



PROCUREMENT OUTSOURCING

Outsourcing industry is growing rapidly as more and more companies are realizing the benefits of outsourcing. Initially it was limited to non-core business areas like data management, surveys, administration, and customer service and so on. Now many companies have started outsourcing their procurement jobs, primarily in the non-core items like common raw materials for production, office stationary etc.

Recent survey report on 150 outsourcing companies in US shows that nearly half of them are either outsourcing or planning to outsource procurement jobs. Sources also believe that procurement outsourcing will continue to grow by 15% in a year.

What is Procurement outsourcing?

It is the outsourcing of procurement activities to third party on mutually agreed terms to ensure flawless supply of direct or indirect materials. Many companies, who are spending lots of time and money in keeping the supply chain of materials uninterrupted, can now seek the services of procurement outsourcing companies. The bulk contracts for procurement outsourcing can also help outsourcing companies to quote the most competitive price to their clients.

Procurement outsourcing is mainly involved in indirect materials or non-core items, however, manufacturers are now inclined to outsource direct materials jobs as well. This is primarily due to have smooth supply of materials and save time of production losses.

Procurement outsourcing can be defined into three levels. First level is the basic level of outsourcing such as people, infrastructure, technology, and general supply management. Next level is requisitioning and procure-to-pay. Higher level is that of value-added functions such as strategic outsourcing where outsourcing companies will assume responsibility of identifying supply source, choose the appropriate supplier, and make long-term strategic business relationship.

Report has revealed the facts further that companies who are outsourcing procurement jobs are having good control on pricing, reducing full-time employed labor costs, accessing top-notch suppliers, building strategic business relationship and overall improving the efficiencies

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