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WHITE PAPER

## Business Spending in a Time of Uncertainty

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A New Procurement Model for a New Era



# INTRODUCTION: **Business Spending in a Time of Uncertainty**

## A New Procurement Model for a New Era

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It's hard to talk about the past few years without bringing up uncertainty. Pick your applicable buzzword: the great resignation, COVID-era uncertainty, inflation, bear market, etc. While business has always been driven by adaptability and evolution, the past few years have challenged even the most seasoned executives.

Today, facing down a bear market, mixed with simultaneous inflationary pressures and rising vendor costs, leaders are scratching their heads once again. While you continue to lean into the adaptations that have brought your firms this far, many would share that a little more predictability and a little less chaos would be very welcome indeed.

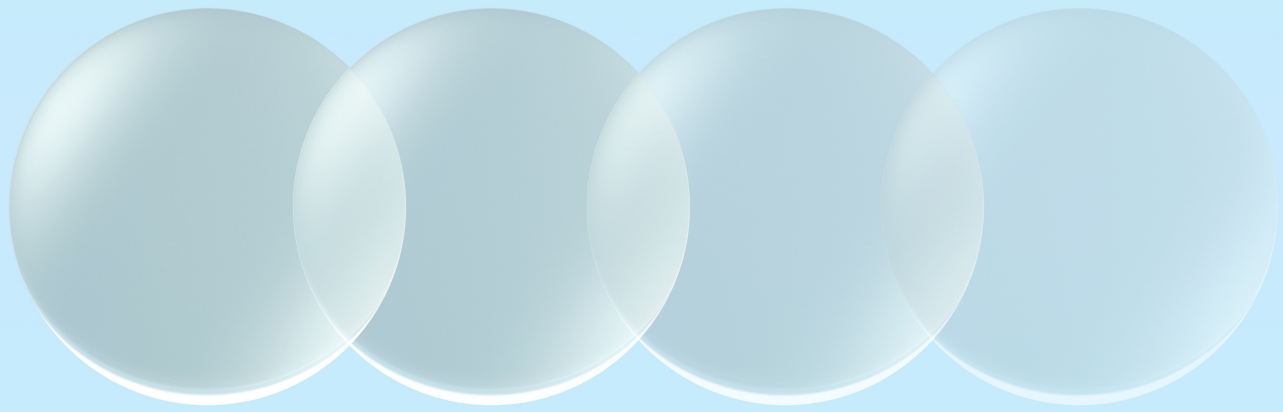
Particularly in the competitive world of asset management, growth and success rely on thinking ahead. That's hard to focus on when you spend a significant portion of operational attention just trying to manage rising entropy. This is why many mid-market leaders are embracing a now-emerging model of procurement outsourcing: **Procurement-as-a-Service**.

This paper dives into the business rationale and operational benefits of the PaaS model, leveraging insights from those already deploying it. Additionally, it posits the question,

**in a time of  
disruption, why not  
take an easier path  
for your corporate  
spend strategy?**

## **Procurement-as-a-Service**

Growing in popularity over the past decade, PaaS empowers organizations by handing over time-intensive vendor management and negotiations to true domain leaders, powered by technology to ensure organizations drive even more operational efficiency.



# The Problem with Procurement: Corporate Purchasing is Almost Entirely Opaque

What's interesting about the evolution of corporate procurement over the past decade (likely more) is how very little has changed. Other than DocuSign replacing faxes, businesses are still generally working with Technology and Market Data Territory reps trying to hit their quotas, with very little insight into peer spending, and less predictability over when, or why, pricing is increasing.

In contrast, consider nearly every other major purchase you make – new car, home, insurance policy, healthcare provider, and more. For nearly all consumer spending, you can read reviews, watch videos, research specifications, and even talk to others who have made the same decision and tell you what you need to be aware of. There's so much information that it's almost too much; still you always have as much of it as you want.

