

# Strategic Sourcing Toolkit

Move your procurement  
team from tactical to  
strategic





# Introduction

Do you feel like you're always busy putting out fires and have little time for planning? Wouldn't it be nice to have a long-term, systematic, and holistic approach to your sourcing?

Strategic sourcing is steadily moving away from tactical sourcing and, instead, taking a strategic approach. No matter your agency size, you can use this toolkit to move from short-term transactions to long-term data and relationships. By having a plan in place, you'll maximize your budget and procurement goals.

## What is strategic sourcing and why is it important?

Strategic sourcing is a collaborative, data-driven, and structured process of critically analyzing spending habits and using this information to make business decisions about acquiring goods and services more effectively and efficiently.

**Strategic sourcing helps your agency navigate:**

- Contract gaps
- Spend management
- Supplier consolidation
- Supplier partnerships
- Stakeholder relationships
- Improved service level
- Better data

### 4 key benefits of strategic sourcing



Long-term cost reduction



Increased operational efficiency



Enhanced business intelligence



Ethical and sustainable procurement

# Your guide to strategic sourcing



## Change the way you buy

Becoming strategic requires changing from price-focused purchasing to value-focused decisions. The process is guided by the six pillars of the strategic sourcing lifecycle.

No matter your resources, you can scale strategic sourcing to fit your team.





# Pillar I: Data analysis

## Let your data lead the way

Strategic sourcing starts with understanding your spend. Analyzing how, where, and with whom your organization spends money helps uncover patterns, identify risks, and drive better decisions.

### Key benefits of data analysis:

- Provides insights into opportunities
- Encourages internal and supplier conversations
- Highlights market, industry, and spending trends
- Uncovers cost savings and efficiencies to support new initiatives and training

## Start with department scorecards

Scorecards help you identify department spending behaviors by supplier, user, and method so you can spot trends, outliers, and potential areas for improvement.

### Metrics to monitor:

- Spend source totals
- Fiscal year spending trends
- Top commodity spend
- Monthly purchase order count and volume
- Percent of e-procurement platform usage
- Top users by P.O. volume
- Top suppliers by invoice volume
- Top suppliers spend with procurement card
- Top suppliers spend with travel card
- Airfare totals and booking details
- Department spend totals

These metrics can also help identify tail spend — the large number of low-value, infrequent purchases that make up about 80% of all procurement transactions yet typically account for just 20% of total spend. Analyzing tail spend can help agencies uncover duplicate suppliers, streamline purchasing, and identify opportunities for consolidation and savings.



## How to gather data

You don't need a complex system to get started. E-procurement platforms make it easier to obtain quotes, manage contracts, create catalogs, and track spend. You may want to perform a return-on-investment (ROI) analysis to help choose a platform that best fits your budget and goals.

### Other ways to collect data include:

- Your finance system (ERP)
- Expense reimbursement
- Procurement cards
- Bank data
- Travel spend
- Travel management company

Suppliers are also often willing to share information. A collaborative supplier relationship makes it easier to understand your purchasing habits.



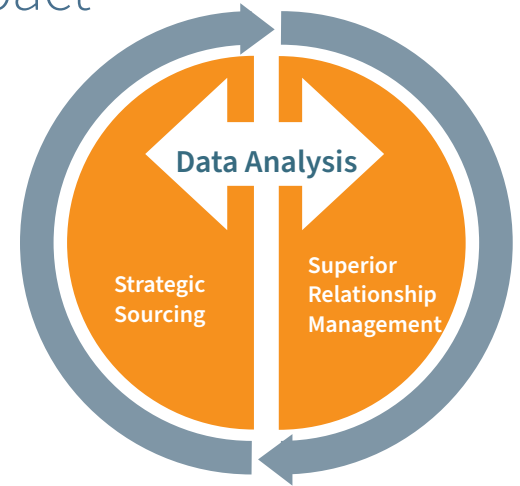
## Pillar II: Gaps and opportunities

### Identify where you can make an impact

Your data offers insights to gaps and opportunities that can help you set priorities and find the best sourcing options going forward.

