



Complete Guide to Group Purchasing

How to optimize your procurement strategy and deliver value beyond cost-savings with group purchasing.

Empowering Sourcing Heroes

Una is on a mission to empower Sourcing Heroes to save money, time, and effort. Elevate your procurement strategies with the new perspective on group purchasing you gain from this guide.

As a group purchasing organization (GPO), Una partners with the best suppliers to provide businesses access to unbeatable savings on essential products and services, forging new relationships on a path for procurement success.

The *Complete Guide to Group Purchasing* is a tool designed to explain group purchasing, simplify procurement and empower you, the Sourcing Hero, to form an overall procurement strategy that meets and exceeds your business goals.

Together, we can do more.





What is a GPO?

A group purchasing organization (GPO) is kind of like the gatekeeper of savings for businesses.

A [GPO](#) leverages the collective buying power of its hundreds or thousands of members to get the best volume discounts out there from the suppliers and retailers you already buy from.

Sounds too good to be true, right?

While it's not a secret that GPOs can save you tons of money and even simplify your procurement program, it's still not a widely-known concept in the business world.

Why, you ask?

Well, it's complicated. Major brand names aren't announcing to the world that everyone can join a GPO, but they do depend on them to secure high volume ordering.

It also has a little bit to do with the history of GPOs, which we will get into next.



History of GPOs

The first group purchasing organization (GPO) was established in the healthcare industry in 1910. Growth was slow at first, with the number of healthcare GPOs growing to only 10 by 1962.

Medicare and Medicaid stimulated the growth in the number of GPOs to a total of 40 by 1974. That number tripled between 1974 and 1977 as medical costs and scrutiny increased.

Soon after, the GPO model caught on in other verticals like the business, hospitality, dental and veterinarian segments.

Horizontal GPOs succeed in reducing procurement costs by aggregating the demand for non-strategic, or indirect cost supplies and services used by a broad horizontal market spectrum of member client organizations.



A winning idea from 1910 that still lives on

The consolidation of purchasing power and the GPO's ability to establish contracts achieves preferred pricing, terms, and service standards for their members.



Why Group Purchasing?

The [group purchasing](#) method of sourcing motivates suppliers to give GPO members discounted pricing.

Most businesses only spend a modest amount in a particular category, like office supplies or parcel shipping. Because purchasing is all about volume, you end up paying more since you only need a small quantity.

Joining a GPO allows you to leverage the collective buying power of a group of people, meaning you can take advantage of those larger discounts without actually purchasing more.

The heavy lifting is already done - negotiated contracts with top suppliers are already in place.

All you have to do is pick your favorites and start saving.



Average Savings

Businesses can save 20-25% or more on products and services through group purchasing.

Types of GPOs

Horizontal

Horizontal GPOs serve organizations spanning all markets and industries.

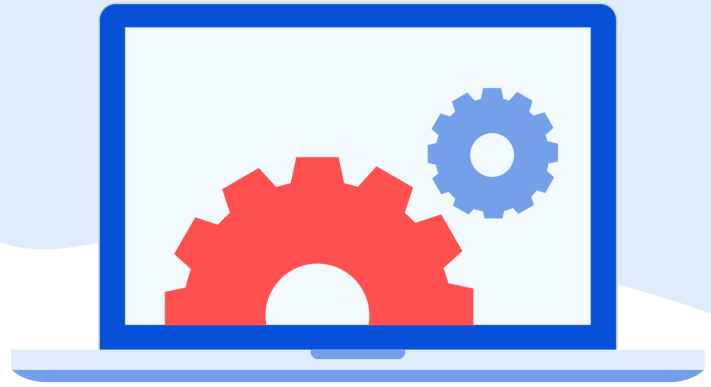
This type of GPO works with businesses of kinds, offering assistance on a broad spectrum of goods and services, mostly related to indirect spend.

Vertical

Vertical GPOs serve a niche segment of industry, usually created as a way for management or association groups to benefit their member companies.

This type of GPO is commonly found in the healthcare, hospitality, dental and veterinarian segments.





What You Need to Know

- How GPOs work
- How GPOs fit into procurement strategy
- How GPOs make money

With a holistic approach using group purchasing, you can reclaim your valuable time, find new cost savings, and focus on leading your team.

Let's start with the basics.



The Basics

Group purchasing organizations leverage the collective buying power of their members to obtain volume discounts from suppliers and retailers.

Any business can join a group purchasing organization and take advantage of a “strength in numbers” concept when purchasing goods and services. When you [join a GPO](#), your collective buying power increases, which means you join forces with a group of consumers to leverage the GPO size in exchange for discounts.

The best GPOs will have strong relationships with the world’s top suppliers. [Una](#) has spent years developing partnerships with high performing, culture-driven suppliers that are typically out of reach for most businesses. We happily serve as the gatekeeper, connecting our members to the best enterprise-level contracts available.

