

REPORT

# PROCUREMENT IN AN AGE OF UNCERTAINTY



Controlling costs and  
managing growth



# THREE KEY MRO PROCUREMENT TIPS FOR CONTROLLING COSTS AND MANAGING GROWTH

## Introduction

**Many MRO procurement professionals found themselves at the centre of business strategies at the height of the pandemic. Now it's time to double-down on managing day-to-day challenges once more.**

The COVID 19 pandemic pushed procurement professionals to the centre of business strategy. In many instances, their work made it possible for operations to continue in the face of material and product shortages, supplier closures and international trade disruption.

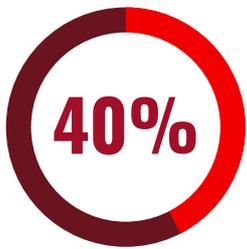
While that initial crisis has passed, coronavirus and its effects remain with us. There's been further disruption too, from labour shortages to war in Europe, inflation to rising prices.

Businesses wishing to overcome some of these challenges and move forward have to accept the realities of difficult circumstances. But by focusing on the things they can influence, there is still plenty a business can do to improve its situation.

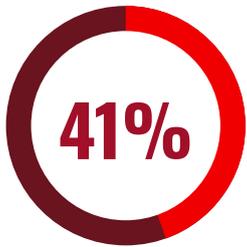
As is often the case, robust procurement processes are central to such an outlook. This report looks at three common challenges facing procurement departments and suggests approaches to overcome them.

# CHALLENGE 1: UNCONTROLLED ORDERING

## One RS customer streamlined internal admin processes



## Time saving



## Reduction in pre-order process costs

“In the first few months when the pandemic hit, it was like a heart attack for the global economy,” said Helen Alder, Head of Knowledge at The Chartered Institute of Procurement & