



WHITEPAPER



2021
Indirect Procurement Report

From Disruption To Recovery

Foreword



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It's too early to say if the crisis caused by the COVID-19 pandemic is going to end anytime soon. New variants are still emerging, prompting governments across the globe to continue to close borders and impose lockdowns. But we can see that the world of post-pandemic procurement is beginning to take shape.

Our fifth annual survey of the state of maintenance, repair and operations (MRO) procurement, conducted in partnership with the Chartered Institute of Procurement & Supply (CIPS), shows that sustainability is a rising concern, alongside reduced operational budgets and the need to cut inventory costs.

We should all recognise the magnificent efforts of procurement professionals around the world to overcome unprecedented supply challenges. They have forged what consultancy firm McKinsey now calls "the next normal".

But behind the success stories there's still a war for talent going on in the profession. Almost a third of those surveyed said finding people that understand best practice procurement for this category was one of their top day-to-day challenges.

This year's survey was our biggest yet. I would like to thank the more than 1,300 people globally who completed the survey to produce what we believe is the most authoritative resource for people involved in MRO procurement.

From their feedback, it soon became clear that sustainable and ethical procurement had become a priority for a larger number of organisations than ever before, emerging as one of the top three business pressures for the first time.

With mounting evidence of the impact of climate change, that's hardly surprising. But we should not lose sight of the fact that sustainable procurement also means avoiding sources which use modern slavery or abuse workers' rights in other ways.

Once organisations have chosen the right supplier, they

can only guarantee those standards are upheld by avoiding ad hoc purchases off contract. Digital tools allow end users to get what they need while providing transparency for the procurement team.

Whatever tools you use, some fundamentals never change. Our 2021 survey found that the challenge of reducing operational budgets and the need to manage inventory more effectively remain key business pressures for MRO procurement professionals.

Managing stakeholders over multiple sites and finding people who understand the category are the leading daily challenges. And while eProcurement is seen by more organisations as a route to improving efficiency, fewer are focusing on supplier rationalisation.

This year, UK organisations have an average of 83 MRO suppliers and 151 overall for indirect supplies. Average UK indirect spend is £2.4 million - £200,000 more than in 2020.

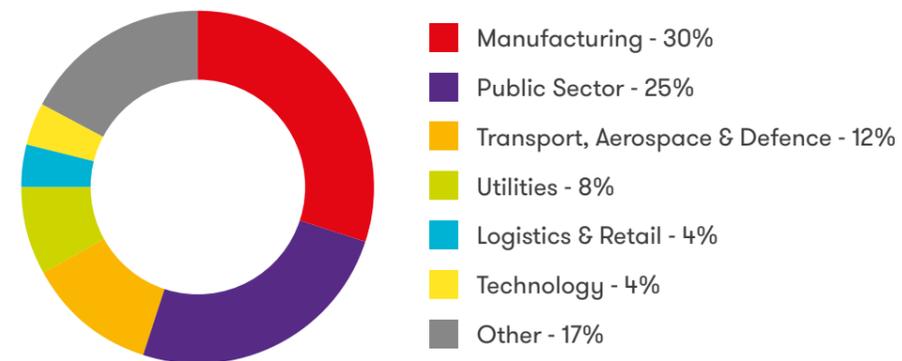
Our survey points clearly to the business value of having a trusted, resilient supplier, like RS Components, by your side in these difficult times. We encourage our customers to draw on our experience and expertise to help them achieve their goals.

When it comes to achieving value for money, taking a total cost of ownership view can reap big rewards in terms of controlling costs and getting components that will endure in service. Making sure the benefits are communicated to stakeholders is vital.

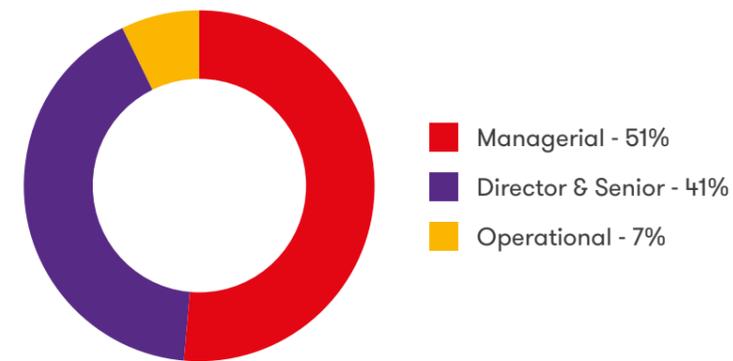
Technology has an important role to play in improving communication, allowing people to have those open and honest conversations, particularly when many continue to work remotely.

Of course, the job of MRO procurement is to keep the business running in the most efficient and effective way. With the right tools, working together in partnership, we can rise to the challenge of a world where new pressures jostle with the traditional challenges of maintaining cost and quality control.

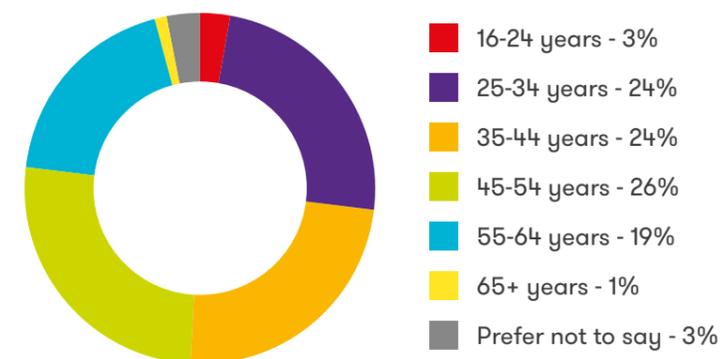
Industry sector in which participants work



Level of role within procurement and supply chain



Age group for respondents



1

The rapid rise of sustainability as a key priority

The need to be sustainable and ethical is not new. But what is striking this year is the speed with which its importance has grown for MRO procurement teams – it has entered the top three business pressures for the first time.

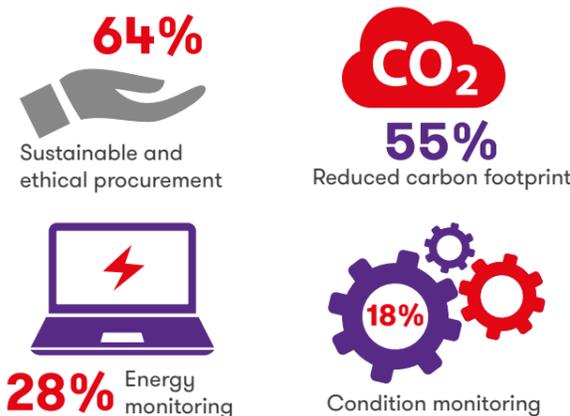
At the height of the pandemic many large strategic projects, including efforts to tackle climate change were put on hold. This year’s survey suggests these projects are once again gathering pace as organisations seek to deliver on their commitments to create a better world.

The mantra “build back better” implies that everyone, including companies and public bodies, will actively play their part. Consumers have come to expect it and investors are increasingly looking to support a greener or low-carbon economy.

More than half (64%) of UK organisations in the survey have a strategy in place for sustainable and ethical procurement. It’s a global priority with similar levels of commitment in Europe, the Middle East, Africa and the Asia Pacific region.

The pressure to be sustainable and ethical is felt most strongly among procurement managers, who rate it as one of their top two business pressures, second only to the need to reduce operational budgets.

Company strategies in place



In the UK, 55% of organisations surveyed have a carbon reduction strategy. Cutting emissions has jumped up the must-do list this year as a business priority, up from 48% in 2020. Globally, only 6% said the pandemic had caused their carbon reduction strategy to be put on hold.

When it comes to reducing carbon emissions, it should be noted that a company’s supply chain can create far greater environmental harm than their own operations. Supply chains can account for more than 80% of a firm’s

total emissions and over 90% of the impact on air, land, water, biodiversity and geological resources, according to consulting firm McKinsey(1).

So how are organisations advancing sustainability in the UK? Most (86%) are recycling their waste, up from 79% in 2020. Two-thirds (66%) use renewable energy and almost half (45%) consolidate orders to reduce transportation – both these latter measures are 10% higher in 2021 than the year before.

Almost two-thirds (62%) are reducing plastic packaging (up from 54% last year) and two-fifths (41%) are using electric vehicles, up by 12% on 2020. In fact, the UK has seen increases in the use of all the sustainability practices in the survey.

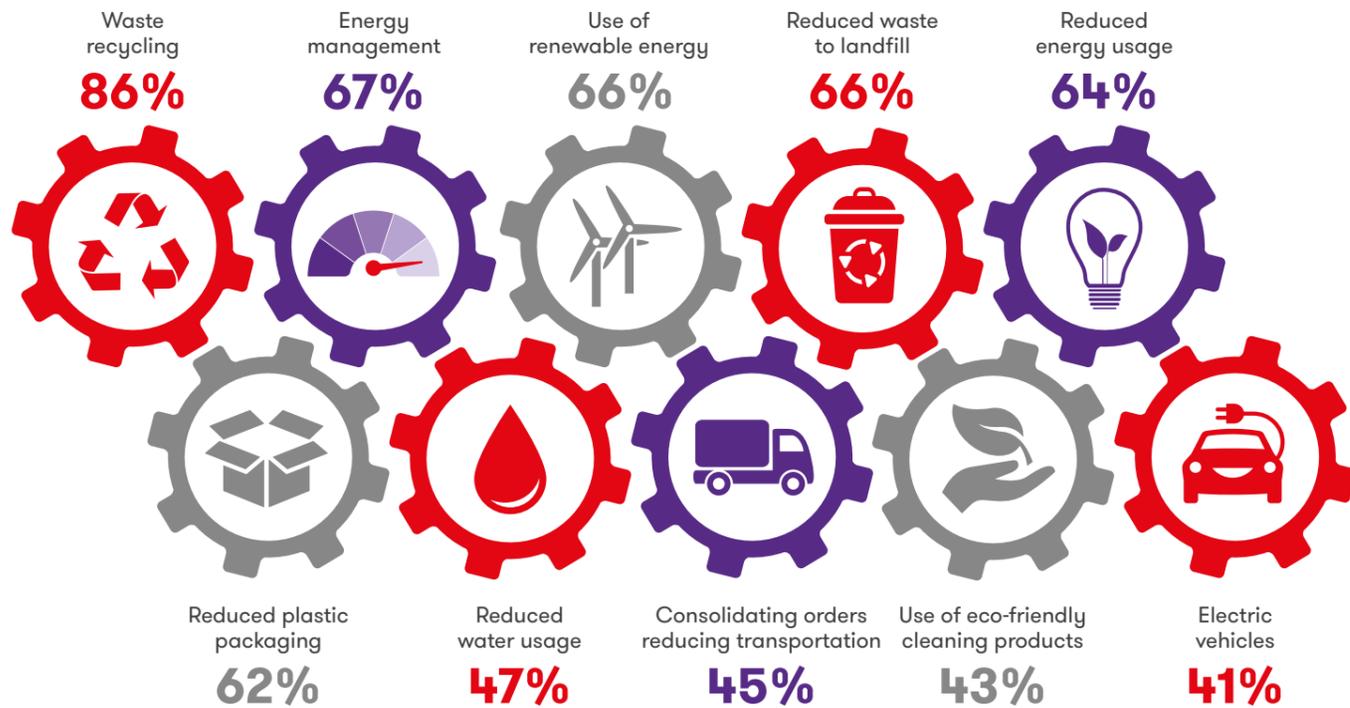
“Sustainability doesn’t have to come with a hefty price tag,” according to McKinsey. “When companies optimise their operations – whether to increase productivity, improve quality or reduce cost – better environmental performance can be a by-product. Efficient manufacturing processes and supply chains don’t just cost less to run: they also consume less energy, use fewer resources and produce less waste.”

Concerns about sustainability are shared by suppliers. One respondent to the survey put it like this: “Suppliers are being sensitised to sustainability.” Another said that it was vital that suppliers are “ethical and transparent in their operations”.

The importance of specifying what the buyer expects was emphasised by this respondent who said: “We write down everything we expect from the service supplier, such as service description, delivery terms, quality and ethical standards.”

Already, many businesses in the MRO sector have codes of conduct for suppliers, detailing their requirements for ethical and sustainable operations, data privacy, diversity and inclusion, employment and working conditions, and health and safety measures.

Practices in place to support reduced carbon footprint strategy



Analysis

The rapid rise of sustainability as a key priority

“Environmental Social and Governance issues have been growing in importance for businesses for some time,” says Andrea Barrett, Vice President Social Responsibility and Sustainability at RS Components’ parent company Electrocomponents.

“The pandemic has highlighted the need for businesses to have a strong ESG approach with their customers, suppliers, people and communities. For example, it’s shown how important it is to build a sustainable supply chain and strong supplier relationships. This is key to ensure resilience and continuity of service in the event of a major crisis.

“The pandemic has highlighted the vulnerability of the world and has been a wakeup call for business that we cannot continue on a business as usual pathway forever. We must take action to tackle climate change and now we have a key opportunity to build back better and greener.”

So, it’s not surprising to see that the ESG agenda has grown in importance and many companies in the MRO sector are accelerating their action, despite the challenges created by the pandemic.

Stakeholders from investors to customers and employees now expect companies to set and uphold high ethical and environmental standards and become more sustainable, she says. For those who do, the results are tangible.

Helen Alder, Head of Knowledge at The Chartered Institute of Procurement & Supply (CIPS) echoes the notion that sustainability is a win-win for business and the procurement function:

“Sustainability is increasingly being incorporated as BAU activity,” she says. “Not only does it help with showing customers and consumers your organisation is trying to address environmental and social issues, but it can also help your organisation manage risks such as security of supply more effectively.”

Andrea Barrett agrees and believes a commitment to ESG can be a sign of an organisation that is ready to meet the challenges that come its way. “Businesses that prioritise sustainable business models are more innovative, they have stronger performance, they’re more resilient to shocks in the market, they have lower net debt, are more likely to attract talent, they have better relationships with their

suppliers and they are producing more innovative products because they understand the need to help their customers transition to the low carbon economy,” she says.