And yet when those same individuals arrive at work, everything is then shrouded in confidentiality and opacity. The largest-ticket purchases are done without easy sources of competitive landscapes, vendor reviews, statistics, and pricing information.

**The truth is, there are no “Consumer Reports” for most corporate purchases.**

It's not clear who you need to ask, the information you seek is covered by onerous confidentiality clauses, and the best data many can hope for lies in informal listservs and personal networks.

The end result for those managing cost and vendor management programs is a lot of effort and one-off negotiation, surprise renewals and price increases, as vendors struggle with supply chain and talent crunches themselves.

All of which results in major frustration for leaders steering corporate ROI and trying to focus on growth. Doesn't it seem almost bizarre that you can buy a \$50 microwave with vastly more sophistication than a \$50,000 platform?



# The Variety of Critical Corporate Spending Has Accelerated

What's interesting about this new era of corporate spending is that while we continue legacy purchase processes, what we buy, and how essential those vendors are to our businesses, has dramatically accelerated. For most asset managers today, your critical investment data, technology backbone and Alt Data or ESG insights that define your competitive market advantage are all running through vendors.

If they turn off, your front office people won't be able to do their jobs. Without these vendors and their products and services, businesses start to become inefficient, and growing the business becomes more difficult. As a result, maintaining strong vendor relations and professional vendor management has become a priority for business continuity.

Middle market companies are especially caught in between the challenges of growth, and the challenges of managing that growth with limited resources. Leaders and the teams making purchasing decisions have to become experts overnight in 20+ different product categories. That is simply not feasible, nor fair.

**But as that vendor landscape grows in both size and sophistication, it becomes all the more challenging to maintain all that management in house.**



# And Vendors Want You (To Pay Them More)

It is never too early or too late to start getting more strategic about your spending and vendor strategy.

Effective vendor management is not only knowing about a few vendors that your business uses; it's about knowing the entire scope of the market; which vendors are growing or shrinking, and who your peers are leveraging to identify the next breakout growth model.

But a single person or a single team can only get so good or well-versed on a product when only negotiating one contract every single year, as opposed to seeing the trending analysis of where 1,000 contracts are moving – and then watching those thousand over the course of multiple years, or even decades.

And once you're done with IT vendors like Salesforce or ServiceNow, you have to turn around and deal with hotels and airlines. Each comes with different challenges, and frankly no one can do it all and do it well.

**The truth is that each service provider—of whatever stripe—is very good at making money. Their primary way of making money is getting you to pay more. The sophistication of a lot of these service providers should certainly not be underestimated.**

Many vendors are **massive** businesses in and of themselves. Often, the service provider is a larger, more sophisticated organization than you are – even if you're a PE firm (or maybe, especially if you are). Consider this: these providers are spending a lot more time thinking about how to extract more revenue out of you than you are thinking about how to manage and maintain your costs.

The pricing for many of these mission-critical vendors is also still run by sales organizations, by territories, etc., where the vendor incentive is to hit the quarterly number, the annual number, to upsell or cross-sell, and usually to hit some kind of enterprise or product spiff, etc.

So, for many "smaller" companies (less than 500 or even less than 10,000 employees), there isn't an existing facility to get a better deal because, alone, you're not negotiating the volume discounts that would make a sales rep pay closer attention.

Managing and procuring vendors is an important part of any business, but not everyone has the time to take on that responsibility and negotiate to get the best rates. Fortunately, there are options and digital services to get more strategic with your front and back-office solutions.



# The Rise of a Procurement-as-a-Service Model

Middle market players are increasingly looking for experts to hand off contract negotiations to make sure they aren't getting hustled.

Working with experts, they can help evolve a more cohesive, predictable, and less expensive procurement strategy to manage the bespoke portfolio of vendors all working specifically to solve your key business challenge. One vendor's work supports or complements the other, and you know that you have a proprietary blend for your business's key performance indicators that put you on a growth trajectory.

