a category or optimising it in some major way, is something procurement professionals are measured on and recognised for.

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<sup>1</sup> <https://www.robertwalters.co.uk/content/dam/robert-walters/country/united-kingdom/files/pay-bonus-guides/RW%20Procurement%20Pay%20%26%20Bonus%20Expectations%202015%20Med%20Res.pdf>

How does procurement think about vendors? Is there a strategic / tactic filter you look through?



There is a widely used filter Procurement uses to help think through what type of relationship they want to develop with vendors of any type. It's a 2x2 matrix (a 4-box model) referred to as "Kraljic", named after the person who developed it.

The matrix looks at "supply risk" i.e., how challenging the product/service is to source or replace, and "financial risk" i.e., how much money is spent on the product/service. The more supply risk is associated with your service or product, the better you will be treated by Procurement.

When supply risk is perceived as being high, Procurement will want to mitigate that risk by forming strategic supplier relationships, if the spend is high enough. If the spend is not high enough to justify investing in a strategic relationship, Procurement will seek to secure supply in other ways. This could be by negotiating contractual commitment, not negotiating price down and having a backup supplier.

If Procurement assesses that the supply risk associated with your product or service is low, you are in a much less fortunate situation. If the spend is high enough, you will be exposed to frequent tenders. If the spend isn't high enough to even justify putting the work into a tender, Procurement will do what they can to automate the procurement of your service or product, as it is deemed "non-critical".

## What is the dividing line, in £ terms, between Low and High spend in the Kraljic Matrix?

One of the challenges with the Kraljic Matrix is that it's qualitative and, therefore, vulnerable to subjectivity. There have been attempts to use a quantitative approach, as explained in this article called [The Quantified Kraljic Matrix](#). But this is a rather complex technical exercise, which few companies engage in. In fact, I do not know of any companies who have done this.

Instead, a good rule of thumb to use is that any single item of spend that exceeds 0.4% of company turnover falls within the "high" area. Any category or sub-category of spend that represents more than 4% of company turnover also fall within the "high" area. These are percentages I have heard

mentioned as a consultant and they make sense to me. Other procurement professionals may have different opinions on this. There are no hard and fast rules.

In theory, once the spend of a company has been plotted in the Kraljic Matrix, 80% of a company's external spend should fall into the 2 "financial risk" quadrants (right half of the model). In practice, though, I don't think most companies invest the time and rigour to ensure that split is achieved in the model. The Kraljic Matrix tends to be used primarily as a high level "thinking tool".

## How can Sales influence how we are perceived by Procurement through the Kraljic Matrix lense? I.e., what can we do to be seen as “Bottleneck” or “Strategic”?

The Financial Risk aspect is internal to the customer organisation, so that cannot be easily influenced. A sudden increase in how much the customer spends with you could possibly move you from one quadrant to the next (e.g., due to a merger), but how the buyer perceives the entire category or sub category may not change. So, it doesn't help that much.

However, how the buyer views supply risk is more subjective, and there is, therefore, more opportunity to influence perceptions. For example, the Buyer may be of the opinion that your service/product is associated with low supply risk. If that opinion is based on not adequately understanding your specific section of the supply market, there is an opportunity to educate.

I have seen this play out in the translation space, for example. It is true that generic language translation services have become highly commoditised over time and that pretty much anyone can supply them (including me – I can translate between Danish and English). However, when you are talking about a multinational company's very specialised collection of translation and localisation requirements across virtually all languages, there is only a small handful of global agencies that represent viable options.

Many procurement professionals who get involved with sourcing translation services don't appreciate this, simply because they don't know enough about the supply market. And the reason they don't know, is that translation services is just a small part of an often massive Corporate Services Category.

It's impossible to know everything within any category – especially the very large ones. Helping a buyer get up to speed on the true dynamics in the market can make a difference in terms of you being viewed as “non-critical” or “bottleneck”. The same goes for software suppliers. There are so many sub categories and sub-markets in that area.