A report for the World Economic Forum(2) found companies that adopted sustainable procurement practices had increased revenue by up to 20%, reduced supply chain costs by up to 16% and shrunk their carbon footprint by up to 22%.

Kate Davies, Head of Global Commercial Services at Electrocomponents agrees it’s past time to act. “I think it’s essential that we start to tackle some of the more challenging aspects of sustainability within the MRO supply chain,” she says.

“The need to ensure you are qualifying your supply chain has never been greater,” she says. “The risk of purchasing goods that are not fulfilling what they appear to be, especially in terms of quality and sustainability criteria, has increased enormously.”

Richard Wilding, Professor of Supply Chain Strategy at Cranfield University School of Management, agrees. He says sustainability in the supply chain has implications for the very future of any business.

“Investors are looking to see which companies set and deliver more ambitious ESG goals,” he says. “So therefore, if an organisation wants to borrow money, the banks are going to be asking questions about the company’s ability to deliver those goals.

In 2021, 15% of mutual fund assets are held in funds that consider ESG, according to Numis(3). But by 2025, that could rise to 57%.

Professor Wilding says it’s important to have good transparency and continuous monitoring of your supply chain. “It goes right up to board level, so procurement effectively is having to think much harder about this, because you can end up with board directors being held to account for labour or environmental abuses. When people realise that they could be hauled into court, it focuses their minds,” he says.

He says traditional approaches of looking for the cheapest supplier won’t work if sustainability is the focus. It’s important to source from suppliers who can be trusted to share your sustainability goals – and deliver on them.

Organisations like [EcoVadis](#) and [Sedex](#) can help companies validate and improve suppliers’ sustainability credentials, says Andrea Barrett. It’s important companies don’t make lots of individual information requests with their suppliers, as they can become swamped by reporting instead of

focusing on taking action to improve standards.

A recent McKinsey report highlighted the environmental benefits of taking a total cost of ownership approach to procurement. It cited the example of a road-building company that reduced its emissions by 40% by switching from buying raw materials on a lowest-cost-per-tonne basis to looking at the financial and environmental benefits of using suppliers closer to where the work was being carried out(4).

Richard Jeffers, Director of Maintenance Solutions at RS Components, agrees. “If you’re an operational engineering and manufacturing business, you’ve always been interested in reducing energy and water consumption, normally because it’s a very large element of your cost base.”

Providing what he calls “cold pound note reasons” to become more sustainable is the best way to influence stakeholders. “With the best will in the world, for the average engineer ethical sourcing of a replacement component probably isn’t the first concern,” he says. “What they are interested in is reducing maintenance and utility costs.”

“However, in MRO reducing costs and carbon can go hand in hand,” says Andrea Barrett. “For example, ensuring your operations run at peak efficiency reduces costs, and very likely reduces energy consumption and carbon emissions. Likewise, condition monitoring of equipment can eliminate air or water leakages, which reduces both environmental impacts and costs.”

A report co-written by PwC(5) outlined the key elements that need to go into a sustainability business case. They are: cost savings, risk reduction, brand and reputation protection and new value creation opportunities.

2 Managing the pressures of the COVID-19 recovery



It may seem premature to talk about life after COVID-19, but at the time of our survey in mid-2021 the world was starting to recover economically from the effects of lockdowns and travel restrictions imposed to fight the virus.

While some industries saw demand fall during the pandemic, others, such as food and beverage companies and makers of Personal Protective Equipment (PPE) saw production soar.

Across the UK, more than half (54%) of those surveyed say COVID-19 disrupted their supply chains, with small and medium size businesses facing the greatest turbulence – 65% of them reported disruption.

Almost a third (30%) of UK respondents said some of their suppliers had gone out of business during the pandemic and 19% said the pandemic had accelerated supplier rationalisation. As one respondent explained: “COVID has disrupted the supply and so companies will now focus on rationalising the suppliers.”

At the same time, 15% of UK organisations reported that procurement headcount had been cut because of the pandemic and 36% said their staff had been placed on furlough. And 22% said MRO spend had decreased because of COVID-19.

But by no means all the effects have been negative. Over a third (36%) say that collaboration with suppliers is increasing. One respondent said the pandemic had created an opportunity to “be more agile and work more closely with suppliers”.

Others spoke of building “stronger partnerships with suppliers” and “deeper engagement” as on time delivery remains the leading KPI for 85% of UK organisations followed by quality (77%) and availability (56%).

Average indirect spend is rising year on year and pressure to deliver annualised cost savings has eased, with 45% identifying it as a challenge in 2021 compared with 51% last year.

Pressure to improve asset performance has risen while reduced operational budgets are seen as a pressure by 55%, down from 59% last year. Many see digital tools as the key to managing the recovery.

Almost a third of UK organisations (28%) say there has been increased use of digital tools to support purchase-to-pay processes as a result of the pandemic. One respondent summed up the views of many when they said: “We are moving towards full implementation of eProcurement.”

Anecdotally, many respondents fear rising prices as the recovery gathers pace. One summed up their worries as: “Increased delivery times, higher logistics costs, increased raw materials prices.”

The hard work, innovation and agility of MRO procurement teams has had one major benefit. Almost half (45%) said the status of MRO procurement within their organisation had been enhanced by the pandemic.

Changes since COVID-19

54%

Supply chain disruption



46%

Importance of procurement



36%

Collaboration with suppliers



Increased use of digital tools to support purchase-to-pay processes

Analysis

Managing the pressures of the COVID-19 recovery

What should be your priorities as the world recovers from the COVID-19 pandemic? For Electrocomponents' Kate Davies, it starts with improving communication across the business.

"The pandemic has brought about a greater understanding of the critical role functions like MRO play in the greater context of business strategy. Further communication and knowledge sharing is required to capitalise on the value of shared knowledge and wider context for change," she says.

"This is where the real step change in value can be achieved, enabled by technology and the reduction of narrow KPIs that generate silo thinking. Opening up conversations through matrix working and the generation of a shared strategy for MRO and procurement teams alike allows awareness of the trade-offs and balance between time, cost and quality together rather than in competing isolation."

Richard Wilding, Professor of Supply Chain Strategy at Cranfield University School of Management agrees. He says the pandemic is an opportunity to align KPIs across the business and to ensure especially that MRO and procurement have the same goals.

He places the emphasis on improving relationships across and beyond the business. Supplier relationships need to improve to provide resilience in case of future shocks like COVID. "It's not a chain, it's a network," he says.

"It's all about that relationship and I think that's a big thing we've learned. Those good old days of shoving suppliers through a tender process all the time just means your supply chain is going to be highly susceptible to shock," he explains.

Kate Davies says that although supplier rationalisation seemed to have stalled in this year's survey, it will restart and it's important that procurement people use the right criteria when selecting their post-pandemic suppliers.

Clearly, she says, sustainability will be a priority. "Sustainability within the supply chain means being able to hold your rationalised supply chain to account for the behaviour and ethics of its own manufacturers, right down to the grassroots level of where components are being produced," she explains.

"There's a lot more onus now on the first-tier supply chain to provide a very robust analysis, an audit trail, of all of its supply chain services or goods. We've all been challenged to think about things in a different way."

Helen Alder agrees:

"In the first few months when the pandemic hit, it was like a heart attack for the global economy – the flow of goods slowed or stopped completely before organisations worked out how to keep things going. One of the biggest impacts I'm sure is that procurement will look to those critical MRO parts and the security of supply going forward to make sure they are working with the right suppliers – those big enough with enough buying power to provide that security."

Alder is also hopeful that the pandemic may shift the focus in MRO procurement away from purely price. "It's always been in procurement's role to keep a grip on cost, but they have to buy the goods and services to keep their organisations going," she says. "More enlightened organisations realise it's not just about price paid, but the total cost, including the process costs of buying and storing goods."

"In addition, they can also look at additional services suppliers can provide to add value which may help improve efficiencies, manage risks and aid business continuity planning."

The recovery creates an opportunity for innovation, especially in a rather traditional supply chain like MRO. "There's a lot of innovation out there," says Davies, "but it's been in pockets and not applied end to end across the supply chain."

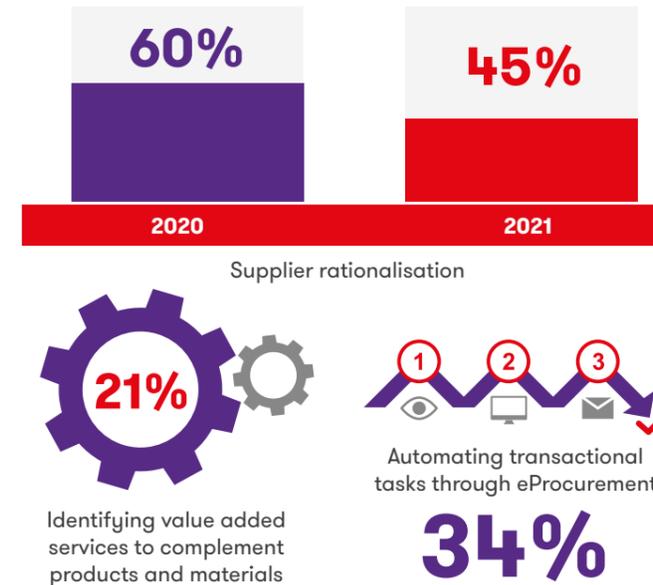
Value added services are a good example of how things are changing, she believes. "Procurement teams are more receptive than they were before. It's less of a control element and more of an openness and a willingness to consider alternative ways of doing things and inviting your supply chain in to look at some of those opportunities together and collaborate."

RS Components' Richard Jeffers worries that maintenance may have been neglected due to lockdowns and reduced

MRO tenders



Procurement efficiency strategy



budgets. It's important to plan for the future, he says, and get back into the rhythm of planned maintenance schedules.

"If you stopped doing maintenance today, it's not going to hit you until two or three years down the line. Likewise, if you start doing maintenance again it's going to take you a long time to get back up again," he says.

"And so, for companies which stopped regular maintenance activity, the next 12 months are going to see the impact of that lack of activity starting to hit them in terms of reliability."

He says businesses that saw demand increase during the pandemic need to invest their way out of the pandemic by adopting technologies like condition monitoring that will help them avoid outages and maintain output through a future crisis.

The signs are encouraging. "People who are talking to us are much more interested in talking about digital tools than the more traditional man-in-a-van type condition monitoring," he adds.



3

Business continuity planning

impacted by COVID-19 but ready for a comeback

Half (50%) of the UK respondents in the survey have a strategy in place for business continuity planning (BCP) for critical parts. The surprising fact, given the disruption caused by the pandemic, was that this figure was only four percentage points up on 2020.

Nevertheless, over 40% of respondents in the rest of the world state their organisations have a strategy in place and one respondent said their key learning from the pandemic was: “Focus on supply risk management, ensuring availability of alternative suppliers, business continuity measures and strategies.”

For many in the profession, coping with the challenges of maintaining supply chains through the pandemic has been a full-time job. Maintaining continuity of supply has been the immediate focus, rather than planning for it.

One respondent said the events of 2020 meant that in future they would “focus on sustainability and resilient approaches and learn from the pandemic’s impact on the supply chain”. Another expected their suppliers to shoulder the burden of “robust business continuity planning”.

The emphasis for many over the next six to 12 months was summed up by this person who said they wanted “more collaboration with suppliers to support them and devise business continuity plans together”.

Others identified the challenges posed by differing rates of recovery from the pandemic. While business conditions in the UK might be improving, they saw the need to plan for a situation where “other countries are still in complete lockdown”.

There was a widely shared emphasis on the need for increased safety stock and, as one respondent said: “Demand planning and contingency planning, and relationship building with cash-rich strategic suppliers.”

But perhaps this comment best summed up the change in mindset brought about by the pandemic:

“Strategic procurement has become crucial.”

Average number of suppliers used



Analysis

Business continuity planning – impacted by COVID-19 but ready for a comeback

What lies behind the apparent reluctance of the MRO procurement profession to propel BCP for critical parts to the top of their agenda? Cranfield University School of Management's Richard Wilding believes this has merely been deferred.

He says that with massive disruption during the pandemic, those organisations which had contingency plans have been busy putting them into practice. Refining them in the light of experience will come later.

“Continuity is not just about your business but the whole supply chain,” he says. “And it’s no longer about competition between companies but between supply chains. Whose is best able to stand the test of resilience? So, ensuring the continued competitiveness of the complete supply chain is really important,” he adds.

Helen Alder of CIPS believes that most businesses were caught cold by the pandemic, forced to make new policies on the fly. “Foreseeing a pandemic probably didn’t appear on most organisations’ business continuity planning and if it did, the likelihood of it happening was probably so low that they either didn’t prepare, didn’t know how to prepare or even if they did, couldn’t foresee all the impacts,” she explains. “Most firms were reacting and maximising existing relationships and adapting to working online where they can.”

Electrocomponents’ Kate Davies says planning is starting to adjust to the new higher risk of the current situation.

“Some necessary new processes and practices have not made their way into ‘business as usual’ yet,” she says. “We will see a move from temporary change in behaviour to embedding new best practice over the next 18 months to two years. There is inevitably a transition period while

businesses adjust, re-evaluate and embed change.”

Mature procurement functions will also use the opportunity to look at total cost of ownership of the materials they purchase, she says. It has never been more important to look at the true costs of buying cheaper, inferior quality products. “It’s a huge insight for a procurement team to focus on something wider than just the cost of components, and they are ideally positioned to do this,” she adds.

A report by consultants EY on continuity planning⁽⁶⁾ says budgets need to be stress tested in light of what has happened, and if they fail the test they should be revised.

The report says that stakeholder communication and employee engagement should be at the heart of any business continuity plan. Lessons learned from the pandemic about protecting employee health and safety are a vital component.

The key, say the consultants, is to create a plan that allows the organisation to be agile. This means that all options, including the possible need to scale back operations – and the impact of that – should be evaluated and included in the plan.