CEOs are able to improve cashflow. CFOs have a better eye on where cash bleeds are popping up, and how to plug them. COOs are focusing more on getting products and services to the people paying for them, instead of keeping an eye on the products and services the company is paying for to make sure they're getting every dollar's worth.

## A Simpler, More Modern Corporate Spend Strategy

Businesses of all sizes are shifting more of their focus to using tech-enabled outsourced services to help with their strategic procurement.

While it used to be common to see what some would call a "digital transformation" happening in the front office to drive competitive advantages, today, operations and back-office functions are looking around at **ALL** the disruption they're facing, and looking for more effective, more efficient methods to keep up.

In fact, that success coming from the front office often means that operations teams need to work even smarter (and without help, much, much harder) to simply maintain effective growth.

But what about the transformational leaders

who want to solve for, and even drive, further growth?

What would change if your 500-person business could get the benefits and pricing of a company ten times, or 100 times, that size?

## **So how can you manage this vendor and spending sprawl, and do it efficiently, without having to build an internal procurement and vendor management organization?**

Here are some recommendations based on nearly a decade of work on strategic procurement to get you started:

### **1. Get to know your spend and vendor relationships landscape**

The key here is to fill in the blind spots of your status quo in terms of your spending. A robust understanding of where you are today will help you define or inform your go-forward strategy.

Having an understanding of the vendor

universe can help ensure you're getting the best deals, and services, and not missing any new market entrants that could bring the next phase of market transformation to your business.

### **2. Create a strategic plan to execute**

Take a step back and figure out the steps you need to take to go from your current status quo to the desired maintenance of your spending and vendor relationships over time. Figure out what services and vendors can help make your business more efficient and optimized.

The plan does not have to be set in stone, as it may change as new vendors or technologies come to the market. The key is having a solid plan in place to move your business forward.

### **3. Execute your plan, and keep a vigilant eye on what's changing**

You've done your homework and prepared, so now it is time to take your plan into action. Communicate with your C-Suite team about the changes to come and the benefits that come along with the new plan.

Continue to strategically review your plan, vendors, and what is going on in the market. The solution you put in place, if done effectively, has the ability to grow with your business. You will have a solution that can expand with you as your needs become more complex and you won't need to reinvent the plan at every phase of growth.





# Operational Efficiency is a Business Imperative

“Operational Efficiency” is the key term reverberating around many firms’ C-Suite meetings as companies look to adopt new, more effective, less time-intensive programs to support and optimize front and back office operations. Over the past decade, we’ve seen clients and departments across the board looking for ways to optimize their operations and cut back on costs.

## **CFOs and COOs are demanding a new standard of organization for the business:**

Vendor counts, spend amounts, forecasts, invoice reconciliation, and budgets are all expected to be accounted for with a golden and precise record.

## **Legal and Compliance departments are looking for an efficient digital system:**

Employees needing to manage third-party risk, ensure contract compliance, and ensure all contracts are reviewed are requiring an efficient and optimized digital system to ease the

magnitude of their work and ensure all compliance is met.

## **Front office and revenue generators need assistance in vendor management and procurement:**

Efforts are needed to continually accelerate business growth. This means there is less time available to manage vendors or assist in procurement as there was before. Leadership wants efficiency and zero obstacles to obtaining top-line growth. Efficiency is delivered through the implementation of digital systems to aid these processes.



**With all those executive demands, your team needs a new model to marry operations management vendors with growth projections. No one person in your organization is at fault for not having the reins on the vendor proliferation, but this new model does provide a major opportunity to make sure you're not spending in areas unnecessarily.**

Elite asset managers and professional service firms develop their competitive advantage by optimizing every single element of their business. For you to stay ahead, procurement and profitability are some of the most strategic challenges you need to solve.

Finding a true expert partner, leveraging the right insights, deep industry experts and their networks can supply the tools and transparency you need to make critical operating decisions. Doing so might end up being the least disruptive decision you'll make in the past decade.

**If you're interested in learning more about how you can more effectively manage and procure vendors, you can [book a consultation](#) with Concertiv experts today.**



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