REACH PROCUREMENT GOALS FASTER
WITH DATA-DRIVEN KPIS

Leverage data insights to identify cost savings, improve efficiencies and inform decision making across all aspects of procurement

PROVISTA

A POWERFUL COLLECTIVE

As organizations face intense cost pressures, lowering expenses and improving business outcomes across the supply chain become increasingly important. Opportunities to reduce costs and streamline processes can lead to time, resources and money savings.

Companies typically can't achieve those savings on their own. That's why working with a group purchasing organization (GPO) is beneficial. GPOs can drive additional savings on top of what their members are already doing.

Organizations that provide services in industries such as healthcare and hospitality can **save an average of 13.7%** on their purchases and modernize their procurement process by partnering with a GPO. These organizations help members improve their procurement workflows and introduce new levels of automation

WHAT ARE PROCUREMENT KPIS?

A KPI is a business metric that's used to quantifiably measure performance over time for a specific objective. KPIs help businesses determine how their strategic, financial and operational progress is meeting established procurement goals, compares to industry benchmarks and evolves over time. KPIs can vary between organizations and industries.

WHAT IS DATA CLEANSING?

Data scrubbing, also called data cleansing or data cleaning, is the process of identifying and then fixing or removing data from a data set that's incorrect, incomplete, inaccurate, improperly formatted or duplicated.

to increase savings, accelerate supply chain operations and make more informed purchasing decisions.

Intelligent decision making is further enabled by implementing and monitoring key performance indicators (KPIs). These KPIs provide metrics to measure various aspects of the business.

With the proper KPIs in place, organizations can leverage data and analytics to measure proficiencies and operations. KPIs that optimize data analytics provide real-time business intelligence about every facet of the supply chain. Data-based KPIs also help companies establish performance baselines, set procurement goals and continually measure progress against those procurement goals to identify areas in order to cut costs, improve efficiencies and secure the best pricing from suppliers.

COLLECT CRITICAL PROCUREMENT DATA FIELDS

KPIs rely on integrated data sets from across the supply chain to provide insights into price points, products and inventory. Companies in any industry, regardless of size and class of trade, can collect data in these categories to feed their KPIs:

- **Product description** includes the product name and specs.

- **Manufacturer's part number** is a static identifier issued by the manufacturer to name its parts and is used by distributors, wholesalers and retailers. It's different from the SKU number, which is unique to sellers for tracking a product for inventory purposes. Some companies collect both the part number and the SKU number.

- **Packaging information** tells the quantity or weight of items in a box or container. This lets companies determine the price they paid per unit, which can be per pound, per piece or another measurement.

- **Product usage** provides information on when items were used. Ideally, companies should gather this information at the transactional level. It's better to know if a company used 99 units of a product in January, a single one in February and none the rest of the year than to know 100 were used during a year.

- **Accounts payable data** details the invoices from and payments to suppliers. This provides insights about the payment cycle, such as outstanding balances and the number of days between buying, billing and making a payment.

- **Purchase date** captures when an item was bought. This allows a company to analyze data over a certain time period, which is essential if a company switches brands. For example, if a healthcare provider changed from one manufacturer's wound dressing to another brand six months ago, only data from the last six months is relevant for some analysis.

- **Manufacturer's price** represents the price charged to retailers. This allows companies to see markups that occur in the supply chain.

HOW DOES A GPO WORK?

A GPO buys items in bulk to obtain significant discounts. The collective buying power of members, which can add up to $100 billion for a single GPO, allows these supply chain partners to offer best-in-class sourcing and services. Members benefit from competitive prices across local and national contracts, without membership fees or commitments.

Integrating this information enables a detailed cost analysis that identifies savings while allowing price comparisons and segmentation to identify product usage by categories. The data can also be analyzed to determine the value of a product or service, and offer information on waste and damaged products that impact costs. Cost savings reports and KPIs rely on the data to provide details on current expenditures and ways to reduce them.

CHOOSE THE RIGHT PROCUREMENT METRICS

Organizations must determine which KPIs and metrics provide the most critical insights into their supply chain. Typically, those measuring cost and inventory are among the most important. Using real-time pricing information and inventory levels, KPIs can provide insights that lead to improved supply chain speed, efficiency and cost-effectiveness. By examining these KPIs, companies know if they're getting the best pricing and can evaluate their inventory against lead times and delivery dates, then adjust their contracts and inventory as needed.

With supply chains becoming increasingly complex, KPIs are needed to measure whether changes produce positive outcomes. Without a system to measure

results, it's impossible to determine a cause-effect relationship.

Traditionally, data has provided a historical or real-time view of a business. In healthcare, for example, data can document the cost for each item and service needed for a hip replacement. Patients used to be billed in an itemized, fee-for-service model, such as for doctor visits prior to the surgery, the operation and post-surgery follow-up.

Today, healthcare is moving toward a fixed payment, total cost of care approach that takes a holistic, start-to-finish view of the surgery. This model focuses on outcomes and quality of care. The doctor and insurance company determine if the particular hip implant delivers value without requiring future medical attention. Evolving to this model requires healthcare providers to analyze data differently than in a fee-for-service approach because overall value is more important than the lowest price.

The challenge is convincing end users to change products if one offers a better value than the option currently being used. End users often have strong preferences and are reluctant to change. For example, an ambulatory surgery center may order surgical gloves from three vendors, but

buying from a single supplier could result in better prices and simplified procurement processes.

However, some employees may not agree to the change, regardless of the savings. The same holds true for items that are more expensive and complex, such as an implant for a hip replacement.

TAKE A DATA-DRIVEN APPROACH TO DECISION MAKING

Through their direct relationships with manufacturers, distributors and suppliers, GPOs gather data for specific markets and industries, and that data is shared with members. The data can identify items that are used regularly to standardize purchasing across select suppliers, uncover trends and show when product substitutions can deliver enhanced value.

For instance, a GPO can collect data on food purchased for a long-term care (LTC) facility. The data allows a comparison between the LTC's costs and industry standards. By drilling down into the data for granular insights at the product level, the LTC can identify changes that will result in savings. Even though the food product selection is intensive and myriad factors contribute to costs throughout the supply chain, the data lets the LTC

determine menu and item changes to save money and reduce waste.

Analyzing data can also uncover additional savings. A GPO can see what a member is buying and not buying through the GPO's contracts. The GPO might notice that a member is purchasing only 40% of its products through the contracts. By demonstrating the savings of increasing that spend to 80%, the GPO can bring additional value to the company.

The data will show categories, classes of trade and types of products, by industry, in which an organization is benefiting from best pricing along with areas where it can improve. Pricing should be analyzed over a span of several months because the cost of a particular item or category may not perform as well in the short term as it does over a long period.

ADDITIONAL GPO BENEFITS

GOP can foster increased competition among suppliers for low prices, provide transparency into buying and help members with emergency preparedness, like responding to the COVID-19 pandemic or natural disasters.

Specific procurement cost metrics are important to individual classes of trade, and procurement KPIs that can help drive down costs in

A VIEW INTO PROCUREMENT SAVINGS AND CONVENIENCE

Having all supply chain information available in one central location allows organizations to conveniently find essential insights to make informed purchasing decisions. To that end, the leading non-acute GPO Provista offers the expertise, resources and modern materials management platform to help members maximize their purchasing. Provista connects members to the nation's largest suppliers to secure the best contracts.

Provista lets members see:
• Year-over-year data analysis
• Contract purchases organized bymonth
• Their most valuable contracts and products
• Recommended contracts based on the member's industry and level of spend

Provista provides dashboards to identify expenditures and savings, tools to manage the supply chain process, contract recommendations to save money and customized purchasing data for a deep dive into the member's purchasing history. The insights can show what a company should be paying for products versus what it's actually paying, help with sourcing and implementing contracts and simplify the procurement process.

those areas are critical. For example:

- Ambulatory surgery centers need to know cost per procedure.
- Physician clinics and offices need cost per patient.
- Long-term care facilities need cost per resident beds.
- Home healthcare needs cost per visit.

USING A SINGLE SOURCE OF DATA

Organizations need "clean" data for analytics and KPIs. That means the data does not contain corrupt, incomplete, duplicate or inaccurate information. In reality, cost and performance data will almost always contain some errors.

Analysts or data handlers can spend time finding and correcting the problems, but in most cases, even data that contains a small percentage of errors can tell decision makers what's performing well and what's not. This gives executives and sales staff a big-picture view of the most-used

ACHIEVE PROCUREMENT COST PERFORMANCE

The right group purchasing model should ensure that members get the most competitive prices in the market for the products and services they use daily.

products as well as which have the highest profit margins to shape the sales strategy.

WHAT IS DATA CLEANSING?

Data scrubbing, also called data cleansing or data cleaning, is the process of identifying and then fixing or removing data from a data set that's incorrect, incomplete, inaccurate, improperly formatted or duplicated.

Data that's exchanged between companies, such as a GPO and its members, is often contained in Excel spreadsheets. Even SQL-based reports are downloadable in Excel, making them accessible in a standardized format. Data is also available in materials management software platforms.

After data is imported into an analytics tool, the results are loaded into a database. The data must be stored in a single repository, like a data warehouse or a data mart in the cloud or on-premises to avoid silos and ensure everyone in the business is using the same information. Otherwise, individual departments or decision makers using different data will come to different, and sometimes opposing, conclusions.

Although some data is analyzed on a daily, weekly or quarterly basis, most data feeds for cost

and performance comparisons are analyzed monthly. This allows enough time to identify emerging trends and take action, but not too frequent that abrupt fluctuations don't have time to balance out after being triggered by an unusual event, such as a flu epidemic that sends an unusually large number of people to urgent care and drives up demand for certain healthcare supplies.

ACT ON THE ANALYTIC INSIGHTS

Data and KPIs should be displayed in an easy-to-read dashboard to make the KPIs understandable, relatable and actionable by showing, at a glance, the best and worst performing products or categories. Reviewing the dashboard regularly enables executives and managers to make smarter, data-driven decisions.

Analyzing data and implementing KPIs won't have any value unless the business acts on the information. Those actions can close the gap between planning and execution across the supply chain, decrease costs, improve processes and connect to the most sought-after suppliers. In addition, the insights uncovered through analytics and KPIs can identify opportunities, potential problems and supply chain issues.

For example, healthcare facilities can use the data to find product substitutions that offer a higher quality or lower price than products they're currently using. When working with a GPO, the facility can also determine how much it can save by moving to a different product tier.

GAIN A COMPETITIVE PROCUREMENT ADVANTAGE

Data-fed KPIs enable an enhanced level of visibility across the supply chain. The KPIs—displayed on a dashboard—give organizations the business intelligence needed to drive down costs. The information helps them find the best value on products, benchmark

against others and adopt best business practices to make smarter, data-based purchasing decisions.

By taking actions based on analytics and KPIs and working with a GPO, businesses can connect with the right suppliers to make purchases at the lowest prices possible. As competitive pressures continue to squeeze profit margins, achieving cost savings or moving to a better pricing tier can boost the bottom line, offering a competitive advantage.

TURN PROCUREMENT DATA INTO INSIGHTS

Data Sources

- Manufacturer's price
- Product description
- Packaging information
- Product usage
- Accounts payable
- Purchase date
- Manufacturer's part number

Analytic Insights

- Potential savings
- Pace of business to reach procurement goals
- Waste
- Purchase history
- Contract usage over time
- Comparisons to benchmarks
- Contracts about to expire
- Inventory

Let Us Help You Make Smarter Procurement Purchasing Decisions

Founded in 1994, Provista started out as an invaluable supply chain partner for the healthcare industry. Since then, we've expanded to meet the needs of small business and hospitality members, providing the bestpriced supplies, a robust contract portfolio, insightful benchmarking and much more. We offer a full-service approach to business purchasing that delivers unmatched savings to members and the organizations they serve.

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