#### Look for:

- Expiring or underused contracts
- Spending outside of preferred suppliers
- Areas where costs are rising or needs are changing
- High-impact suppliers



## Pillar III: Solicitation or cooperative contract

### Choose the path for your purchase

Once you determine gaps and opportunities, decide to conduct your own solicitation or use a cooperative contract. It takes time to conduct, process, and award a solicitation. In fact, the NCCP RFP Tracking Project found that a typical solicitation takes an average of 87.1 staff hours to complete, with complex RFPs requiring as many as 138.7 hours and costing over \$17,000 in personnel time alone. Agencies should review their internal procurement needs and compliance requirements to determine if a cooperative contract can satisfy necessary process elements, resulting in reduced time and resources needed

#### Use a cooperative contract when:

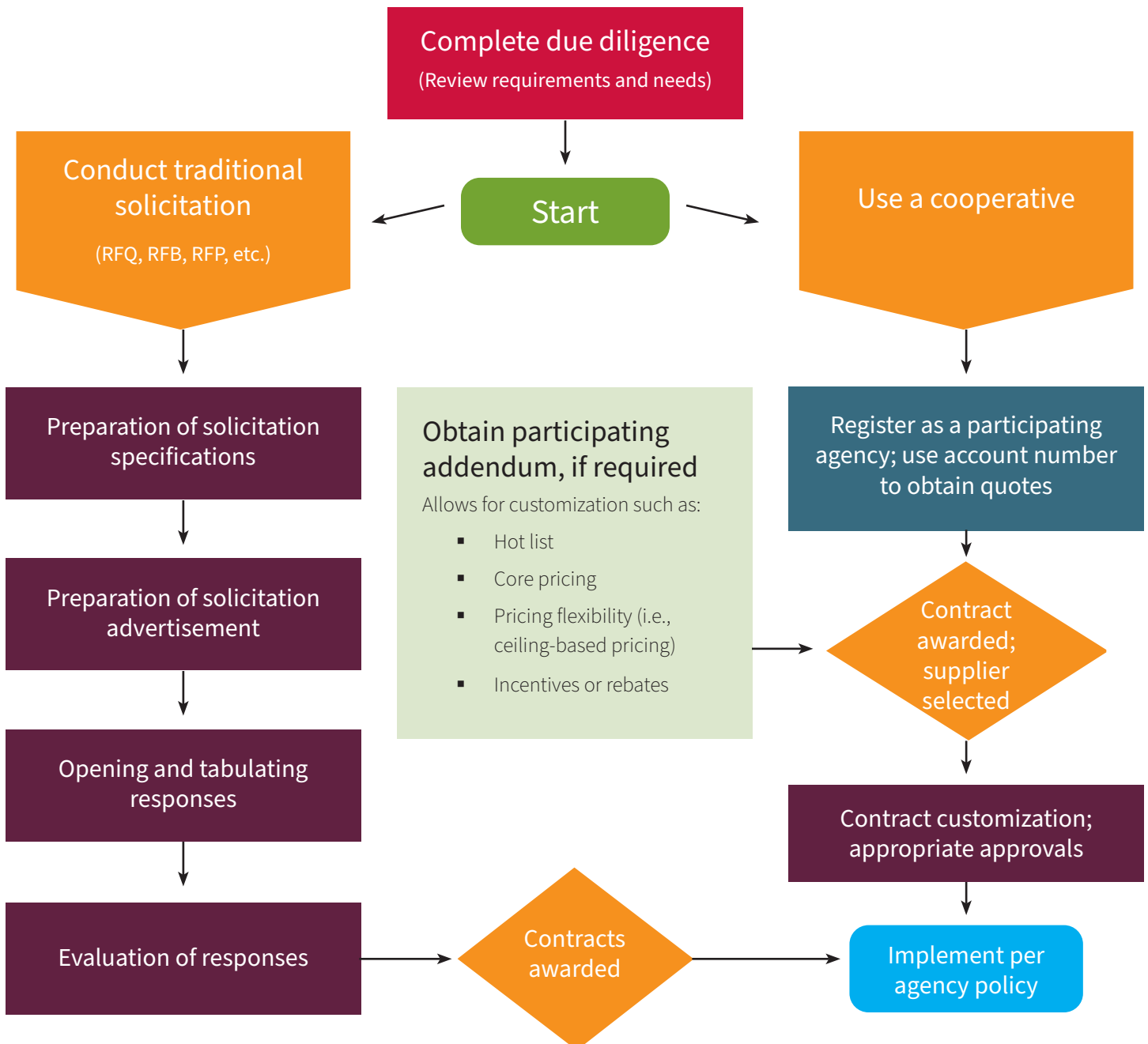
- A contract already exists for what you need
- You're short on time or resources
- You're buying routine goods like office supplies, medical products, or facilities maintenance services
- You want access to awarded suppliers, competitive pricing, and contract flexibility
- You've confirmed the cooperative purchasing process aligns with your compliance requirements

## Pillar III: Solicitation or cooperative contract cont.

With that in mind, are cooperative contracts right for your agency? Consider the following:

- Is there anything you need that a cooperative contract already offers?
- Are multiple contracts available for one category? Compare to find the best option.
- Do you understand your legal authority to use cooperative agreements?