Emphasising the importance of adaptability and flexibility, the Business Continuity Institute advises procurement teams to plan for a range of scenarios and to set up a cross-functional risk team who can operate as an emergency management centre if disaster strikes.

4

Stakeholder relationships a business-critical skill to develop



In all our previous surveys, MRO procurement professionals have reported challenges with stakeholder relationships. This year, 38% say it is either quite or very difficult to get stakeholders on board with changes they need to implement, although that figure is down from 42% last year.

Moreover, the average number of internal stakeholder relationships that MRO procurement professionals have to manage has almost doubled from three to four in 2020 to five to six in 2021.

They are also having to engage with new types of stakeholders.

In addition to the more traditional relationships with operations and maintenance, in the UK 21% say they now work with education and training, an increase on 2020. A similar percentage also engage regularly with research and development.

The key driver of problems in stakeholder relationships, identified in the survey, is resistance to change. Feedback from the survey indicates where the problems lie, and time is common to many of the issues identified.

“The process of change is complex and slow. They find it too difficult to wait for the process to happen and ‘go it alone’,” said one respondent. Another cited “time and availability, the responsiveness of stakeholders”.

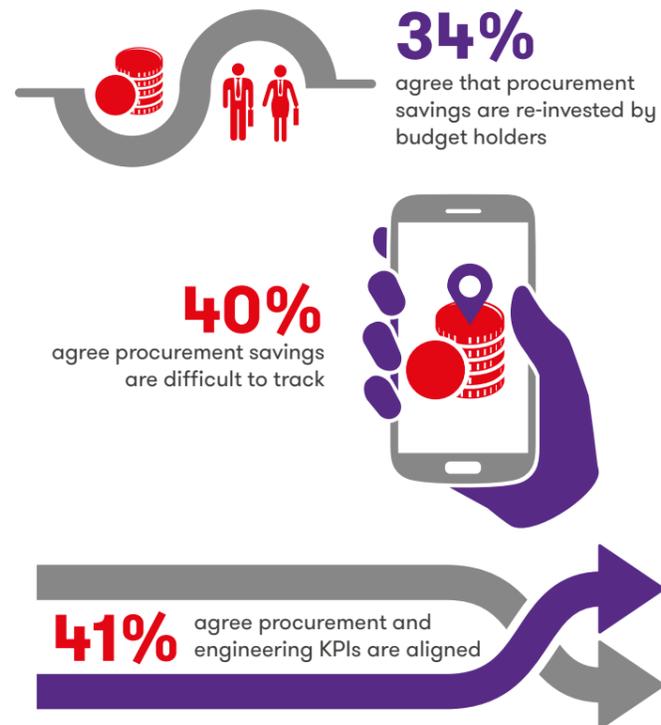
Sometimes the sheer number of people who need to be consulted slows things down. One respondent said: “The organisation has a flat structure which requires an abnormally high number of stakeholders, each with their own opinion.”

Another added: “So many stakeholders and they most times will not agree; they won’t sit together and agree on even simple decisions.” For others it’s a simple lack of understanding of procurement processes.

Some fear the unfamiliar: “They are normally used to doing things in certain ways and become resistant to change of any kind.” Another added: “They don’t like guidance from procurement – they feel it burdens their ability to do their core functions.”

But not everyone in the survey was pessimistic about improving stakeholder relationships. One said: “Relationship management with external and internal

Stakeholder relationships



stakeholders will improve. It’s easier to manage expectations after witnessing COVID disruptions.”

Almost half of those questioned (49%) identified managing stakeholders across multiple sites as a key daily challenge. Although most UK organisations (45%) operate across one to five sites, 14% have 21-50 and one in 10 have over 100 locations. Respondents spoke of having “a lot of different sites with different people responsible for the purchasing”.

“Sometimes your system may not match with your stakeholders, which will require a lot of time, training, money and resources and this will create resistance,” said one respondent. “For example, my organisation is using eProcurement while my stakeholder is using paper-based procurement.”

Finally, this respondent summed up the dilemmas inherent in managing stakeholders: “Stakeholders want speed and quality. Procurement in addition has to worry about cost, reliability and sustainability.”

Analysis

Stakeholder relationships – a business-critical skill to develop

“I’ve worked in a few businesses where I’ve worked closely with MRO teams, and engineers are a notoriously difficult category of stakeholders if you do not first seek to understand MRO operational strategy,” says Electrocomponents’ Kate Davies.

“My advice to procurement people would be to roll your sleeves up and start to understand the end-to-end process because sometimes, if you’re focused on the individual component, you can’t see the whole lifecycle impact, and that’s not going to win over stakeholders.”

“Challenge your stakeholders to bring you into the strategy and not just the supply chain,” says Davies.

“A great example is where we select a cheap alternative, but don’t consider the cost of maintenance, product lifespan or even an element of planned obsolescence. You now have a team of people required to maintain a part due to frequency of maintenance which could have been eradicated through a greater understanding of the wider business process.”

She says that developing a rapport with all stakeholders is absolutely critical to understanding where MRO procurement can add value. To that end, she says it’s important to make sure that the KPIs of procurement and MRO are aligned.

“Often in KPIs for procurement teams, cost features quite heavily,” she says. “But it depends on what your perception of cost is. Is it the cost per part, or is it the cost for that business process, and the cost to serve?”

“By zooming out and having that wider context you can hook together your KPIs with the overarching KPIs for the business and you can deliver for the whole business.” But what about the role of technology in improving communication with stakeholders?

RS Components’ Richard Jeffers says: “I am not convinced that digital tools are going to suddenly transform the world of stakeholder management.

“I talk to a lot of engineers and in my previous life when I was a group engineer, engineers often say they don’t have enough money because the business doesn’t understand them.

“The problem is that, in a lot of cases, engineers are not able to have fact and risk-based conversations about

the consequences of doing some activity versus the consequences of not doing the activity.”

Getting hard data is an essential basis for starting a dialogue, he says. “Maintenance is an insurance policy; you insure yourself against unplanned failure. Like every other insurance policy, you’ve got to make a cost-benefit analysis about how much you want to insure your risk,” he adds.

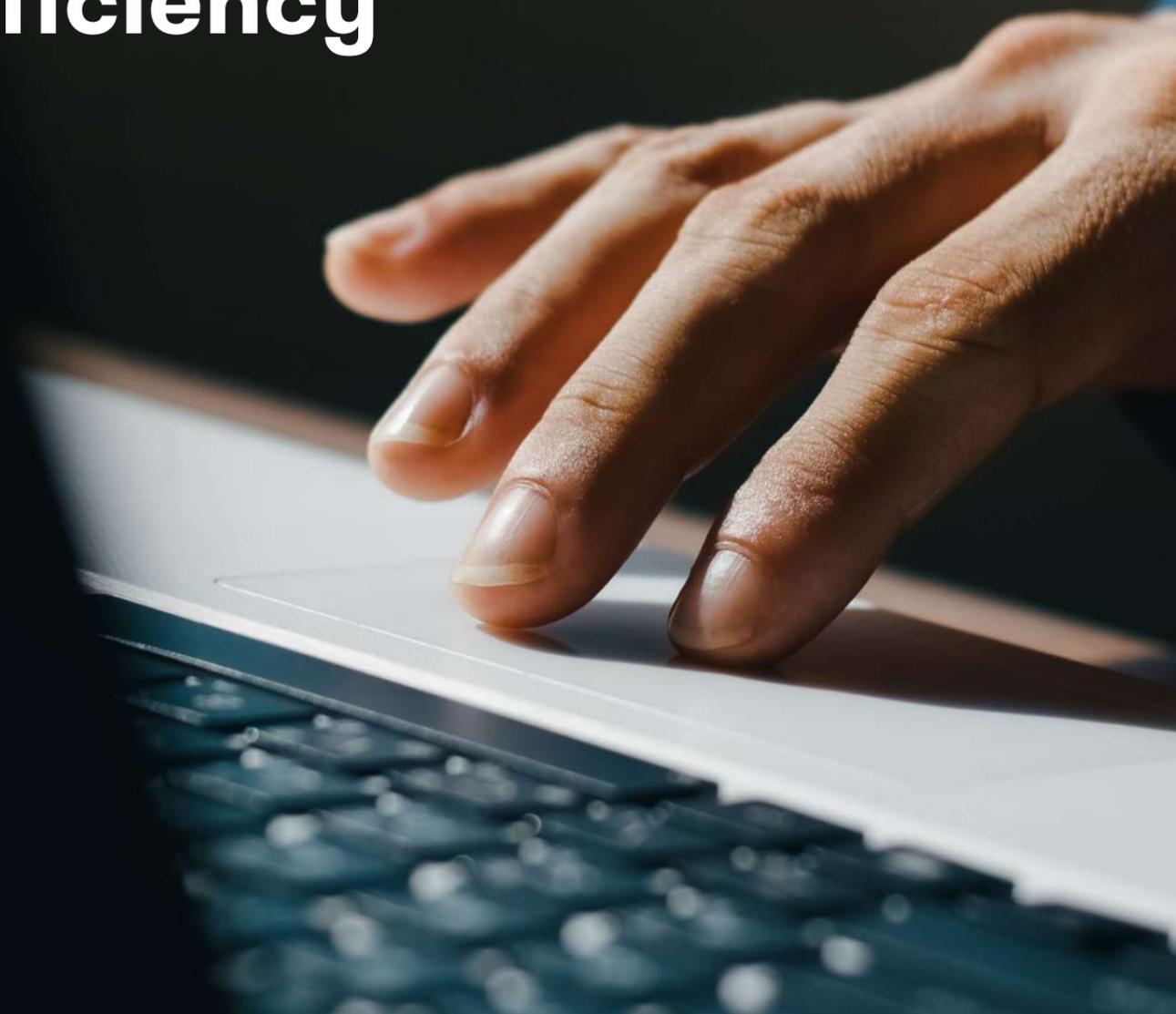
“Clearly, if you’ve got better data, you’re probably already having good-quality conversations.” He says it’s vital that engineers and procurement people share data in an open and honest way so they can see each other’s perspective.

It’s an approach that consultancy firm Deloitte endorses. Its 2021 Chief Purchasing Officer survey(7) found that the most successful procurement leaders focus on relationships and building their influence across internal functions and with suppliers.

“Procurement organisations need to think of service providers and partners as their extended enterprise and put stakeholder management at the centre of their strategy,” said the report.

5

Digital solutions are the key to improving efficiency



In response to the multiple challenges facing MRO procurement, our survey shows broad agreement that digital tools are an effective way of improving efficiency.

A third (34%) of UK organisations are automating transactional tasks through eProcurement.

In 53% of organisations stakeholders are already using eProcurement channels to make purchases and 26% are actively training their end users in how to use new purchasing systems to increase MRO procurement efficiency.

Almost a third (28%) of those surveyed reported an increase in the use of digital tools to support purchase-to-pay processes since the start of the COVID-19 pandemic. And there was a general trend towards using digital rather than face-to-face ways of working.

Managed inventory services used



Indeed, there was a shared view that digital tools would play a greater part in contract negotiations with suppliers in the future, as well as enabling remote working while the effects of the pandemic continue.

“There is going to be more investment in the use of digital tools as tenders and meetings are now being done remotely,” said one respondent. Asked about plans for the next year one person said simply: “To digitalise all procurement processes.”

Many people said that digital communication tools, introduced to better enable homeworking during lockdowns, will become a fixture in their business, for contract management as well as team meetings. The term “digital collaboration” was widely used.

“Everything will be more digitalised, unlike before,” said one person, “we are likely to continue managing procurement operations through virtual meetings even after the pandemic.”

Another had this prediction: “eProcurement is going to be implemented in all stages of procurement beyond the procure-to-pay phase. Working from home for procurement professionals will become the norm and procurement office space requirement is going to significantly reduce.”

Many thought the logical extension of digitisation included increased use of vendor managed inventory (VMI) to reduce physical interactions as well as costs.

“This is a very big time-saving benefit that can significantly reduce workflow,” commented one person.

Almost a third (29%) of organisations have a strategy for using VMI for fast-moving, low-value MRO parts and consumables up from 24% in 2020 and 14% are using industrial vending to ensure that essential supplies like PPE are delivered close to where employees are working.

One-fifth of organisations (21%) now have a strategy to use industrial cloud computing, up from 14% in 2020, and 28% are using energy monitoring for specific assets, while 18% use condition monitoring to avoid unplanned breakdowns.

Analysis

Digital solutions are the key to improving efficiency

What can digital tools do for procurement? They can automate order-to-pay processes and reduce back-office costs around invoice processing. But according to Electrocomponents' Kate Davies, that's just the tip of the iceberg.

"When you're faced with a situation like a pandemic, you need to really consider what is your core service and what delivers value," she says, "and there are aspects of your core service that don't need to be done via human intervention."

Helen Alder agrees that digital adoption has been make or break for a number of companies.

"Organisations are trying to retain customers by moving to digital services," she says. "The ability to buy and sell online has become absolutely critical and many technology suppliers have seen sales increase."

Investing in technology that helps you to manage risk or discover the total cost of ownership of each component can also add insights which make the whole business more efficient and can drive innovation.

"Procurement teams have been challenged to really look in a harder way at what is their core value," says Davies. "And where can they outsource parts of the process that are more administrative to enable them to deliver more value."

"I'm passionate working for a business that puts procurement at the heart of its innovation. The suite of tools and services we offer empowers procurement teams to focus time where they can get the most value without spending large amounts of time manually doing things that technology could do," she says.

"Technology can free you up to spend a lot more time collaborating with suppliers, looking at alternative ways of doing things and really innovating with your supply chain," she says.

Procurement teams are a finite resource and it makes sense for companies to use them sparingly where they can have the biggest business benefit, Davies argues. "That means not spending time gathering data but negotiating, using their commercial lens and building understanding of the

business operation and the relationship with its supply chain."

Consultancy firm Bain & Co(8) agrees. Its report 'Digital Procurement: The Benefits Go Far Beyond Efficiency' says digital tools not only improve efficiency but also "pave the way for procurement teams to play a strategic role in accelerating innovation".

