



Rent-A-Center Outsources Procurement

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In a sense, rent-to-own retailer [Rent-A-Center](#) allows customers to outsource the procurement of goods such as home electronics, appliances, computers, furniture, and accessories. The Texas-based chain provides products through flexible rental purchase agreements that generally allow customers to obtain the merchandise at the conclusion of the rental period.

Seeking sustainable cost reductions and process improvements, Rent-A-Center is now doing some procurement outsourcing of its own. The retailer will utilize the infrastructure of procurement services provider [ICG Commerce](#), including category experts and process specialists, a best practice-driven buying center, and flexible tools and technology. By leveraging this infrastructure, Rent-A-Center intends to better perform processes including strategic sourcing, savings implementation, transaction processing, and ongoing category management.

According to the Aberdeen Group July 2005 "Procurement Outsourcing Handbook," the primary benefit of business process outsourcing (BPO) in most functional areas is cost savings through labor reductions, traditionally accomplished by offshoring. However, the study indicates that in the procurement area, BPO is much more impactful and rooted in acquiring better capabilities to continuously lower cost of goods and services purchased externally to run the business. This cost can represent up to 80 percent of a company's revenue.

Thus Rent-A-Center stands to quickly achieve and sustain operational cost savings across a broad scope of expenditures. Initially, the retailer will focus on outsourcing strategic sourcing and supplier enablement activities, along with implementing a hosted transaction platform. In the second phase of its procurement outsourcing project, Rent-A-Center will also leverage ICG Commerce's buying center for miscellaneous purchasing and spot buys. The retailer will then initiate ongoing outsourced management of specific buying categories for continuous savings opportunities.

Rent-A-Center is following an increasingly popular strategy of utilizing managed services to reduce the complexity and cost of doing business and increase the time and manpower available for performing core tasks. In Rent-A-Center's case, that means worrying less about getting products into the store and more about executing rental agreements to get products out of the store and into customers' hands.