



# 10 GPO MYTHS DEBUNKED

1

## **If GPOs are so great, why haven't more companies signed on?**

GPO participation may be higher than many realize. A 2011 study by the research firm Spend Matters found that 20 percent of the Fortune 1000 currently use a horizontal GPO, and they are seeing real savings of more than 10 percent on average. Those percentages have increased since 2011, but a GPO isn't always right for every company or organization, so be sure to speak with a procurement advisor before signing a contract.

2

## **A GPO cannot accommodate my unique requirements.**

GPOs operate within a framework that allows participants to enjoy all the benefits while retaining the ability to negotiate adjustments and incorporate options that address specific needs. GPOs understand the need for flexibility. Consequently, members participate fully in the structuring of the supplier agreements.

3

## **A GPO will lock me in.**

Participating members are not obligated to utilize a GPO holistically. Members leverage category offerings and services based on their unique needs and where the most value can be driven. A GPO member can choose to participate in one supplier agreement or many and are free to use said agreements as much or as little as desired.

4

## **We can realize greater savings on our own in some of these categories.**

New GPO members determine which of the pre-negotiated agreements they will participate in based on the available savings. There is no requirement that a member participate in all or even most of the categories offered. In addition to the hard savings, the company is bypassing the time-consuming RFP and sourcing processes and gaining the flexibility to impact other areas of spend and focus on more strategic initiatives.

5

## **GPOs are compensated through supplier rebates but the customer can't see the amounts.**

For Una members, this is not true. Most GPOs operate on administrative fees applied to gross sales that are incorporated into the pricing offered to members. The compensation is transparent to participants.

# 6

## **GPOs are geared to encourage more purchasing, not less.**

At Una, this is not the case. Sourcing professionals work with their supply partners to better understand the needs of their end users and create approaches that satisfy their requirements while reducing excess usage. GPOs facilitate these discussions by providing benchmarks across their membership so that businesses can establish achievable metrics.

# 7

## **A GPO is going to come between my team and our suppliers and seem like a threat.**

GPOs are sensitive to the perception that they are going to be viewed as an impediment or a competitor. That is simply not the case. The participants control the GPO, not vice versa. Think of the GPO as an additional resource that is taking on selected non-core categories, thereby enabling your team to focus on higher-value strategic sourcing.

# 8

## **A GPO means switching suppliers and that is always painful.**

Business and organizational procurement initiatives are motivated by saving money, so yes, some changes will be necessary. But in our experience, companies tend to be happier with their new suppliers. A GPO will have better processes and provide materials to enable customers to implement smoother rollouts and create seem less transitions.

# 9

## **My internal departments won't be happy about having low-bid suppliers imposed on them.**

Because of the total cost philosophy, an effective GPO's preferred suppliers are likely to be best in class, not corner-cutting low-bidders. Una Members don't have to worry about contract enforcement because the GPO provides that service. Due to a GPO's buying power, you will be regarded as one of your suppliers' largest, most important customers.

# 10

## **Why would I want to risk reducing my own relevance by outsourcing procurement?**

As an outsourced spend solution, a GPO actually addresses this concern rather than creating it. By partnering with a GPO, the procurement function expands the scope of its control and enhances its relevance to the organization.

## **This one's not a myth.**

A GPO alone doesn't provide a comprehensive procurement outsourcing strategy. The GPO model is not about covering every one of the 150-200 different areas of indirect spend. Rather, a GPO focuses on driving value on a broad set of categories that can have a meaningful impact for a large number of participants. Partnering with a GPO not only generates hard-dollar savings in the selected categories, but also enables corporate procurement to redirect freed-up resources to focus on other, more strategic areas.