"Automating purchasing processes frees resources for more strategic work, such as agile partnerships to help implement the company's digital vision," the report adds.

It's a trend that RS Components' Richard Jeffers says he sees every day. "People are increasingly looking at online digital solutions as their first-choice solution," he says.

It's partly due to the effects of the pandemic but Jeffers says the technology is maturing and costs are falling at exactly the right moment. And using tools like condition monitoring means that machine performance is monitored around the clock without the need for engineers to come on site when COVID restrictions are in place.

He says people who have been talking about making the move have been prompted by the pandemic to act. "Two things are happening at the same time," he adds. "There's a desire to move away from using contractors and the alternative digital solution is becoming cheaper."

Businesses are waking up to the benefits of digital tools that provide data about how their plant is operating. "You need to pay for the data and you need to pay for the insight," he adds.

"A lot of businesses just want that early warning that says, 'we've moved from a normal operating condition to an abnormal operating condition'. It may not fail for, say, 10 weeks, but anything that you can do to increase your reaction time is always a good thing in the world of maintenance.

"The worst possible situation is a component failure in service because it is probably going to do a load of damage and you are totally reactive when it happens. Knowing that something is going to fail means you can plan and order the parts you need."

Ultimately, as Jeffers reminds us, end users benefit as much as procurement people from using digital tools. It's a point emphasised by consultancy firm Accenture in its analysis of "next-generation digital procurement(9)".

As digital tools automate and streamline processes, procurement professionals will become advisers, helping colleagues make the best buying decisions, says Accenture. "The familiar frustrations surrounding procurement today will give way to a simple and intuitive buying experience that users will enthusiastically embrace," it adds.

Benefits of managed inventory services



68%

Better visibility of stock and spend

66%

Reduction of time spent raising individual orders



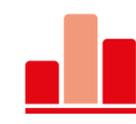
47%

Higher availability



42%

Improved productivity



41%

Better working practices



40%

Easily accessible provisions of PPE



31%

Better on-site safety



Conclusion

learning from COVID-19 and looking to the future

Despite the massive disruption caused by COVID-19, the fundamental challenges of indirect procurement continue. But this year they have been added to by new pressures to be more sustainable and ethical.

Technology is a great enabler that can help change ways of working and make procurement more efficient. New strategies will be needed and headcount is likely to reduce, say our respondents.

Remote working may be here to stay, embedding new ways of working. In the supply chain, some suppliers will fail and increasing lead times will bring a renewed focus on risk management. Although costs could rise, automation and digital tools offer the prospect of being able to do more with less.

Through it all, our survey shows the procurement profession playing a key role in the survival of their organisations through the pandemic and being ready to lead the business into the COVID recovery as it gathers pace.

RS Components has expert advisers on hand to talk through these and related issues and discuss how we've helped organisations like yours. If you would like a conversation, please email us at connectedthinking@rs-components.com

Summary

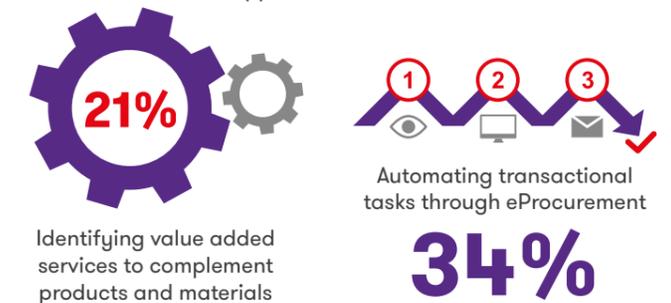
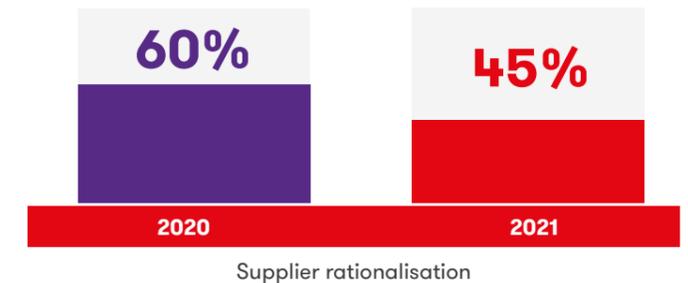
Changes since COVID-19



MRO tenders



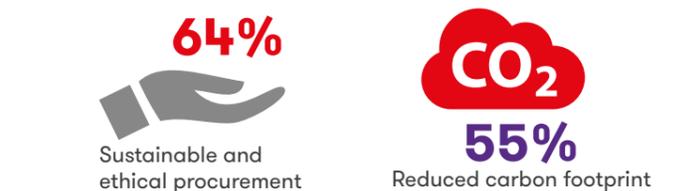
Procurement efficiency strategy



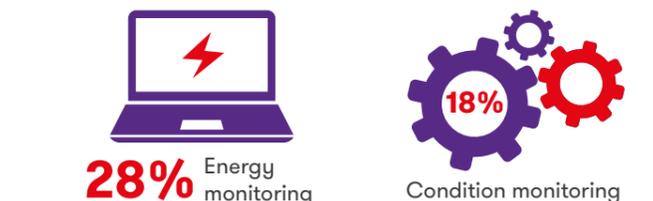
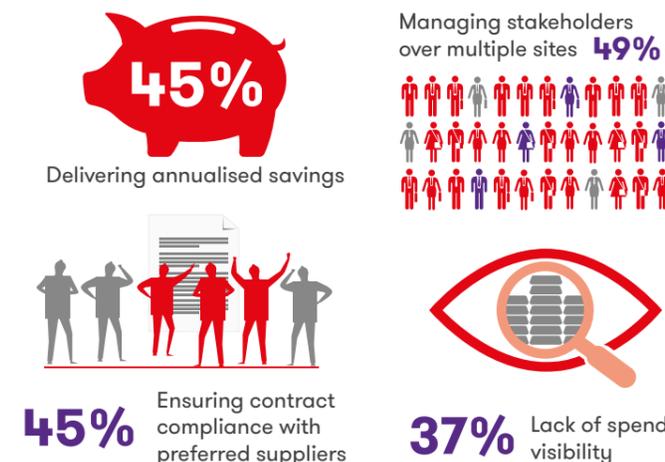
Business pressures



Company strategies in place



Biggest day-to-day challenges



Managed inventory services used



Benefits of managed inventory services



Average number of suppliers used



Managing suppliers

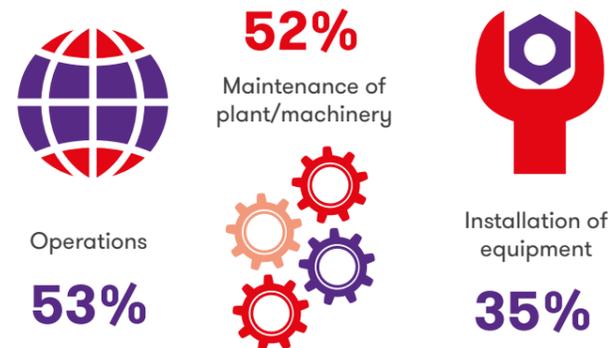
All or most suppliers



Top key performance indicators to manage performance



Top 3 internal stakeholders



How do end users buy from indirect MRO suppliers?



Through eProcurement systems and procurement cards

Ease of getting stakeholders on-board with changes



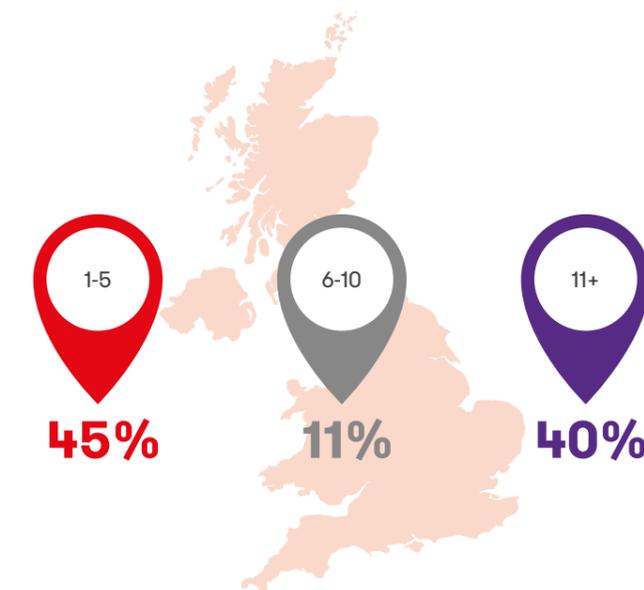
Stakeholder relationships



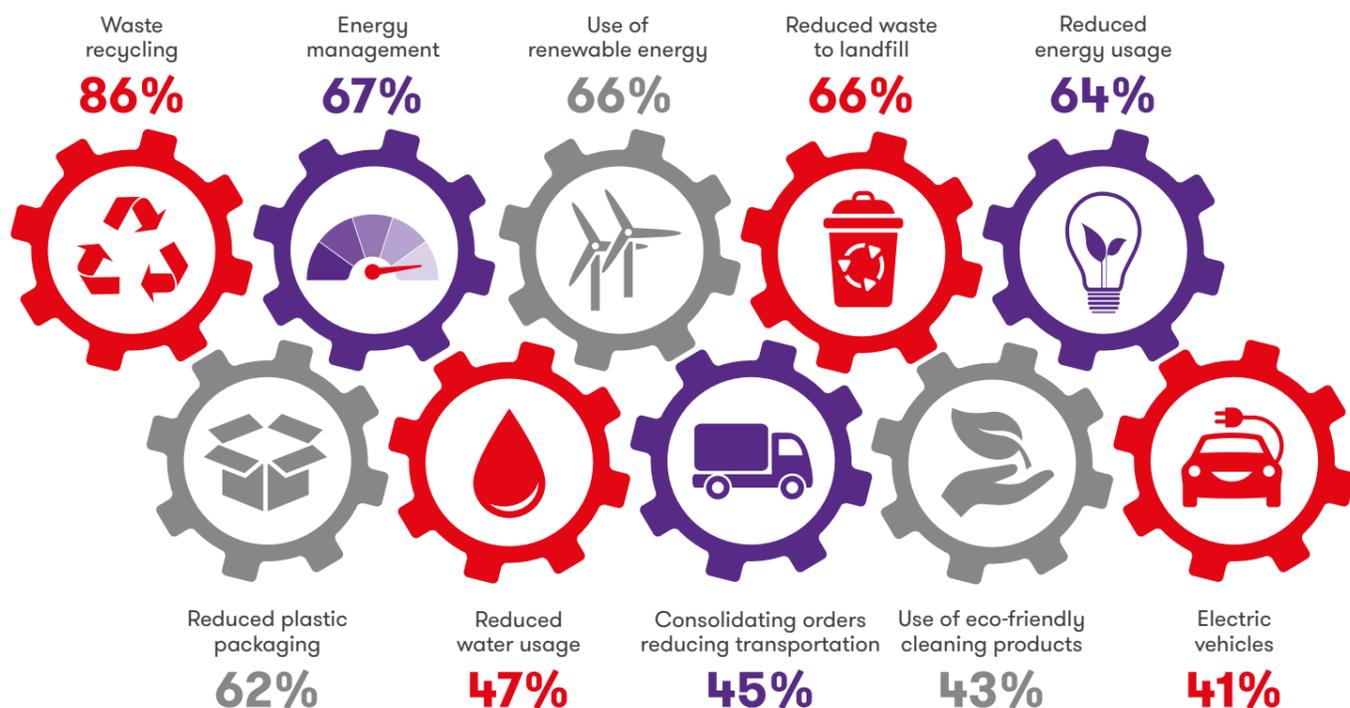
Indirect MRO supply spend in the last 12 months



