Sourcing Rationalisation
An overview of the Hogan Lovells approach
Consolidating procurement simplifies operations and supplier relationships……
Drivers

UPSTREAM

- Supplier Consolidation
- Supplier Accreditation
- Supplier Due Diligence
- Supplier Negotiation

HUB

- Reduced Overhead
- Improved Skill Base
- Performance Insight
- Regulatory Strategy

DOWNSTREAM

- Tax Efficient Structuring
- Intra Group Arbitrage
- Coordinated Supplier Management
- Integrated IPR Portfolio
- Streamlined Ordering

....well executed it can drive value throughout the supply chain, through concentration of internal expertise within a focussed hub and improvements into the core operational business....
Rewards

---

Quality

Consistently applying best practice improves average

Profile attracts better (but fewer) people

Cost

Simplifying requirements reduces complexity

Scale improves buying and negotiation position

Consolidation reduces internal overhead

---

Scale + lower cost base facilitates investment

Profile attracts better (but fewer) people

Consistently applying best practice improves average

Simplifying requirements reduces complexity

Scale improves buying and negotiation position

Consolidation reduces internal overhead

---

....to deliver significant benefits from doing the job both better and cheaper.
Paradigm

The desirable qualities in steady state are clearly identifiable....
Threats

but a multitude of factors make this difficult to deliver in practice and risk making projects longer, more costly and less effective than they should be.
Delivery

Vision
- Realistic evaluation of capabilities
- Due diligence contracts already locked in
- Appraisal of genuine opportunities
- Assessment of achievable vs unachievable value drivers

Design
- Road map for all key aspects of structure
- Clear model for supplier and intra-group relations
- Plan for operational integration (eg with order process, IT and finance)
- Stress test with key stakeholders

Implementation
- Core internal framework documentation
- Reorganisation of key functions
- Structured training programme
- Approved core policies to ensure best practice
- Toolkit of key materials for procurements

... meaning delivery is a key consideration.
Hogan Lovells has the full portfolio of skills and specialisations required to manage sourcing rationalisation....
Reach

... and is integrated across the globe enabling us to support both in-country and cross border sourcing initiatives....
Enhanced Sourcing Outcomes

- Improved regulatory strategies
- Improved IPR management
- Improved supplier selection
- Improved contractual outcomes
- Improved management of suppliers

Value

- Visibility of regulatory issues across group
- Structure within which IPR can be managed across borders
- Improved opportunities from increased scale
- Higher quality internal skill base and tool kit
- Enhanced coordination of global supplier relationships

- Hogan Lovells international regulatory insight
- Identification of common IPR themes
- Increased accreditation rigour
- Improved negotiating leverage
- Hogan Lovells insight into dispute management

- Opportunity to influence regulators across borders
- Hogan Lovells skills + products for IPR management
- Streamlined global processes
- Cross-border commercial support from Hogan Lovells
- Increased consistency in use of dispute techniques

- Enhanced sourcing outcomes

...enabling it to contribute both to building and supporting a fully rationalised souring operation.