Figure 1. Flow chart of solicitation process or use of cooperative contract





## Pillar IV: Contract negotiation and execution

### Negotiate with purpose

In contract negotiation and execution, you agree to terms and conditions with the awarded supplier. Be sure you clearly understand what you are agreeing to, and that the contract follows your core values and delivers what is best for your agency's needs. Keep an open dialogue with your chosen supplier to set the tone for a strong relationship.

A collaborative and compromising approach builds trust and flexibility to make critical decisions in the best interest of your agency.

Looking to sharpen your negotiation skills?



Negotiation – formal or informal – is a skill every public buyer should develop. Explore a proven negotiation framework and real-world insights from procurement peers, in our guide: [The Public Procurement Payoff: Mastering the art of contract negotiations](#).



## Pillar V: Supplier relationship management

Supplier relationship management (SRM) is a structured process that helps you go beyond one-time transactions to build long-term partnerships with your suppliers.

### 1. Determine your priority suppliers by asking the following:

- Which suppliers yield the most spend?
- Which suppliers have the highest utilization among your internal customers?
- Which suppliers are critical to the institution's mission?
- Which suppliers are willing to truly partner with your institution?
- What is the risk profile of these suppliers?

### 2. Determine ownership of each supplier relationship among team members.

### 3. Place suppliers into tiers or categories based on their strategic importance to the agency.

### Sample tier structure



#### Level 1: Strategic partner

Represents high spend and broad impact across the organization. Managed actively by the SRM team and senior leaders. Requires regular business reviews, shared goals, contract oversight, and close collaboration.



#### Level 2: Strategic supplier

Supports multiple departments with moderate spend or complexity. Review 1–2 times per year to track performance and compliance.



#### Level 3: Key supplier

Sells through the e-procurement platform or is designated as important but involves lower spend or limited engagement. Review occasionally with a focus on transactional and operational efficiency.

### Integrating suppliers into your SRM process

Regardless of the supplier tier, these key steps help integrate them into your SRM model.

#### A. Add supplier contacts

Add key points of contacts for each supplier including:

- Technical e-procurement contact
- Accounts receivable (AR) contact
- Supplier main point of contact
- Customer service contact
- Sales contract

#### B. Understand the contract

The SRM team must be familiar with all aspects of the contracts being managed, including:

- Traditional service levels
- Key performance indicators (KPIs)
- How the contract works within an e-procurement platform, if applicable

#### C. Clarify payment terms

Be aware of any payment program language included in RFP and institution-wide agreements. Make the supplier aware of your preferred payment method as it may affect their eligibility within the SRM program.

#### D. Set up e-procurement catalog

When adding a new supplier catalog on your e-procurement platform, begin after the contract is signed. Connect with the supplier and e-procurement partner to ensure proper training and technical requirements.

Schedule a kickoff meeting to:

- Introduce key contacts
- Explain your SRM model and expectations
- Discuss potential future opportunities and ways to add mutual value
- Review contract details and compliance
- Demo your e-procurement platform
- Set plans for business reviews and escalation protocols

#### E. Announce the contract

Let internal teams know about the new supplier contracts in your institution's next newsletter, email, or other communication.

Include:

- Available goods and services
- Benefits including pricing, service, or catalog availability
- Next steps to access available offerings

## Pillar V: Supplier relationship management cont.

### Managing the SRM process

#### A. Business reviews

Business reviews form the cornerstone of strong supplier relationships. Set aside time to discuss concerns, goals, accomplishments, and initiatives. Regular check-ins help speed up any issue resolutions and align both parties on future plans

Business reviews may include:

- Old business/takeaways
- E-procurement platform updates
- Supplier provided data
- Institution provided data

#### B. Escalation and issue resolution

Successful relationships with key suppliers rely on effective issue resolution supported by a clear process. Identifying a clear escalation process helps resolve problems quickly, preventing delays minimizing negative impact on broader relationships.

#### C. Contract compliance

The SRM team measures contract compliance. Common metrics include:

- Freight and shipping
- Ordering channel optimization
- Invoicing accuracy
- Catalog maintenance
- Pricing and payment
- KPIs
- Service level agreements

#### D. Incentive compliance

Some suppliers will contractually agree to provide incentives such as volume rebates or discounts. Upon agreement, the SRM team is responsible for tracking and verifying the incentive(s) to ensure accurate reporting.



## Pillar VI: End of contract

As your contracts are nearing the end of their term, take time to evaluate and plan the next steps.

### Review contract performance

#### Start by asking:

- Have your requirements changed?
- Did the supplier(s) meet expectations?
- Should you extend, resolicit, or use a cooperative?
- Have market conditions changed?

### Check in with internal users

Internal feedback helps to understand how contracts are performing. Use multiple methods – email surveys, informal conversations, or town halls – and follow through on what you learn.

