



Strategic Sourcing for Brexit

Invest NI Brexit Workshop

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Word on the Street...

- " Our Dunboyne based supplier produces some products locally but re-sells the majority from EU & Asian manufacturers "
- " Most of our suppliers are UK Sales offices for high-end EU Brands "
- " We have an EU-wide licence to buy and re-sell 70% of our products "
- " Our customer demands CE/REACH Standards"
- " Our customers are advising us to stock-pile with no commitment to buy. This suits some of our suppliers but others have no capacity"



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Agenda

Part 1: Strategic Sourcing Introduction

Part 2: Strategic Sourcing for Brexit

Part 3: Brexit Planning & Helpful Tools

Part 4: Take Action



What is Strategic Sourcing?

- ② Strategic sourcing is a procurement process that continuously improves and re-evaluates the purchasing activities of an organisation to improve profitability and/or service delivery.
- ② Strategic sourcing reduces costs & risks, while defining and executing appropriate sourcing strategies



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Brexit

The UK has voted to leave EU on 29/3/2019

Moving target - difficult to plan for...



Soft Brexit



Hard Brexit



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Procurement Impact

Political & Economic Event

- uncertainty
- business risk
- **unsustainable supply?**
- **diverging standards e.g. CE, REACH, GDPR...**
- volatile currency
- **delayed imports/exports?**
- **expensive imports/exports?**
- challenging migration
- **cash-flow**



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Brexit = Another Risk

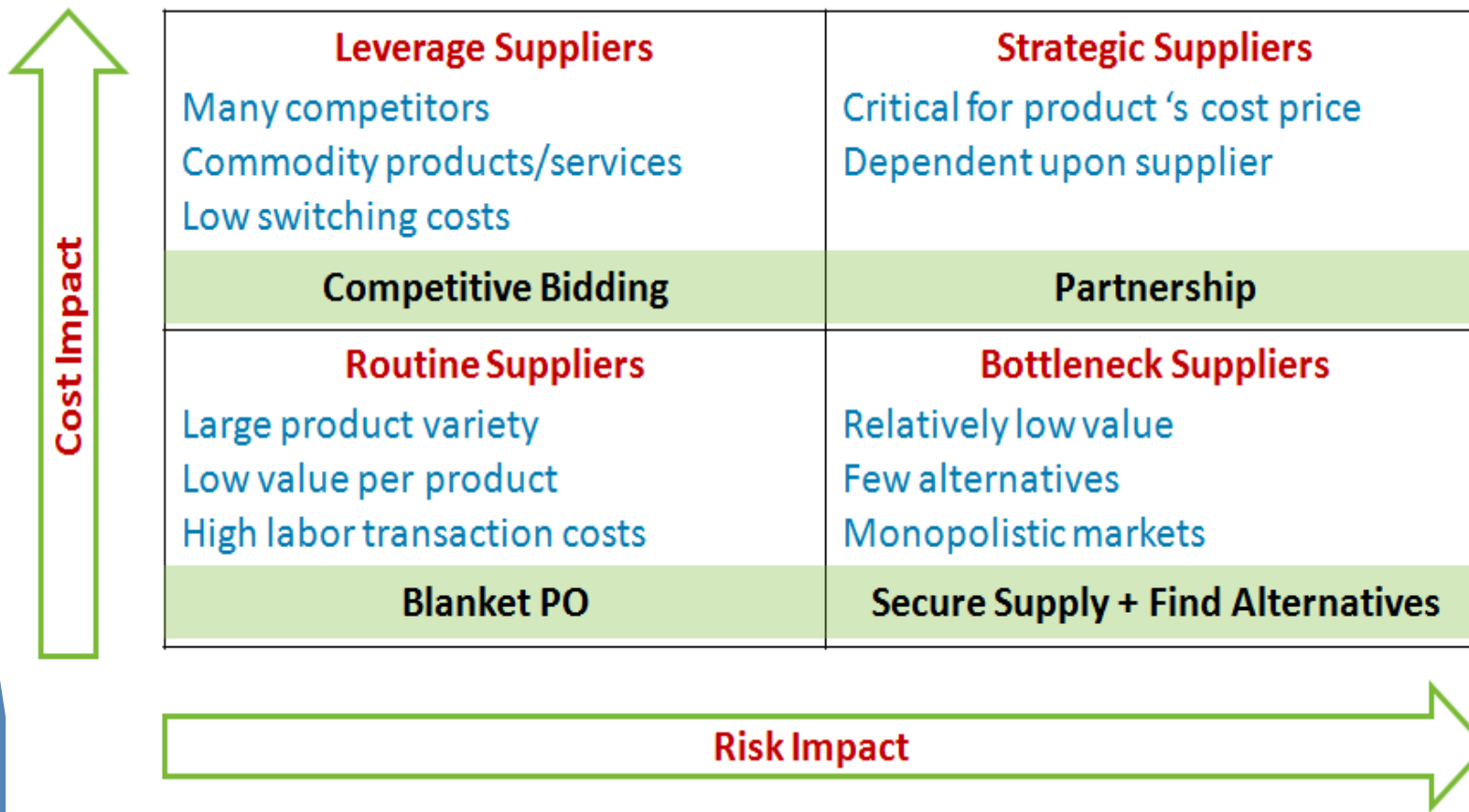
A word cloud centered around the word **RISK** in large red letters. Below it, the word **MANAGEMENT** is written in large black letters. Other words in the cloud include: **IDENTIFICATION**, **STRATEGY**, **COST**, **RETENTION**, **CONTEXT**, **PRIORITIZATION**, **EVALUATION**, **TREATMENT**, **SCOPE**, **INDEX**, **EVENT**, **BUSINESS**, **OBJECTIVE**, **ANALYSIS**, **PROBABILITY**, **RESOURCE**, **KNOWLEDGE**, **IMPACT**, **MONITOR**, **PLAN**, **STANDARD**, **CONTROL**, **ASSESSMENT**, **IMPLEMENTATION**, **REDUCTION**, **OPPORTUNITY**, **AVOIDANCE**, **PROJECT**, **SOLUTION**, **PROCESS**, **IMPLEMENTATION**, **ASSESSMENT**, **CONTROL**.