Average number of UK operational sites

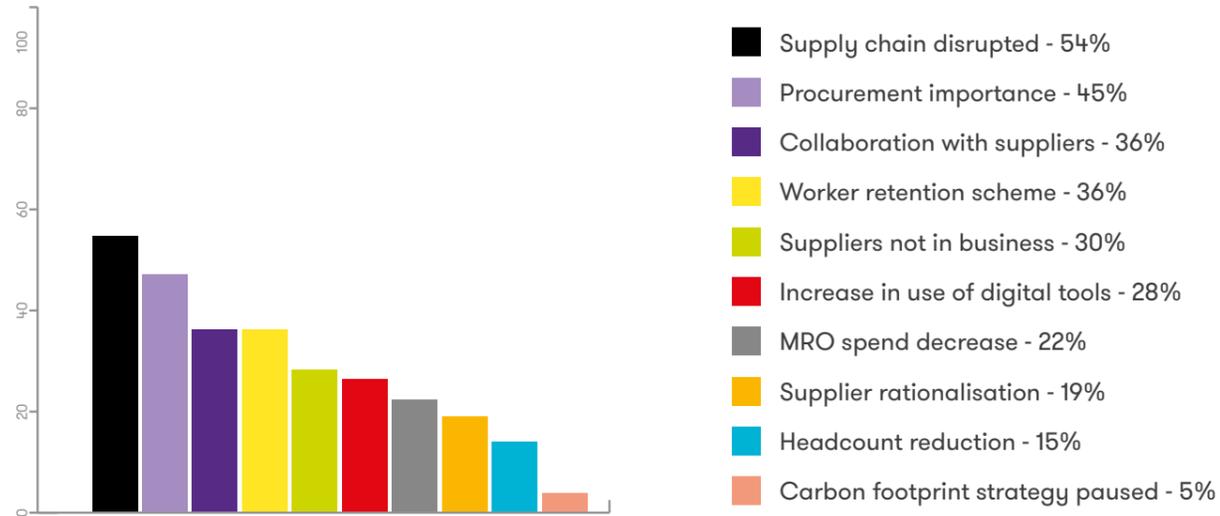


Practices in place to support reduced carbon footprint strategy

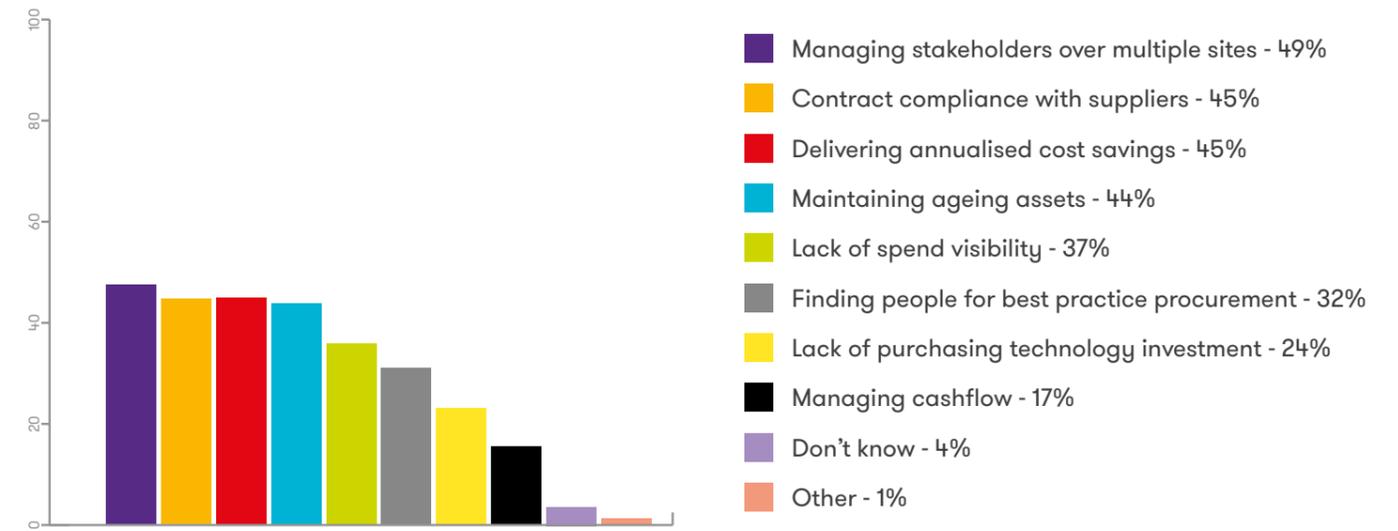


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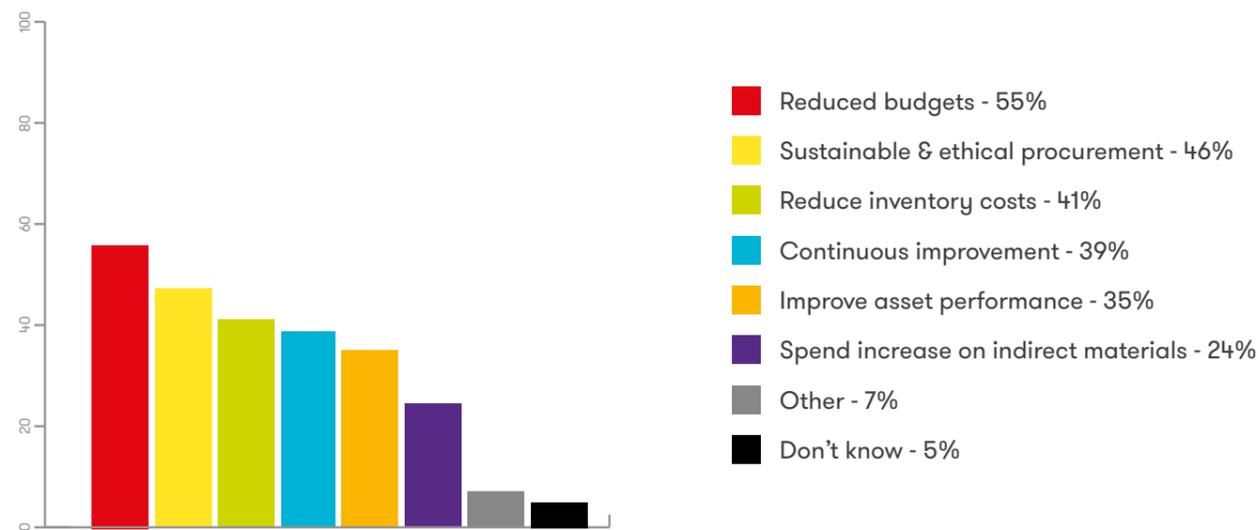
Changes since COVID-19



Day-to-day challenges



Business pressures

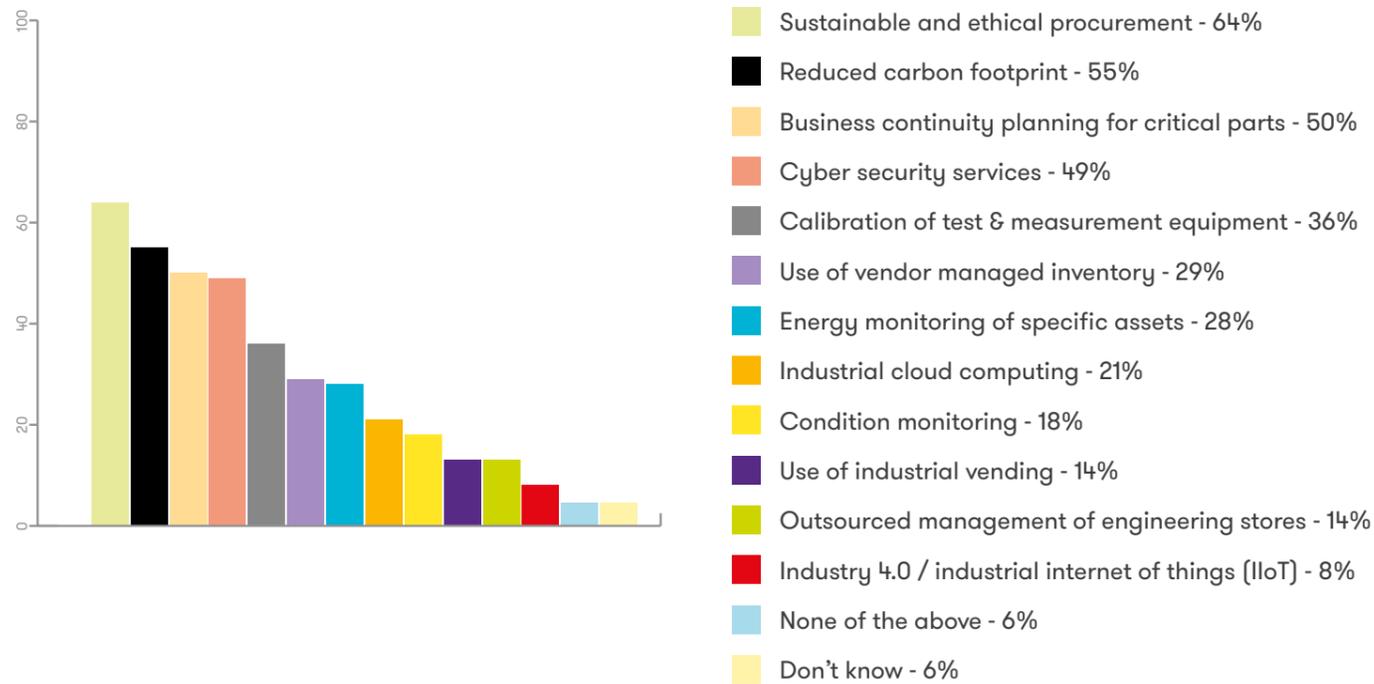


How is your company seeking to increase procurement efficiency around indirect materials such as those in the MRO category?

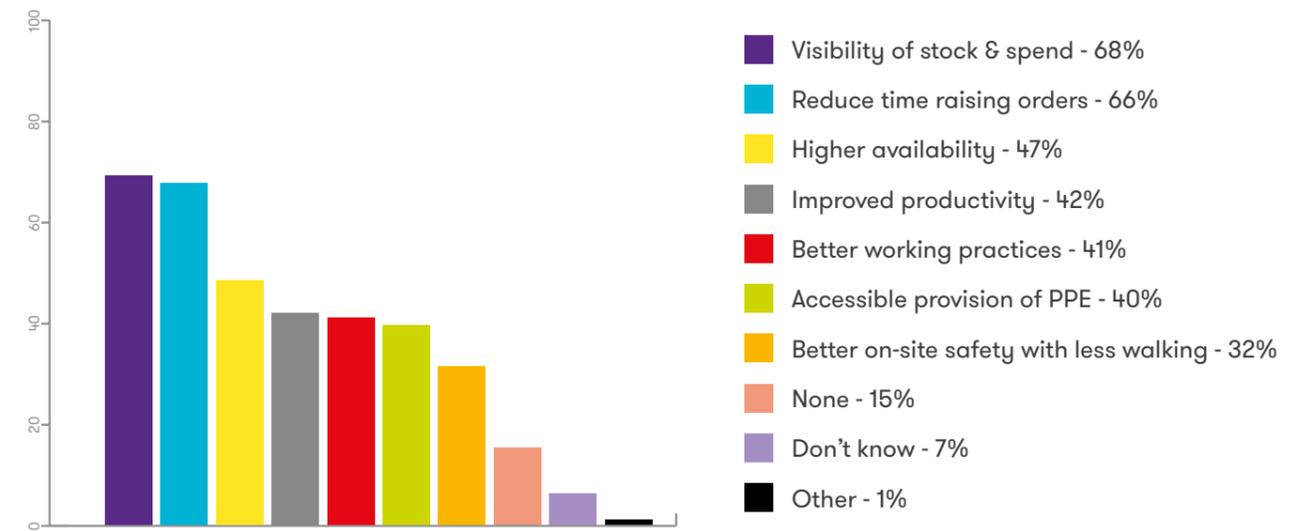


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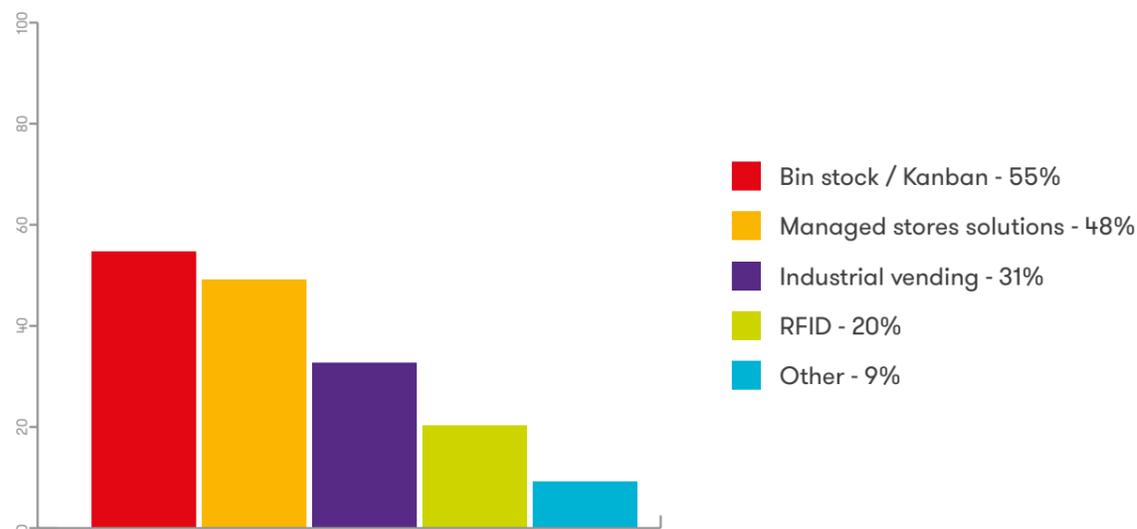
Which area does your company have a strategy in place for?



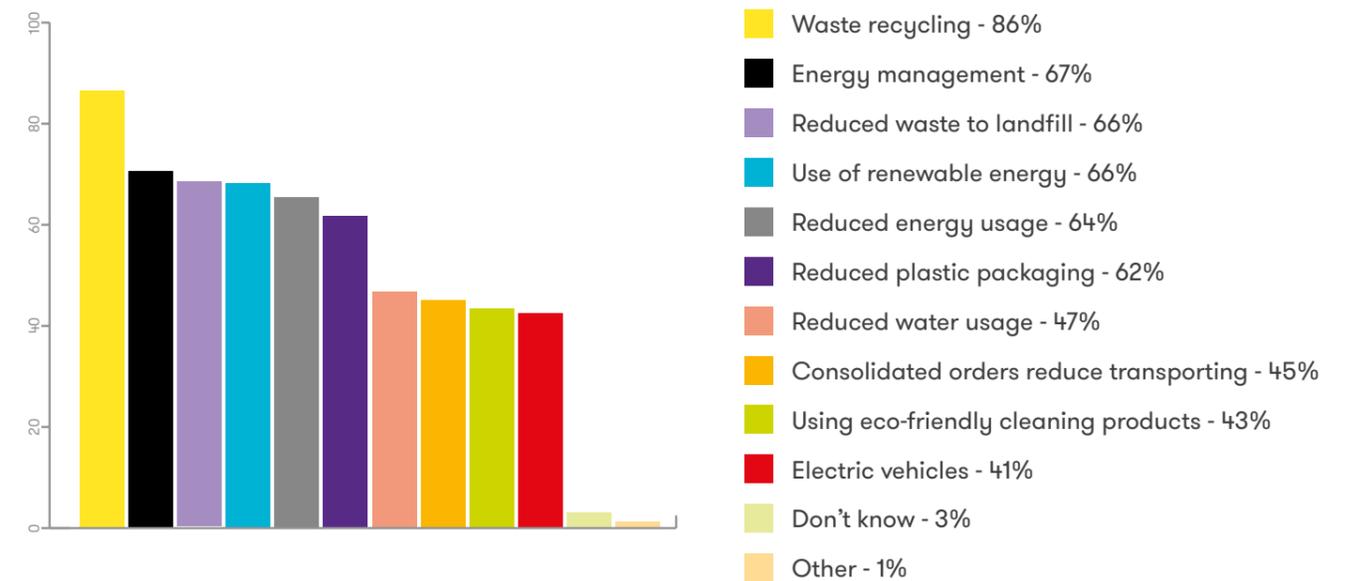
Benefits of managed inventory services



Which managed inventory services does your organisation use?

