

## buyingTeam: Helping Companies Buy Better

By Beth Ellyn Rosenthal, Editor



*“When you say the word negotiate, some people’s hearts instantly start racing out of fear. It may not be the kind of fear you feel when you’re standing in the middle of an intersection and you look up to see a 10-ton Mack truck careening toward you. But it is the kind of uneasiness that stops you from doing something scary, even though you know you should do it.”*

--Michael Soon Lee with Sensei Grant Tabuchi in *“Black Belt Negotiating”*

Guy Strafford agrees with Michael Lee. The client services director of buyingTeam, a UK-based procurement outsourcing service provider, says “most people don’t negotiate or buy particularly well. If they did, Tiffany’s wouldn’t exist.”

Specialists are crucial to buyingTeam’s success because they keep abreast of constantly changing markets. It’s like a family buying a home. Someone who bought a house three years ago (during the boom in the U.S., UK, and Europe) or 10 years ago (in a period of relative calm) will have no clue how to fare in today’s market when most homes are short sales where the seller is now a bank instead of the homeowner.

Buying well is why buyingTeam exists. “We have an enthusiasm and a passion for purchasing,” he says. “Our ethos is to help our outsourcing clients buy better and achieve something that they could not have done themselves.”

The company has won two of the most prestigious procurement awards. It won the UK’s Best Procurement Award in 2005. And it has just won the Outsourcing Center’s 2008 Best EU/UK Outsourcing Excellence Award.

Strafford says buyingTeam’s results stand out because “buying as a profession is in its infancy.” Most managing directors and C-level executives “are less aware of what buying should look like and the benefits to the bottom line that buying better can deliver.”

buyingTeam is a best-of-breed procurement provider; "buying is all we do," points out Strafford. This distinguishes the Tier-1 outsourcing service providers from U.S. and India providers that include procurement outsourcing with their other BPO offerings.

### **Indirect spend experts**

buyingTeam specializes in indirect spend, specifically on IT, HR, marketing, finance, and professional services. "These areas are at the edge of the typical corporate procurement process," says Strafford. He says they require highly skilled professionals with domain knowledge. They are also areas that have large budgets; for example, one of Strafford's team is currently handling a \$350 million annual media buying tender and ongoing management for a client.

The service provider has adopted a two-tier approach. First, it places its experienced procurement professional at the client's workplace. "They want to see the color of your eyes," he reports.

He says having people on the ground addresses 50 percent of procurement outsourcing's challenge: "dealing with the executives at the customer's company." For example, many of its clients outsource their IT spend. "You can't tell their IT directors you're coming in to source all their IT equipment. You have to persuade them, showing everyone why that is the best thing to do," he explains.

Strafford believes offshore/off-site firms are at a disadvantage when dealing with their clients in Europe in this area. "In practice it's hard to do the sourcing aspect of procurement outsourcing from far away. You have better results if you're on site with experts handling the challenges of change management. Half the opportunity/challenge can be to get the client to change its behaviors (change suppliers, change process, change specifications)."

### **Why specialists are valuable**

The second pillar of buyingTeam's approach is the actual buying. The company employs specialists in its areas of expertise. For example, one client may need marketing help three weeks a quarter. So that expert may work with 10 other buyingTeam clients during the other weeks.

The specialists are black belt negotiators, in Soon's definition, who are in the marketplace frequently and understand the product and services they buy, so they have the best chance of extracting the best price. This is one of procurement outsourcing's strengths; Strafford says "it's hard for companies to hold all the skill sets they need to handle indirect spend effectively, given its diversity and the tendency to prioritize direct spend."

### **Eschewing the transaction**

buyingTeam's clients pay the service provider a fixed fee plus a percentage based on a client's preferred metric such as customer satisfaction.

The one thing buyingTeam does not get involved in is the financing of the transaction itself. buyingTeam will negotiate the price, but the client is the one that completes the financial transaction. "We don't take revenues from vendors," says Strafford adamantly. "It is wrong to link revenue to the amount purchased. Our clients want us to get them buying fewer things, not having the financial incentive to buy more. These skewed incentives have impaired the operation of insurance, IT outsourcing, media buying, and print outsourcing."

The service provider's buyers are mostly concentrated in Western Europe although it does have a few in the U.S. and Australia. buyingTeam's clients include airlines (British Airways), music (Universal Music), manufacturers (AGCO/Massey Ferguson), and high finance (Man Group, the hedge fund managers).

The company, formed by two serial entrepreneurs in 1994, currently has 120 employees.

### ***Lessons from the Outsourcing Journal:***

- Few people are naturally good buyers. Outsourcing indirect spend leaves an area that doesn't get a lot of attention to the experts.
- Having specialists allows outsourcing buyers to get the best prices because they are aware of nuances and changes in the marketplace.
- Having specialists at the buyer's location makes it easier to make changes.