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Identify/Assess Sourcing Risk

Kraljic Model



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Case Study: 3House Limited

- Σ Manufacturer of timber houses in Derry
- Σ Factory produces timber panels that are assembled as a complete structure at the construction site
- Σ With Brexit looming, CEO & CFO decide to analyse sourcing strategies
- Σ Step 1: Analyse & Complete Kraljic Matrix (based on following supply base)



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3House Suppliers

Type of product	Percentage of total purchasing	Source	Supplier Location	Switching costs	Alternative supplier
Insulation	21%	Manufacturer	Cookstown	Low	Ample
Windows	18%	OEM	Dublin	Medium	Few
Timber	15%	OEM	Omagh	Medium	Yes
Project specific items	13%	Varies	Ire & UK	Medium	Few
OSB Boards	7%	OEM	France	High	Few
Inner floors and walls	6%	National distributor	Dunboyne	Low	Few
Stairs	4%	OEM	Carlow	Medium	Many
Doors	3%	OEM	Liverpool	Low	Many
Paint	< 1%	OEM	Naas	Low	Many
Nails	< 1%	Local distributor	Derry	Low	Many

3House Kraljic Analysis

<u>Leverage Suppliers</u>	<u>Strategic Suppliers</u>
<p>Insulation</p> <p>Timber</p>	<p>Windows</p> <p>Project Specific Items</p>
<u>Routine Suppliers</u>	<u>Bottleneck Suppliers</u>
<p>Doors</p> <p>Nails</p>	<p>OSB Boards</p> <p>Floors / Walls</p> <p>Stairs</p> <p>Paint</p>

3House Suppliers - Complete

Type of product	Percentage of total purchasing	Source	Supplier location	Level of satisfaction with supplier	Switching costs	Level of customer adaption	Accreditation	Lead Time	Alternative supplier
Insulation	21%	Local distributor	Mal	Medium	Low	Low		L	
Windows	18%	OEM		Low				H	
Timber	15%	OEM		High				Medium	Few
Project specific items	13%	Varies	Ire & UK	Varies	Medium	High	-	High	Few
OSB Boards	7%	OEM	France	Low	High	Low	CE	High	Few
Inner floors and walls	6%	National distributor	Derry	High	Low	Low	CPR	Medium	Few
Gypsum boards	5%	UK distributor	Norwich	Medium	High	Low	ISO	Medium	Few
Stairs	4%	OEM	Belfast	High	Medium	Medium/High	CE	High	Many
Doors	3%	OEM	Carlow	High	Low	Medium	ISO	Medium	Many
Moisture barriers	3%	UK distribution	Leeds	Medium	Low	Low	CE	Medium	Few
Outer roof	2%	Local distributor	Dublin	Medium	Low	Low	CPR	Low	Few
Rafters	2%	OEM	Mallow	Medium	Medium	High	ISO	Medium	Many
Paint	< 1%	OEM	Liverpool	Medium	Low	Low	REACH	Low	Many
Nails	< 1%	Local distributor	Navan	Medium	Low	Low	ISO	Low	Many

High causes Bottlenecks

Low increases competition

National v UK
V EU v Global

High causes Bottlenecks

Mitigating Brexit Sourcing Risks

- ② Developing long-term supply relationships
{Bottleneck & Strategic}
- ② Introduce guarantees or agreements to ensure supply {Bottleneck}
- ② Consider Group Buying to benefit from economies of scale {Leverage}
- ② Increasing ordering/storage capabilities
{Bottleneck}
- ② Consider alternative suppliers {Bottleneck Strategic}



Supplier Relationship Management

- ② Supplier Relationship Management (SRM) is a comprehensive approach to procurement, managing and capturing the maximum value from key business relationships.
- ② Especially for Strategic/Bottleneck Suppliers
- ② NB: Focus on the R – Relationship & develop partnerships



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Action Steps - too late to wait

- 1) Be proactive – act now (speak to CM/CE)
- 2) Kraljic Analysis – categorise suppliers
- 3) Scenario Planning for appropriate Risk
- 4) Company-wide engagement
- 5) Supplier Relationship Management



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Thank You

For Further Information

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