

LHG's savings definition has been changed in 2019 – now focus is more the direct effect on impact on EBIT instead of procurement result

Procurement Success is the overarching key performance indicator of LPP.

It includes savings that are directly visible in the p&l (= Impact on EBIT) and savings which impact the financial result indirectly (= Procurement Performance).

new!

Procurement Success = Impact on EBIT + Procurement Performance

up to now

Procurement Success = Procurement Result + Procurement Performance

(LPP 2015 – 2018)

These different savings types are related to the fields “Reference Value” and “Savings Type” on tab “Financials” – make sure to choose the right controller!

Procurement Success	Impact on EBIT	Savings Type	Reference Value
		Routine Price Reduction	Previous Year Cost
		Routine Price Increase	
		Cash Rebate / Volume Discount / Signing Bonus	
		Process Improvement new!	
	One-time Effect / Initial Price Reduction		
	Procur. Performance	Other Procurement Result	Validated Target Value
		Cost Avoidance new!	

Start Financials Sourcing concept Specification RFx Negotiation Appro

General data

Currency EUR European Community

1. Reference value * Previous year

Internal/external Supplier External

Date contract becomes effective 27.03.19

	Forecast	Contracted	Actual	Sav.type/cat.
3.	<input type="text"/>	<input type="text"/>	<input type="text"/>	<div style="border: 1px solid black; padding: 2px;"> Please select Routine Price Reduction Routine Price Increase Cash Rebate Process Improvement One-time Effect Cost Avoidance Other </div>
	0	0	0	
	0	0	0	

There are defined fields in buy:process which are related to savings controlling, DI approvals and savings reporting (via Tracker)

Savings related fields ...

1. **Procurement unit (Start):** BU, Department or Team in charge for project – choose always your local team
2. **Financial controller (Start):** Responsible for DI2 / DI4 related approvals in BU – for savings with impact on EBIT!
3. **Procurement controller (Start):** Responsible for DI2 / DI4 related approvals in BU – for procurement performance!
4. **Cluster/Category:** Relevant for savings assignment and reporting in Tracker
5. **Reference value:** Selection of general savings assignment: Impact on EBIT (→ Previous year) or Performance (→ Validated Target Value)
6. **Internat/external supplier:** Project is focused on external or internal supplier
7. **Savings type:** Type of savings related to reference value

Example

Category Manager John Doe (OS) negotiates a new Catering-Contract for LHG with the AirFood Company with the following attributes:

- Procurement unit: VIE O/FP
- Cluster: Airline Product & Services
- Category: 220-01-01
Inflight Catering Food & Bev.
- Reference value: Previous Year (=Impact on EBIT)
- Supplier: External
- Savings Type: Routine Price Reduction
- Controller: Financial Controller responsible (due to Impact on EBIT)