



Benefits of BSA Consortium to SME clients

The concept of consortium buying is relatively undeveloped in the private sector, being of greater significance in the public sector. Traditionally private sector companies have tended to “go it alone” when it comes to purchasing, with relatively little dialogue and sharing of supplier information.

There may be several reasons for lack of take up within SMEs; first successful consortia buying requires that individual companies don’t just have a handle on what they are spending on particular categories of spend, but also that they have central control over how it is procured and by whom. One or either prerequisites are often not in existence within SMEs.

Yet there are real benefits for SMEs joining well managed consortium procurement – lower prices being driven by economies of scale and increased market intelligence, with individual businesses potentially having as much power as would traditionally be limited to the largest blue chip. And, importantly, peace of mind that the suppliers are being managed in a way that delivers excellent value over the long term, not simply to save some cash in the short term.

What cost benefits are possible to SMEs who engage in consortium buying? According to Matthew Roper, Director of the BSA Consortium, the results of SME companies joining forces can be impressive; “our clients have to date benefited from like-for-like cost reduction of between 10 & 30%, across categories of spend that include stationery & office supplies, telecoms, janitorial and catering supplies. The one exception is gas and electricity, where the current global price hikes cannot be reversed, but at least our consortium is in a position to mitigate the increases and has experts on hand to ensure that when prices eventually drop the members will benefit as soon as possible”.

Category of spend	Typical cost saving within the BSA Consortium
Stationery & Office supplies	10-30%
Janitorial supplies	10-25%
Catering supplies	10-25%
Telecoms	10-20%

Gas & Electricity	Minimise price increases
Print	10-25%
Packaging	10-40%

But unit price cost savings shouldn't be the only benefit....

Best practice purchasing involves an ongoing assessment of total cost rather than simply sourcing the lowest unit price. This means considering other factors as well as price, such as service levels, quality, and customer satisfaction; the cheapest supplier may well be less inclined to deliver value if it is not gaining a decent profit in the process. Or worse, it may go under as a result of inadequate revenues, causing even more supply problems for the customer. Thus it becomes important for the client to be sufficiently attractive to the supplier. That's where the consortium's additional commercial leverage can help.

As Matthew Roper says, "the best purchasing consortia understand this, and therefore constantly monitor the supply market to ensure that supply risks are minimised; they measure consortia supplier performance over time to ensure that value isn't being eroded over time; they respect the need for suppliers to remain profitable; and finally, they encourage clients to recognise that their own internal weaknesses can cause the suppliers to let them down, hence facilitate supplier-client dialogue to identify and solve supply problems when they occur.

For more information about joining the BSA Consortium, visit the website www.buyingsupport.co.uk or call 0845 555 3344.