While some GPOs charge a fee, membership with Una is always free. Once you’re signed up, you have access to all of our supplier contracts and business savings can be achieved in just a couple week’s time.

Save More Than Money

Before joining, consider how a specific GPO will offer value beyond cost-savings. Are you saving time, or are you still having to negotiate terms with suppliers? Are the supplier contracts offered to you better than what you can get through your own effort?

Is group purchasing even the right solution for your business?

There are many ways to operate a successful procurement program. At Una, we encourage a diversified approach to sourcing where group purchasing enhances the values that drive your business.

The Million Dollar Question: How Do GPOs Make Money?

Typically, GPOs make money by collecting participation fees from their members, collecting administrative fees from the suppliers or a combination of the two. The membership fee may be a one-time thing paid upon joining or a set fee collected on an annual basis.

At [Una](#), our membership is always free to join and free to use. Every time you entrust your purchasing needs to Una, we get paid an admin fee by our suppliers. The negotiated committed volume Una brings to the table is much more efficient for major suppliers and they want business to reach our members.

We use the administrative fee to finance our services, allowing us to make and keep membership free for our members.

When [researching GPOs](#) and their pricing structure, we recommend working with one that is completely transparent about the way they conduct business and what they expect of their members when it comes to fees and purchasing volume.





What to Look for in a GPO

- Transparency
- Culture fit
- Speed to savings
- Advisory approach

Entering into a new business relationship is a big deal and forming a true partnership that is mutually beneficial takes time.

Selecting the right GPO to work with is an essential step in developing new comprehensive sourcing strategies.

Understanding the GPO Relationship

Find a GPO that offers [complete transparency](#) when it comes to membership, pricing or fees associated with joining, purchasing expectations and the supplier partners they work with.

Although the direct point of a [GPO](#) is to deliver instant value, a GPO focused on members will allow for flexibility and autonomy.

Be comfortable with the details of how everything works upfront so there are no surprises on the back-end after purchasing begins.

Culture Fit

Analyze your organization's culture and work with a [group purchasing organization](#) that mirrors your own values.

The right GPO will spend a lot of time validating suppliers to make sure they're a good fit, which in turn makes it a win-win situation for your organization.



Speed is always a factor.

Your GPO should connect you with a contract quickly, allowing your business to start saving within days or weeks versus months.

Advisory Approach

A GPO should help you buy smarter and understand what it is you really need by taking an active advisory approach, listening to your pain points and leading you to solutions. If done right, they will find a resolution whether it's something they offer or not.

In some cases, a member may want to keep their incumbent supplier and maintain those established relationships. A member-focused GPO will look for ways to make that happen while still delivering economic value.

When choosing the [right GPO partner](#), make sure they know their place in your overall procurement strategy. GPOs are a supplement to come alongside the C-Suite strategy. Group purchasing isn't the end-all-be-all and your GPO should know that.

Your GPO's main goal should be to provide immediate value to your non-strategic spend and then over time, look for additional ways to provide value in other categories or, better yet, in areas like reporting function, data and supplier transparency and accountability.

The Ultimate GPO Checklist

Use our free GPO checklist to help guide you through selecting the right group purchasing organization.

[Download](#)





How GPOs Can Work for You

- Savings solutions
- Delivering value
- The Una Difference

No matter the circumstances, group purchasing can be used as a way to reduce costs and free up your time to further develop your procurement strategy.

GPOs are designed to save you money, time and effort so you can focus on saving the day.

Procurement's best-kept secret

In the wake of the recent coronavirus pandemic, businesses have needed to cut costs, downsize or close their doors altogether. Those left standing are trying to breathe life into their organizations once again.

[Group purchasing](#) is procurement's best-kept secret. Being able to obtain savings (sometimes up to 80%) on products and services you need to run your business is an incredible advantage, especially when times are tough.



A true partner

Your GPO of choice should be an extension of your procurement team that ultimately improves your bottom line.

Value beyond cost-savings

The cost savings are key but beyond that, [GPOs](#) unlock additional savings in terms of time and effort. Procurement outsourcing can span several activities, from strategic to transactional, as a way to secure lower prices and create value. This means you're able to ditch the lengthy RFP process and the time it takes to vet a supplier in order to focus on other areas.

Most importantly, membership with a GPO can provide Sourcing Heroes with something they're sorely lacking – access to other procurement experts who can provide advice.

The Una Difference

Each organization has its strengths and many have unique product offerings in addition to the benefits of group buying power.

Una's people, [our values](#), and our community engagement set us apart. Our passion lies in being value-driven, member-centric, partner-focused, and committed to educating, advising, and enabling businesses to achieve tremendous savings.

From dedicated account managers and personalized consulting to spend analytics and supplier management, membership with [Una](#) is all-encompassing and supportive every step of the way.

Join now and find your true partner in procurement.

Be empowered to take advantage our increased buying power, comprehensive savings solutions, and superior service today.

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