Surveys, conducted at least once a year, can uncover what's working, what's not, and where to improve. Key questions should include satisfaction with supplier performance, ease of the e-procurement platform, and procurement team support.

After gathering feedback and reviewing supplier performance, determine next steps to take with the contract.

## Strategic sourcing at any scale

No matter your agency's size, budget, or structure, strategic sourcing can adapt to meet your needs. Here's how each pillar can be applied based on the resources you have today.

	Limited resources	Moderate resources	Significant resources
Pillar I: Data analysis	<ul style="list-style-type: none"> <li>Request spend information from suppliers.</li> <li>Implement an affordable, user-friendly e-procurement platform to easily extract and manipulate spend data.</li> </ul>	<ul style="list-style-type: none"> <li>Request and obtain data from suppliers.</li> <li>Focus data analysis on high-priority commodities.</li> </ul>	<ul style="list-style-type: none"> <li>Hire or designate an in-house analyst or business intelligence team member.</li> </ul>
Pillar II: Gaps and opportunities	<ul style="list-style-type: none"> <li>Focus on standard commodities.</li> <li>Limited resources often compel agencies to be reactive with remaining commodities.</li> </ul>	<ul style="list-style-type: none"> <li>Basic data analysis will highlight gaps in contract portfolio.</li> </ul>	<ul style="list-style-type: none"> <li>Data analysis identifies high spend areas without a contract.</li> <li>Use data and targeted initiatives to influence spend behavior.</li> </ul>
Pillar III: Solicitation or cooperative contract	<ul style="list-style-type: none"> <li>Cooperative contracts provide access to most goods and services.</li> <li>Concentrate contract usage within one cooperative for easier contract and supplier relationship management.</li> <li>Review cooperative contracts and complete due diligence on the solicitation process.</li> </ul>	<ul style="list-style-type: none"> <li>Conduct an RFP for specialized goods and services.</li> <li>Compare basic comparisons between cooperatives offering the same, or similar, solutions.</li> <li>Review cooperative contracts and complete due diligence on the solicitation process.</li> </ul>	<ul style="list-style-type: none"> <li>Treat all contracts as sourcing events.</li> <li>Apply the same spend and category analysis to identify priorities (i.e., pricing, KPIs, or contract opportunities).</li> <li>Clearly define your goals and differentiate between available options.</li> <li>Review cooperative contracts and complete due diligence on the solicitation process.</li> </ul>
Pillar IV: Contract negotiation and execution	<ul style="list-style-type: none"> <li>Limited resources may result in limited negotiation advantage.</li> <li>Often only eligible for incentives provided by the cooperative or individual contracts.</li> </ul>	<ul style="list-style-type: none"> <li>Data provides opportunity to “hot list” high volume or items of high importance in both an RFP or cooperative solution.</li> </ul>	<ul style="list-style-type: none"> <li>Opportunity to drive pricing, incentives, and other items of importance through win-win negotiations, both with an RFP or a cooperative.</li> <li>Perform extensive benchmarking and market analysis prior to negotiations.</li> </ul>
Pillar V: Supplier relationship management	<ul style="list-style-type: none"> <li>Establish chain of command to help resolve business issues.</li> <li>Use supplier scorecard to manage and evaluate the supplier relationship.</li> </ul>	<ul style="list-style-type: none"> <li>Identify a small subset of critical suppliers and meet with them on a regular basis.</li> <li>Focus can be on performance metrics.</li> </ul>	<ul style="list-style-type: none"> <li>Robust program to identify and execute against mutual, high-value opportunities. This extends beyond pricing and performance metrics, to include achieving spend management, supplier market share, innovation and agency initiatives.</li> </ul>
Pillar VI: End of contract	<ul style="list-style-type: none"> <li>Stay with new or extended contract within preferred cooperative.</li> </ul>	<ul style="list-style-type: none"> <li>Re-evaluate needs in this space.</li> </ul>	<ul style="list-style-type: none"> <li>Perform in-depth data analysis to determine needs and requirements.</li> <li>Use data to create a new sourcing event, leading to either an RFP or cooperative.</li> </ul>



## Key takeaways

Strategic sourcing comes down to two things: data and relationships.

- **Data tells the story.** It shows where you're spending, where opportunities exist, and guides better decision making.
- **Strong relationships** with suppliers lead to better contracts, improved service, process efficiencies, and spend consolidation.
- **Engaged internal teams** help realize contract savings opportunities.

Any agency size can scale this model to best fit their needs and ultimately drive change and impact success.

## Help when you need it

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We value our relationship with you and are committed to understanding your needs and providing comprehensive solutions to make you successful today and long into the future.

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*Purchasing agencies must complete due diligence and ensure compliance with all relevant laws and funding requirements.*

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