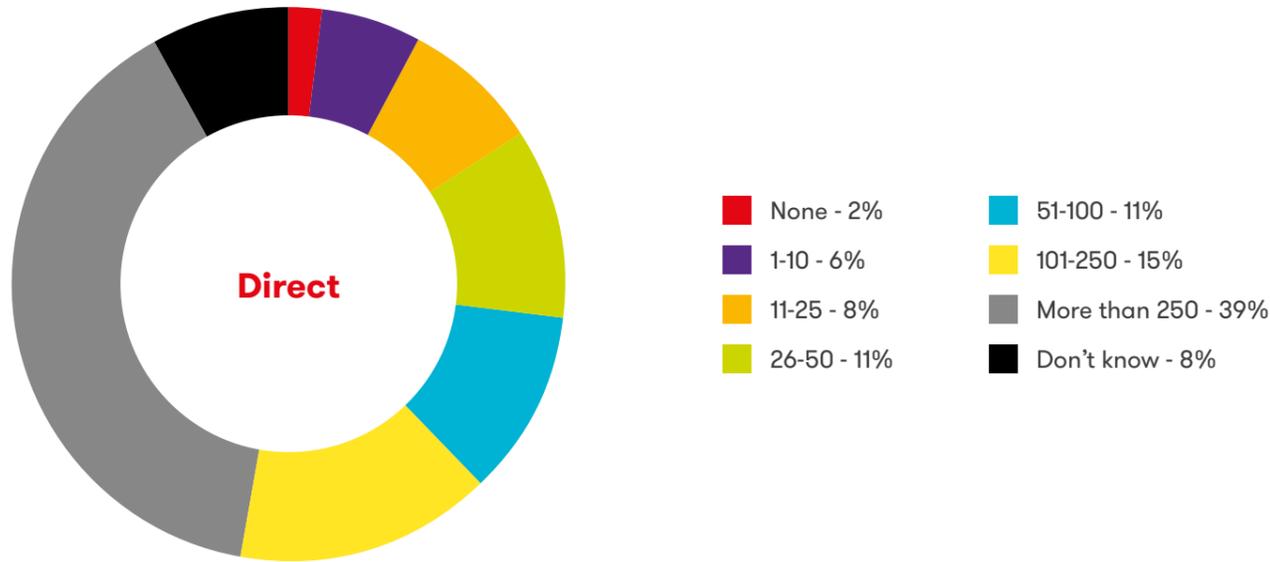


Practices in place to support reduced carbon footprint strategy

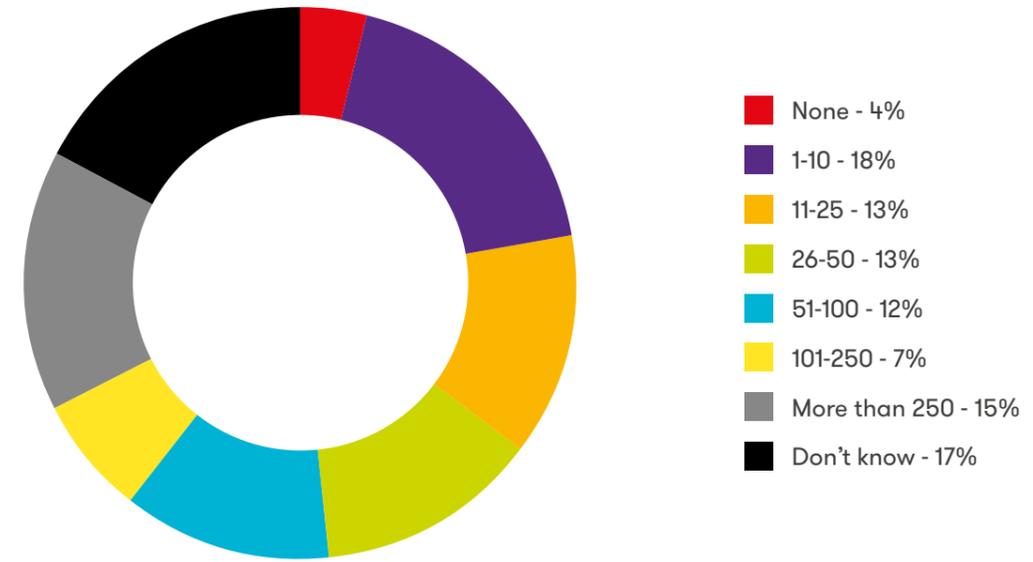


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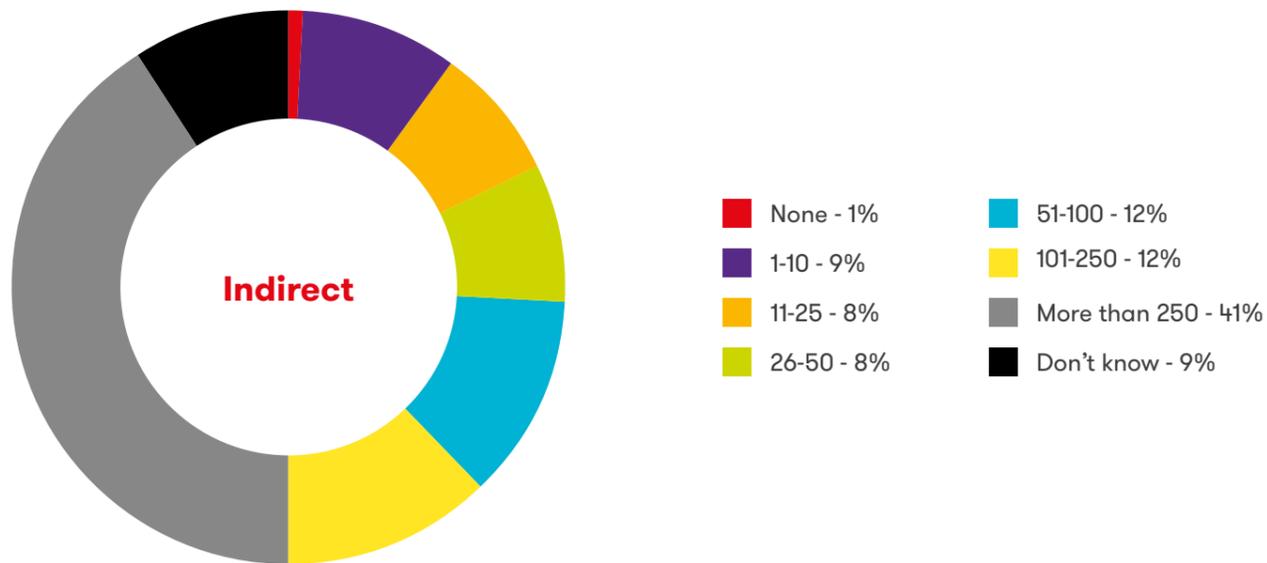
How many suppliers does your company use for direct procurement?



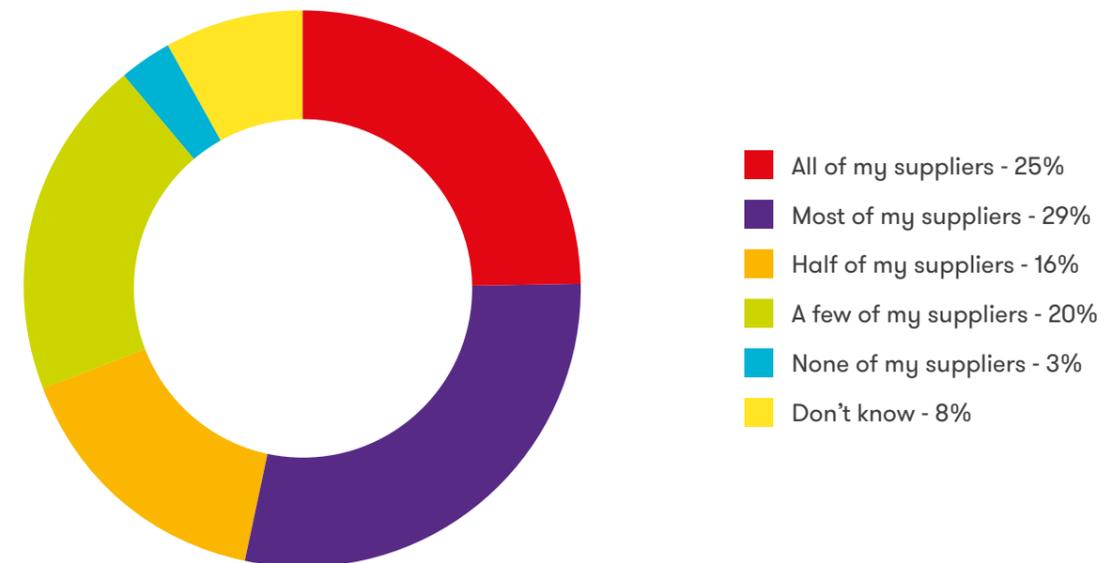
How many indirect MRO suppliers does your company use?



How many suppliers does your company use for indirect procurement?

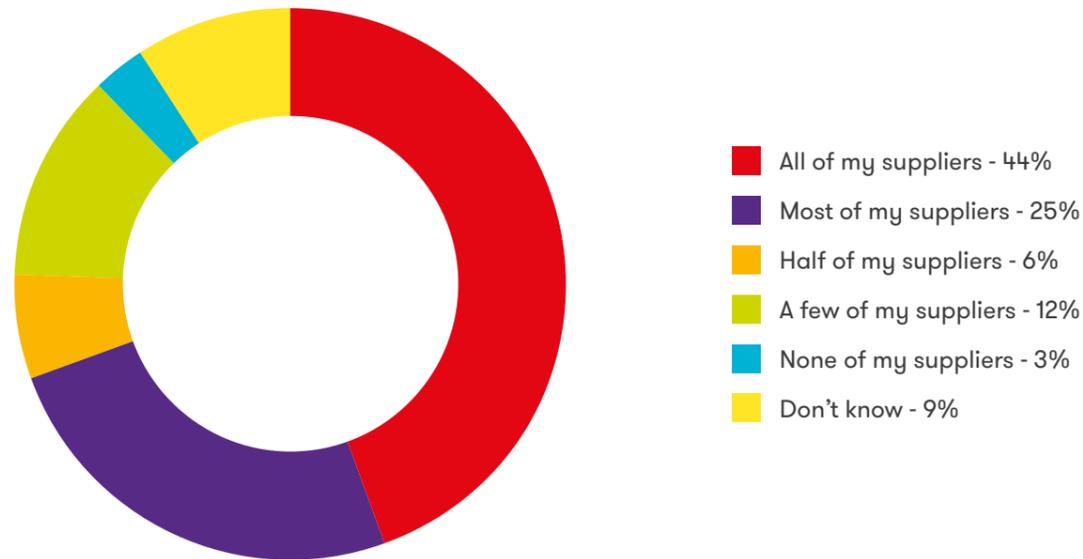


Supplier pricing agreements in place

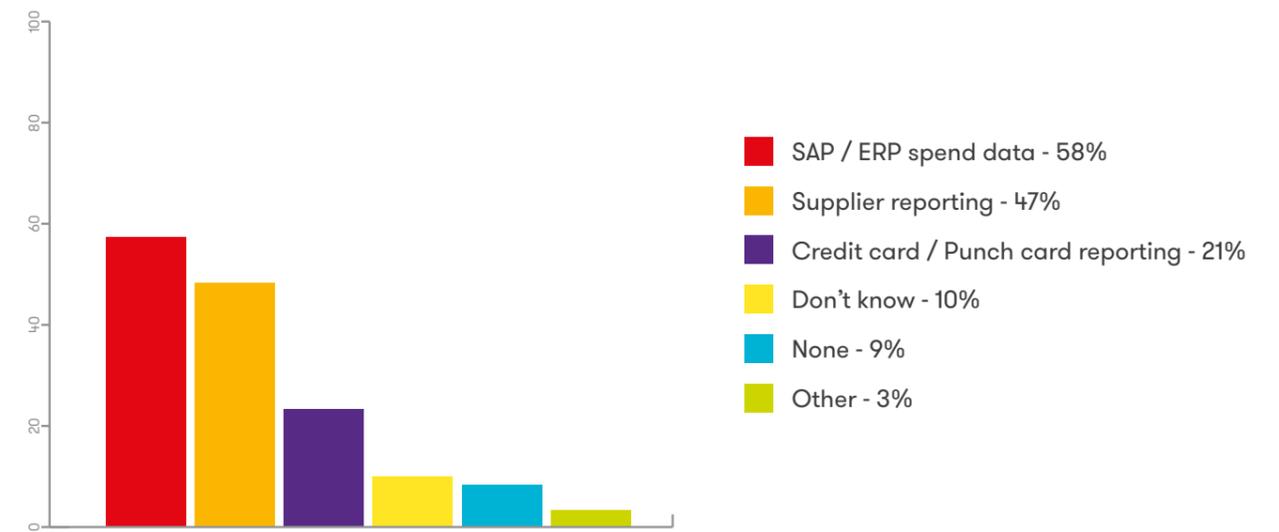


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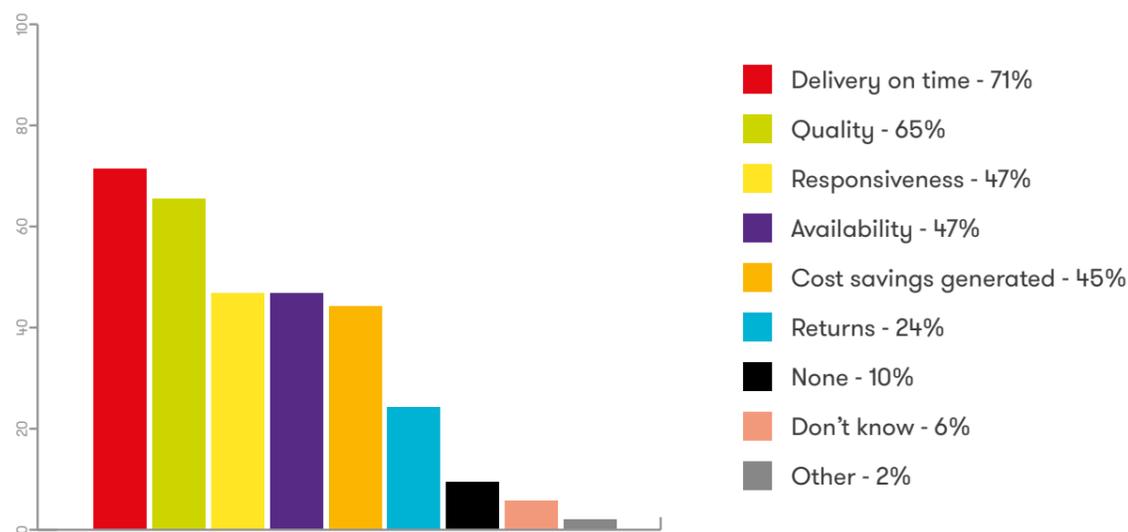
Suppliers have passed an internal approval process