## Where can I find more information about the Kraljic matrix?

For more information about the Kraljic matrix, have a look at this article from Forbes entitled, [What is the Kraljic Matrix?](#) It provides a good overview and also has a link to the original article written by Peter Kraljic back in 1983 in HBR.

There are many versions and adaptations of the model. The one in the Forbes article talks about "Profit Impact" rather than "Financial Risk / Spend". In the pharma industry, where I have a decade's procurement experience, it is virtually impossible to track "profit impact" of any individual group of products/service due to the complexity of drug development and the time scales involve. I, therefore, favour using "Financial Risk / Spend", rather than "Profit Impact". This challenge of tracking profit impact also applies to many other industries.

[This article](#) from Oxford College of Procurement & Supply is not as good as the Forbes article, in my opinion. But it does show a different Kraljic model with "Spend" along the X-axis.



## What's the best way for sales to engage with a procurement team/lead to facilitate business, especially for a challenger vendor?

There are two different scenarios that require different approaches.

### When Procurement is the likely initiator of future sourcing projects

This often happens where Procurement identifies opportunities as part of a spend analysis. Such analyses typically confirm that 80% of the spend is incurred by 20% of vendors. The remaining 80% of vendors represent the "long tail". Most Procurement teams see it as their role to manage that tail in some way. Therefore, products and services that can help with that, or reduce the length of the tail, will get the attention of Procurement.

If, for example, you sell software that has the potential to consolidate spend by replacing many other vendors or acting as a "gateway" to many existing software products, Sales should consider Procurement a target and reach out at the same time they would have reached out to the first non-procurement stakeholder.

I would recommend building a Procurement avatar as you would for any other target. Part of doing that is understanding the way procurement professionals view the world. They don't primarily care about your products, just like the end customer doesn't. The end-customer wants a solution to a perceived pain. Procurement professionals see the world through "Categories" and they specifically care about optimising THEIR category.

So, it's key to understand what their category is, what they perceive the key challenges to be and how they plan to add value. Do you have anything that could make a significant difference in that category from a Procurement point of view?

### When the initiator of sourcing projects is likely not within Procurement

Procurement worries about protecting their organisation against self-serving sales people who do not have the interests of the buying organisation at heart. To communicate to Procurement that you do not fall into that category of sales professionals, I recommend proactively reaching out to Procurement. Timing wise, I would do this once you have had enough meaningful engagements with your targets to put you at an advantage, should an RFP (Request for Proposal) be issued.

Procurement's internal customers are notoriously bad at informing Procurement that something is in the pipeline. This makes it challenging to plan and can cause delays for the sales person later. In my opinion, and according to the [MEDDPICC sales methodology](#), visibility of the "paper process" is important. Procurement is very well placed to give you that information. There are also parts of the *Decision Process* and *Decision Criteria* which fall within the remit of Procurement.

The act of contacting Procurement does not in itself trigger an RFP process. It's the size of spend that matters. The threshold varies, but it needs to be substantial. If you want to avoid much, or any, interaction with Procurement in large companies, the spend typically needs to be below £50k. If you can stay below that threshold for your first sale, you will have a chance to build up a relationship with the company. So, if an RFP is issued next time, you will be much more likely of winning it. Once an RFP has been issued, you will typically not be allowed to contact people directly in the company.

Being able to influence the requirements of an RFP is so important from a Sales perspective. If you have not had that opportunity your chances of winning the business is in the region of 10%. However,

if you have been able to interact with the customer and influence their requirements, your chances of winning jump to 50%. How do I know? Well, these figures are not based on any science or research, but on my own observations from both the Procurement and the Sales side.

### Regardless of who initiates the sourcing project

No matter who initiates the sourcing project, Procurement may from time to time want to convince stakeholders that there is a better way of working – that something “impossible” is actually possible. That’s a tall order for Procurement, as they often have less subject matter expertise than key stakeholders. If you discover that your success stories from other clients can help support Procurement’s agenda in the company you are targeting, you may just have found a route to a sale.

