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August 19, 2004

Welcome to C-Speak a monthly e-newsletter from Purchasing magazine. We encourage you to send this to your own Corporate Officers and they may subscribe [here](#).



What's Heating Up

What's heating up?

***Demand to fill CPO job slots with absolute top performers.**

Burgeoning emphasis on global strategic sourcing means more visibility, more responsibility, more money, more risks, more job volatility, more turnover at the top. Where incumbents aren't up to the job--what Boston Logistics Group consultant David Jacoby calls "Mega sourcing"-- or the job doesn't currently exist, changes will and are being made. Companies, says Jacoby, need to recruit, train and manage a new breed of procurement pro, equipped with cross-functional and international experience, plus CPO potential.

***JIT!!** The reason for the resurgence is a re-look by a number of companies. They see it as "Onsite Outsourcing." Read more in our book *JIT II Revolution in Buying & Selling* available through our bookstore. [More information...](#)

***Buyer/Seller collaboration leading to long-term strategic alliances is a growing trend,** and is in stark contrast to bang-'em-over-the-head adversarial negotiations of yesteryear and even last week. Logic is impeccable: If you're going to employ your supply chain as a competitive weapon, you can't afford to treat key suppliers like galley slaves. They won't row. You won't get their product when things are tight. Worse yet, you won't get their best thinking, latest technology

Discount A SELLER'S MARKET IN ELECTRONICS

The buyer's market for electronic components is over but we haven't moved into a seller's market. And we're not likely to anytime soon.

Yes, suppliers predicted that prices would increase in 2004 and shortages would be widespread as demand grew. Reasoning ran that because prices plummeted for three years during the downturn, few suppliers invested in new capacity. Upshot: Once the turnaround hit and demand increased, suppliers wouldn't be able to handle that demand. That argument was flawed. Even during the downturn, demand was strong. Prices didn't fall because of weak demand. They declined because of high inventory levels. There's still ample capacity and there's going to be more.

This year, many suppliers are boosting capital outlays, which will increase supplies late next year. The outlook: Modest price hikes for the rest of the year as OEMS and their manufacturing partners build systems for the Christmas selling season. However, there won't be many scarce parts and any component shortages will be short-lived and due to product manufacturing mix issues rather than any overwhelming demand. [Click here](#) for other electronics business news.



Indirect Buy

TAKE ANOTHER LOOK AT YOUR INDIRECT BUY

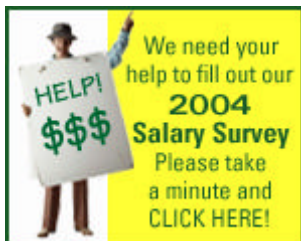
There's more than one way to handle indirect. HP reorganized its procurement operation so that indirect is no longer tucked under direct procurement. Instead, VPs of both operations report to the executive VP of global operations and IT, who, in turn, reports to Carley Fiorina. (If



Achieving Greatness: Buy Like the Best-in-Class

Join Purchasing Magazine for its third virtual **Global Procurement Conference**, **October 13-14, 2004** from

or market moxie. This trend has been a long time coming, more talked and written about than acted on. One sure sign it's for real this time: Consultants are gearing up to show you how.



you don't know who she is, don't bother reading the rest of this.) At HP, Indirect sources \$14 billion annually for IT, HR, marketing, travel, real estate, finance and labor. HP says elevation has helped Indirect beat cost reduction targets for the past four years. Right now, Indirect is ending first year of a three-year drive to cut costs by \$1 billion and is running ahead of expectations. See the [story](#) "HP takes indirect procurement to new level and exceeds goals".

11:00am EST -- 3:00pm EST.

Don't miss this opportunity to learn from and interact with the best and brightest of your professional colleagues for free and from the convenience of your desktop. [Register now!](#)

Integrated Cost Reduction

FORGET ABOUT A SILVER BULLET

Get back to basics. That's the message delivered by Ron Nussle and Jim Morgan in a just released book, entitled, "Integrated Cost Reduction." Nussle, a supply chain veteran and managing director of global materials for Lam Research Corp. and Morgan, Purchasing Magazine's Editorial Director Emeritus, provide a roadmap to permanent long-term cost savings and true value add-ons. What gives ICR its real muscle is its focus on marshalling the proven successes of value analysis/value engineering, lean manufacturing, Six Sigma, supply chain management and e-commerce "under a seamless cost reduction umbrella." In other words, you don't have to jettison the good stuff you've been doing. ICR is designed to refocus a company's pre-existing re-engineering initiatives on the areas that need cost reduction and value enhancement the most. And the authors don't leave you with theory. Nussle offers what he calls "a step-by-step ICR Cookbook" on line. It provides forms, checklists, timelines, sample engagement letters and spreadsheets for use by anyone who has read the book and wants to use ICR tools and processes at their company. It's a very different book. [Buy now!](#)

Contract Management

WHY CONTRACT SHOW & TELL PAYS OFF BIG

Contract management software allows more effective enforcement of all your deals, enhances internal efficiency, gives other divisions, plus legal and finance, a window into your contracts implementation. A central repository ultimately cuts costs. Everybody wins. Another major league consideration: Implementation of Sarbanes-Oxley anti-fraud legislation later this year likely will require clearer contract visibility. [Click here](#) for a rundown on available software.

Where To Put Your IPO

PICKING THE RIGHT PHYSICAL LOCATION FOR YOUR INTERNATIONAL PROCUREMENT OFFICE (IPO) IS NO EASY CHORE.

Example: It's obvious to go where the buying activity is. But, where is it going to be in the future? What about costs? In the old days, everybody dealing in China went to Hong Kong. Real estate rentals skyrocketed. Everybody now goes to Shanghai, Shenzhen, even Macao. So, Hong Kong rental rates have plummeted 60% and it's getting a serious re-look. Moral: Do your own looking and thinking with an eye to the future. Warning: Be wary of co-locating with other company operations in the area. Your staff can get sucked into strictly local work. Your concerns should be proximity to the supply base and minimizing travel time. [More information...](#)

GET STRATEGIC OR GO OUT OF BUSINESS

Demand 8% supply chain savings annually. [Click here](#) for survey results on key benefits to strategic sourcing.

Teams Are Critical

[Click here](#) for survey results showing roadblocks to strategic sourcing.

Then hire a Super Star

[Click here](#) to read quotes on attributes sought in purchasing executives.

Hot: Leadtimes for plastics parts jumped from two weeks to more than 10 weeks. [More information](#)

Warm: A new Michigan Study says companies damage supply chains when they get too "lean". [More information](#)

Cold: Independent distributors are taking dead aim at stopping the flow of counterfeit electronic components from China. [More information.](#)

Hot: Strategies to reduce freight costs. [More information](#)

A LOOK AT WAGING WAR WITH YOUR SUPPLY CHAINS

Make sure you are going into competitive business battle with all of your teams working together. Failure to create cross alignment of purchasing and logistics is a serious problem. [Read more...](#)

Manage Contracts

Remember Enron? WorldCom? Martha Stewart? Congress's reaction to the corporate problems of recent years was enactment of legislation referred to as Sarbanes-Oxley. It could make your life miserable. [Read more...](#)

Shortage Alert

Availability of industrial products was no problem from 2001 through last year. [Read more...](#)

Hot: P-Cards. [More information](#)

Cold: Travel costs. [More information](#)

Hot: Improved management of the energy buy. More information: [Here](#) and

[here.](#)

Hot: Capital spending for semiconductor capacity. [More information](#)