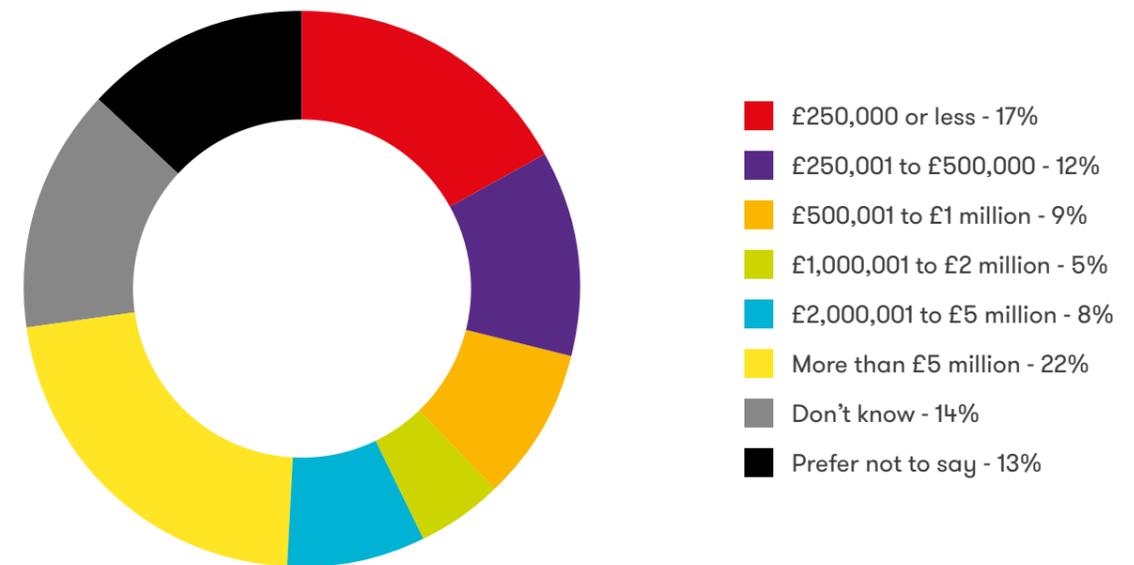
Data sources to manage indirect MRO spend



What key performance indicators, if any, do you use to monitor the performance of your indirect MRO suppliers?

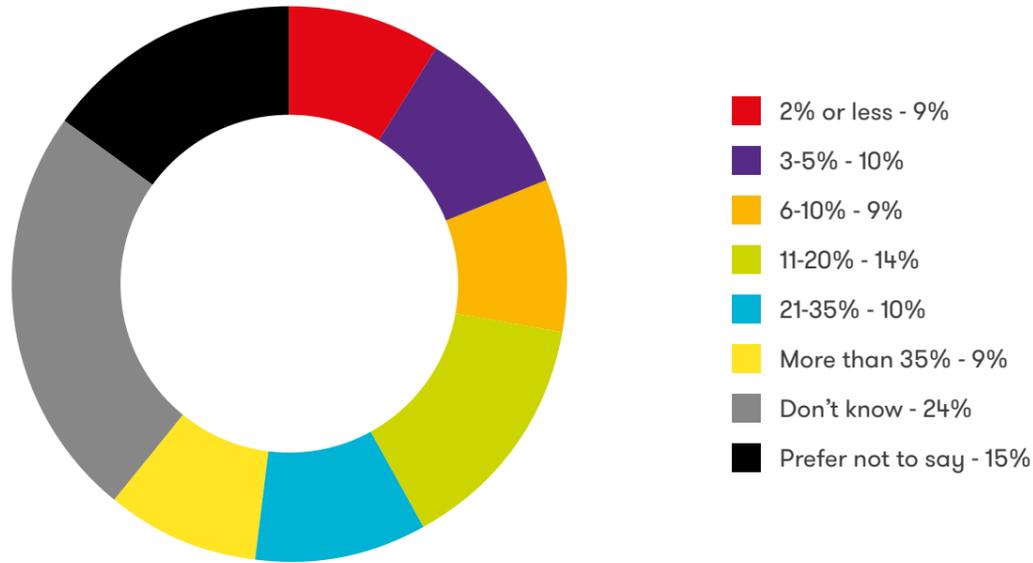


Approximately, how much did your company spend on indirect MRO supplies in the last 12 months?

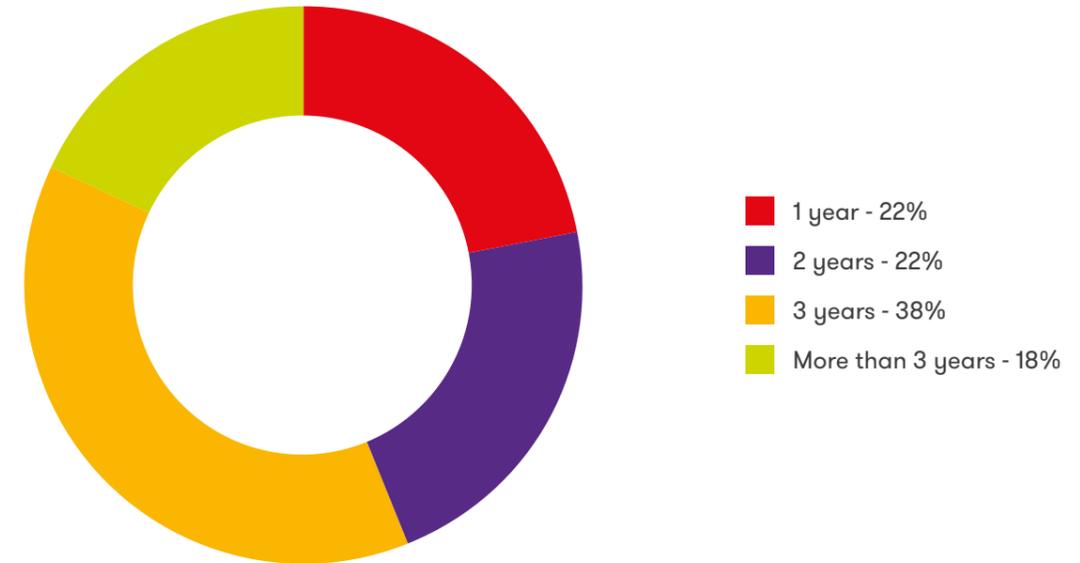


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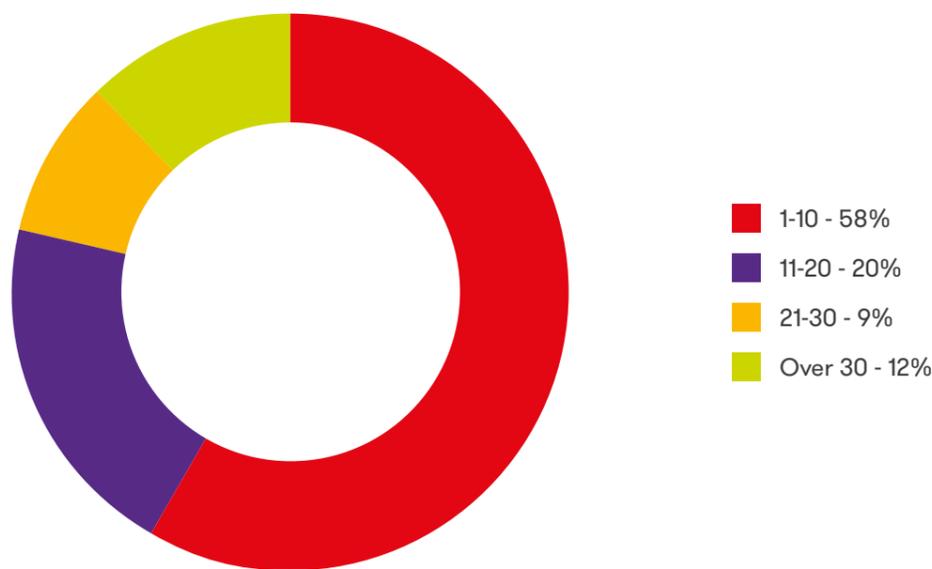
Approximately what percentage of your overall indirect costs is spent on indirect MRO supplies?



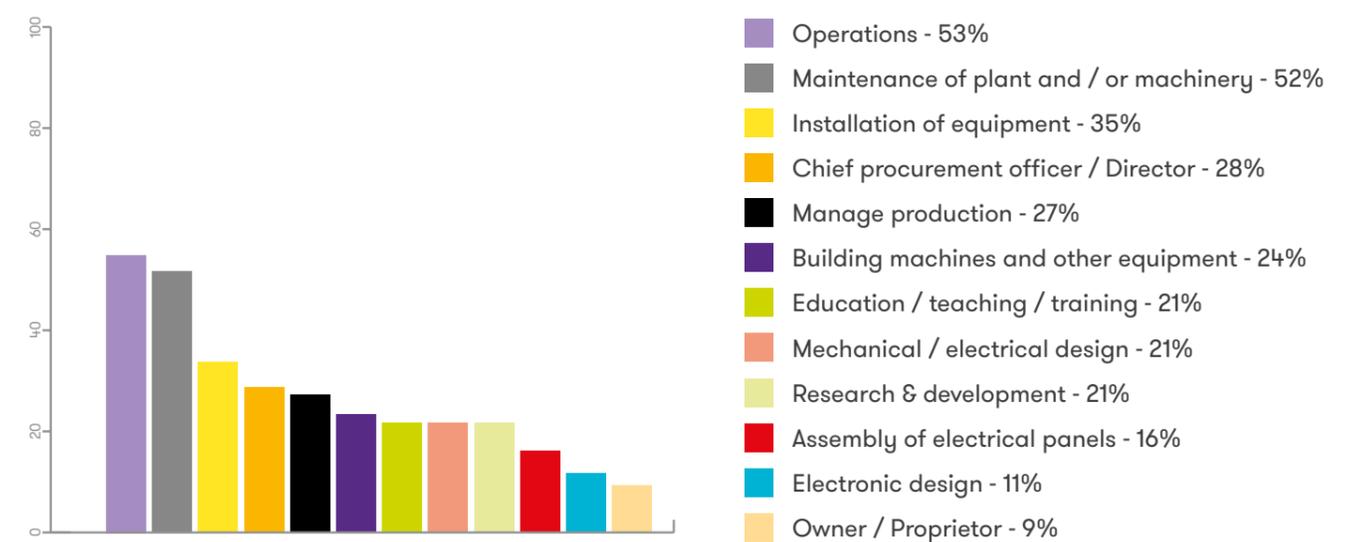
What is the typical length of an MRO contract?



How many MRO tenders do you issue each year?

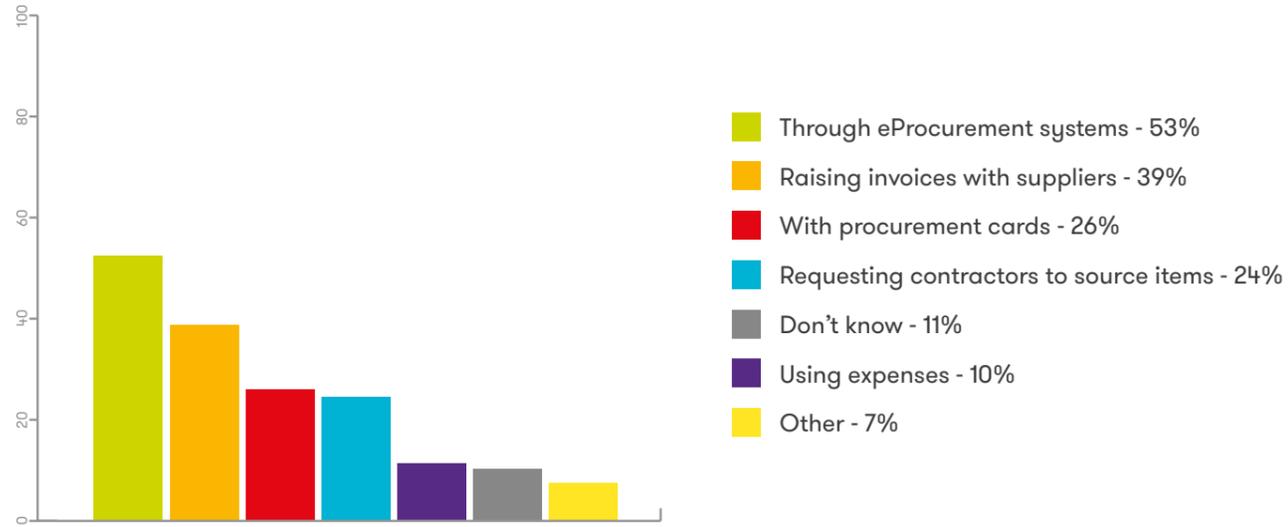


When you are dealing with indirect MRO, what are your internal stakeholders responsible for?

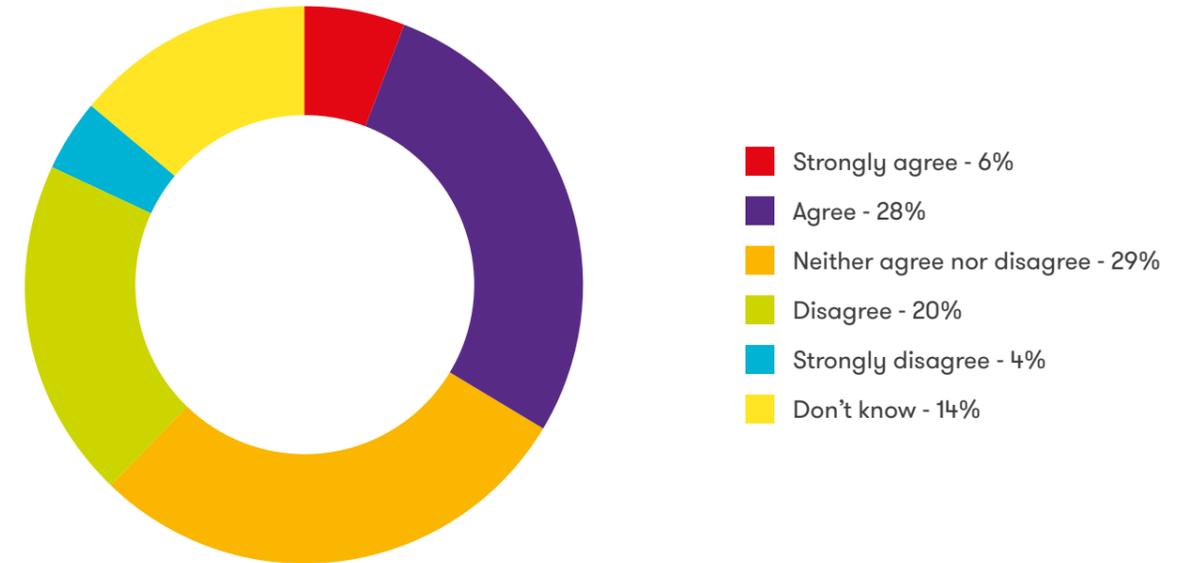


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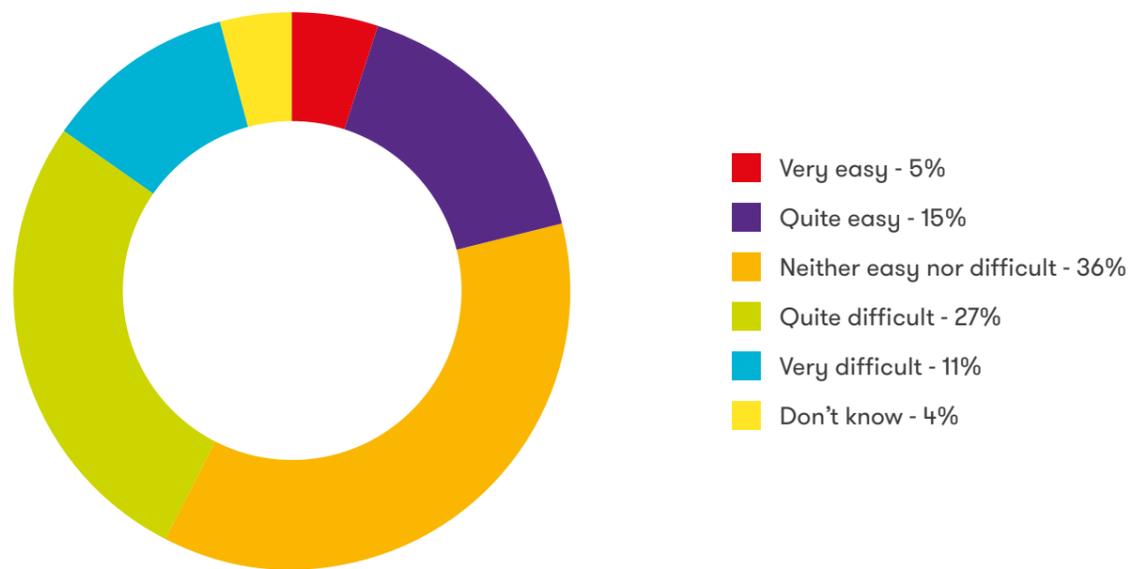
How do your end-users buy from indirect MRO suppliers?



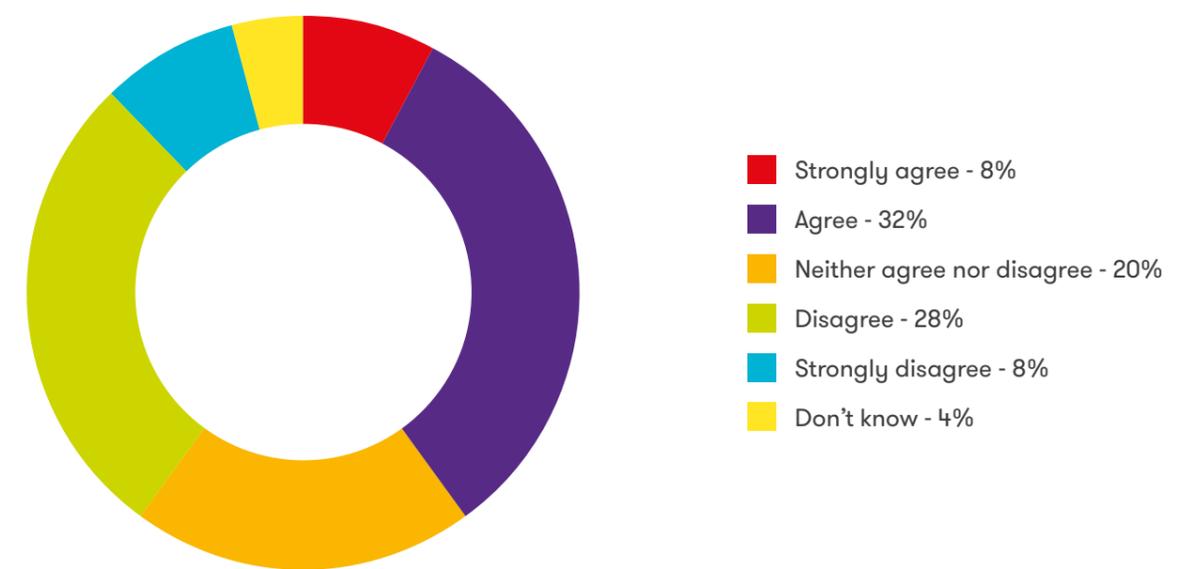
Stakeholder relationships: How much do you agree or disagree that procurement savings are re-invested by budget holders?



How easy is it to get stakeholders on board with any changes you need to implement?

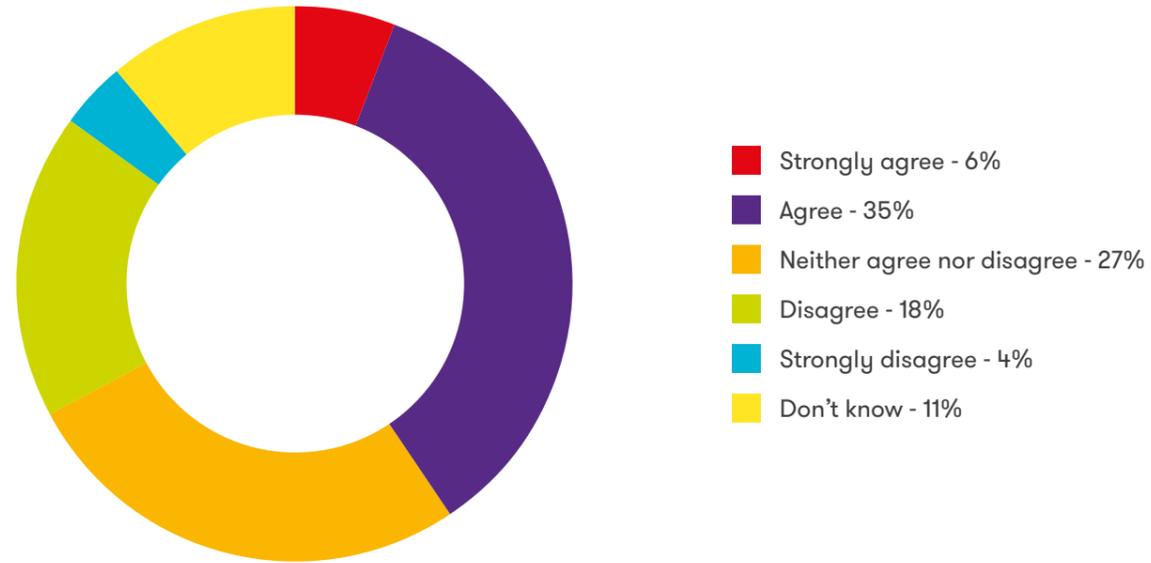


Stakeholder relationships: How much do you agree or disagree that procurement savings are difficult to track?

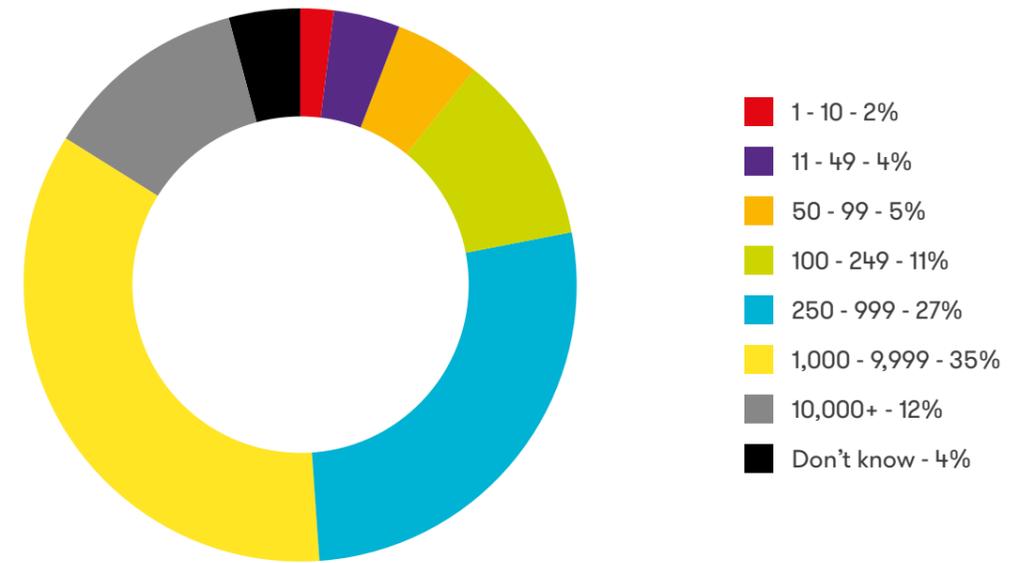


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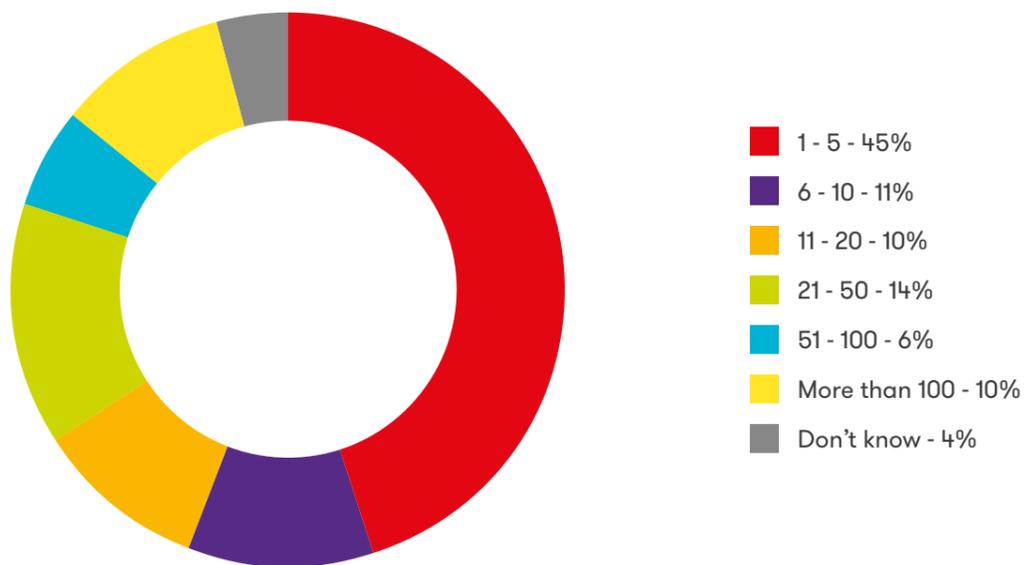
Stakeholder relationships: How much do you agree or disagree that procurement and engineering KPIs are aligned?



Approximately how many employees are there across all the locations in your company, in the country you are in?



Approximately, how many operational sites does the company have in the country you are in?



Sources:

- 1 **McKinsey & Co**
[Starting at the source: Sustainability in supply chains](#)
- 2 **World Economic Forum**
[Beyond Supply Chains: Empowering Responsible Value Chains](#)
- 3 **Numis**
[ESG Series 1 - transition to net zero](#)
- 4 **McKinsey & Co**
[Operations-driven sustainability](#)
- 5 **PwC/EcoVadis**
[Building a Business Case for Sustainable Procurement](#)
- 6 **EY**
[COVID-19 business continuity plan – Five ways to reshape](#)
- 7 **Deloitte**
[Global 2021 Chief Procurement Officer Survey](#)
- 8 **Bain & Co**
[Digital Procurement – The Benefits Go Far Beyond Efficiency](#)
- 9 **Accenture**
[Next generation digital procurement](#)

