

WITH RECESSION LOOMING, THE THREE BIGGEST MISTAKES PROCUREMENT & SUPPLY CHAIN LEADERS MUST AVOID

- **Don't delay cost cutting or postpone sourcing and structural improvements now**

Clark, N.J. – March 23, 2020 – GEP, a leading provider of procurement and supply chain strategy, software and managed services to Fortune 500 and Global 2000 enterprises worldwide, gathered guidance from clients adversely impacted by the supply chain disruptions. The challenge for organizations is to navigate unprecedented disruptions and prepare for an economic downturn.

"The key is not to make matters worse by solving short-term supply chain issues but ignoring initiatives to improve cash-flow to strengthen their company, because the light at the end of the tunnel is an oncoming train," said John Piatek, Vice President, GEP Consulting, CPG and Retail.

The three most common mistakes chief procurement and supply chain leaders must avoid right now:

- 1. Not Rapidly Cutting Costs and Securing More Cash:** Purchased and supply chain costs typically account for 50-80% of global manufacturers' total cost structure. In the immediate term, supply chain costs will increase as manufacturers expedite shipping and pay overtime labor costs to meet customer commitments. However, leaders must improve cash-flow and bolster working capital now, in order to provide greater financial flexibility going forward, by:
 - Lengthening payment terms on all non-essential items. Even by a few days can make a big impact.
 - Postponing or canceling capital purchases.
 - Being more forceful about what the business "needs" vs. what the business "wants."
 - Discontinue low-running SKUs and engage suppliers to offer discounts on the remaining business.
 - Linking cost reduction programs to real, measurable EBITDA outcomes.
- 2. Not Accelerating Supply Chain Agility:** With access to supply dominating the headlines, there will be a tendency to avoid making hard choices to increase supply chain agility. Leaders need to accelerate plans to diversify supply chains geographically and avoid a total loss of supply in the future. These shifts are not quick, but steps need to be taken now to build agile supplier partnerships and infrastructure.

3. Not Prioritizing Sustainable and Structural Cost Advantage: While immediate, draconian cost cutting initiatives will provide short-term results, companies find that they're not sustainable. To create structural cost advantages, augment the traditional source-to-pay (S2P) process with budget-to-pay (B2P). This will enable procurement and finance to check every request/requisition for budget availability prior to committing spend to external suppliers, and drive cost control and financial discipline aggressively.

About GEP

GEP helps global enterprises operate more efficiently and effectively, gain competitive advantage, boost profitability, and maximize business and shareholder value.

Fresh thinking, innovative products, unrivaled domain and subject expertise, and smart, passionate people – this is how GEP creates and delivers unified business solutions of unprecedented scale, power and effectiveness.

Named a Leader in Gartner Magic Quadrants, Winner for Best Procurement Software and Best P2P Provider at the World Procurement Awards, Best Procurement Consultancy at CIPS Supply Management Awards, and Best Provider at the EPIC Procurement Excellence Awards, GEP is frequently honored as an innovator and leader in source-to-pay direct and indirect procurement software by Gartner, Forrester, IDC, Procurement Leaders, Spend Matters and CPO Rising.

GEP is also ranked leader in managed procurement services (procurement outsourcing) by Everest Group, NelsonHall, IDC, ISG, HfS and IAOP. In addition, the primary research firm in the management consulting sector, ALM Intelligence, ranks GEP leader in procurement strategy and supply chain consulting.

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