Some years back, I was responsible for leading a sourcing project to procure a new company wide digital news solution. Suppliers offering suitable platforms also made a large part of their revenue from the provision of content. This prevented us from getting the breadth of coverage we needed because suppliers would not carry the content of their top competitors. I suggested separating the technology platform from the content, so we could leverage competition in the technology market, while gaining the full freedom to choose the content sources we wanted.

Key stakeholders rejected that model outright. “It can’t be done. We know, because we have worked in this area for decades”, where the types of responses I got. Another type of push back I got was around security. The argument went something like this, “Sure, some suppliers might be able to deliver technically, but the confidentiality of our search patterns would not be guaranteed”. I knew that wasn’t true, so I invited a new supplier into the RFP process. They had provided a source neutral news platform solution to the CIA. You would think the CIA has some pretty stringent security requirements! That small challenger company, of course, won the business.

In addition to looking for ways to support Procurement’s agenda, I would also advise you to assess, as precisely as you can, where on the Old School – Modern continuum the procurement organisations of your targets fall. Conversations with Procurement itself and with stakeholders about their procurement processes will give some clues. At what point is Procurement involved in discussions? At what level do they contribute? Clerical? Business substance? This will help you determine if there is anything you need to change with the offer to score more points from Procurement.

## When does Procurement get involved in the process – early or towards the end?

When Procurement is the initiator of the sourcing project, they are of course involved from the very start. When, on the other hand, a sourcing project is initiated by a stakeholder, the timing of Procurement's involvement depends on where Procurement is on the Old School – Modern continuum.

A Modern procurement team tends to be involved later than they would have liked, but much earlier than an Old School procurement team. How early a Modern procurement team is involved depends of how successful their stakeholder engagement is. And in most companies, that's a patchy picture, with excellent engagement in some sub-categories and not so good in others.

The level of spend involved also matters, as Procurement needs to focus their limited resources.

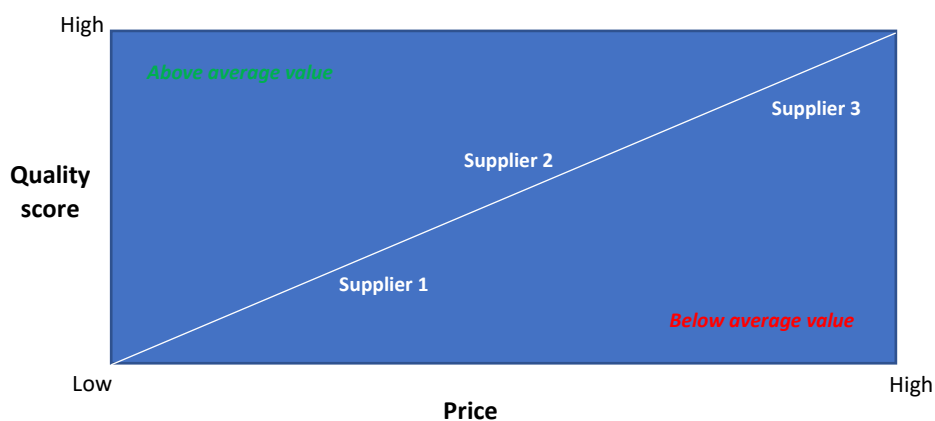
## What can we do to shorten the sales cycle?

Probably one of the most straight forward things sales professionals could do is to obtain early visibility of the paperwork, signatories and formal approvals needed for a sale to go through. The [MEDDPIC sales methodology](#), which is simply the MEDDIC methodology with a "P" added for "Paper Process", emphasises the important of having this visibility. It allows the sales person to see whether everything is on track and intervene if it isn't.

## How does Procurement perceive quality vs. price when scoring RFP bids?

Before issuing an RFP (Request for Proposal), Procurement agrees with stakeholders how the responses will be scored. How much weight to give price versus all the quality elements of the bids. So, unless we are talking about highly commoditised markets, it is often a misconception that RFPs are awarded just on price. In fact, sometimes price counts for only 20%, though in other cases it may be weighted as high as 70%. If suppliers are tied on quality, then, of course, the only remaining discriminating factor is indeed price.

While Procurement is the custodian of the RFP process, including the scoring process, they don't actually submit scores on quality aspects where they do not have the needed subject matter expertise. As process owners, though, they do provide their professional opinion to the cross-functional sourcing project team to show them which suppliers provide above or below average value. This is often visualised in a diagram similar to the one shown below, where the weighted quality scores have been consolidated into one number. Suppliers above the diagonal line are then assessed as providing "above average value".



In the above made-up example, *Supplier 2* is the better option, even though the bidder is neither the cheapest, nor provides the highest quality. The solution from *Supplier 1* costs less, but quality is perceived as being unacceptable. *Supplier 3* is "the best" from a quality point of view, but the incremental quality, compared to *Supplier 2*, is not worth the additional price tag.

So, for sales professionals it's incredibly important to be able to influence how stakeholders perceive quality before an RFP is issued. It's the stakeholders, not Procurement, that tends to decide what those quality criteria are. This can be very subjective at times, so an opportunity to align, at least some of the RFP quality scoring criteria with your USPs is very important. As mentioned earlier in this guide, your chances of winning the RFP increases from an estimated 10% to 50% if you have been able to interact with the stakeholder and influence their requirements pre-RFP launch. That's because you are more likely to be assessed as providing "above average value".

## What are your top tips in terms of working with Procurement?

I have worked with many sales people who were effective in their interactions with Procurement. They did some, or most, of the following:

- Tried to find a solution that worked for Procurement too, whenever possible. Were open to being influenced. Win-win-win oriented (Stakeholder-Procurement-Vendor).
- Were professional, reasonable and demonstrated empathy. Did not take professional disagreement personally.
- Were client oriented with a good understanding of both subject matter and client organisation.
- Kept Procurement in the loop when appropriate.
- Proactively shared information about relevant innovations that could genuinely have a significant positive impact on client.
- Helped Procurement prove to sceptical internal stakeholders that a different and better approach was possible.

I would summarise the above observations into the following 3 tips:

1. Accept Procurement as a legitimate party to the negotiation and subsequent business relationship. Often Procurement says the things stakeholders are thinking, but are uncomfortable communicating.
2. Understand Procurement's objectives, drivers and needs and how they overlap with, or diverge from, those of stakeholders. Could Procurement help build a case for your solution?
3. Be open to both educating Procurement and being influenced by them to create 3-way wins (Seller – Stakeholder – Procurement)

## What are the tactics Sales should avoid when working with Procurement?

The vast majority of sales people I have worked with have been incredibly professional, personable and win-win oriented. On rare occasions I have come across the following behaviours, which are to be avoided:

1. Approaches that show lack of understanding of client organisation, such as “pushing products”, “barking up the wrong tree”, not understanding client needs and, therefore, not able to provide a credible offer.
2. Bad attitude and arrogance, such as always claiming to know better, overt display of self-interest and unwillingness to being influenced. Display of aggression, including irritation, which just leads to loss of credibility.
3. Lack of drive to proactively and creatively move forward deadlocked situations.

## About Armand Brevig

I am what you could call an “accidental procurement professional”. After my engineering and business studies, I wasn’t quite sure what to do. I could have followed many of my fellow students into Investment Banking, Marketing or Sales.

What followed, however, was 11 years of corporate procurement roles at Thomson Reuters (now *Refinitive*) and AstraZeneca, with responsibilities such as:

1. leading development of Procurement strategies
2. leading global multimillion £ procurement projects
3. leading complex and tricky negotiations

So, I know first-hand how procurement professionals in large companies negotiate, how they think and what drives them. I have seen many different sales approaches through Procurement lenses, which gives me an inside view of their effectiveness.

That inside view was important to a SaaS company that sold into the pharma industry. So, they hired me as their Director of Sales to help them set the stage for transformational growth by improving the way the sales team interacted with Procurement. That resulted in 28% revenue growth within a year and an RFP win rate that increased from 30% to 60%.

Since I launched the Procurement Cube consultancy in 2012, I have advised both Procurement and Sales clients. So, one of my important areas of focus is projects which leverage procurement insights to generate more sales.