

Supply Chain Cost Reduction Checklist

A 45-item working checklist for UK mid-market operators. Work top to bottom over 8–12 weeks. Tick the box as each item is evidenced, not just discussed.

1. Baseline & data (Week 1–2)

- ☐ Pull 24 months of AP data by supplier, cost centre, and GL code
- ☐ Reconcile AP spend to P&L cost of sales and overheads ($\pm 2\%$)
- ☐ Classify spend into direct, indirect, logistics, and services
- ☐ Identify top 20 suppliers by spend and top 20 by transaction count
- ☐ Flag tail spend (suppliers $<£25\text{k/yr}$) as % of total
- ☐ Map spend to categories using a standard taxonomy (UNSPSC or internal)
- ☐ Confirm data owner and refresh cadence (monthly minimum)

2. Category review (Week 2–4)

- ☐ Rank categories by addressable spend and ease of change
- ☐ Identify categories with >3 suppliers doing similar work (consolidation candidates)
- ☐ Check contract expiry dates for next 12 months
- ☐ Note categories with no contract or expired contracts
- ☐ Benchmark unit rates against market for top 5 categories
- ☐ Interview 3–5 internal stakeholders per major category
- ☐ List specification / demand-side changes worth testing

3. Supplier & contract actions (Week 4–8)

- ☐ Consolidate duplicate suppliers in stationery, IT peripherals, MRO
- ☐ Renegotiate top 10 contracts with market benchmarks in hand
- ☐ Introduce payment-term standardisation (Net 45 or 60)
- ☐ Move from list price to tiered / volume pricing where applicable
- ☐ Add index-linked clauses (CPI, commodity) to remove opportunistic uplifts
- ☐ Insert termination-for-convenience on any 3+ year contract
- ☐ Require open-book pricing on labour-heavy services

4. Logistics & inventory

- ☐ Review carrier mix (parcel, pallet, FTL) and consolidate lanes

- ☐ Renegotiate fuel-surcharge mechanism and accessorial fees
- ☐ Audit last 6 months of invoices for duplicate / incorrect charges
- ☐ Right-size safety stock using demand variability, not gut feel
- ☐ Identify SKUs with >12 months cover and initiate clearance
- ☐ Consolidate warehousing where utilisation <70%
- ☐ Test 4PL / control-tower model for multi-carrier lanes

5. Demand & specification

- ☐ Challenge specification on top 5 direct materials (over-engineered?)
- ☐ Standardise SKUs across sites to unlock volume leverage
- ☐ Introduce approval thresholds for off-contract spend
- ☐ Retire low-usage SKUs (Pareto tail)
- ☐ Move discretionary categories to preferred-supplier-only
- ☐ Publish a should-cost model for the 3 largest bought-in items

6. Resilience & risk (do not skip)

- ☐ Map tier-1 and tier-2 suppliers for top 10 SKUs
- ☐ Identify single-source risks and cost of dual-sourcing
- ☐ Stress-test working capital under a 20% demand drop
- ☐ Confirm business-continuity plans exist for critical suppliers
- ☐ Insurance and credit-limit review on top suppliers

7. Governance & tracking

- ☐ Agree savings methodology (baseline vs run-rate vs P&L impact)
- ☐ Set up monthly savings tracker signed off by finance
- ☐ Publish a category playbook per top-10 category
- ☐ Assign a named owner and review cadence for each initiative
- ☐ Report realised vs planned savings monthly to the exec

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Shared-savings engagement model: small contingent fee, the rest tied to realised savings.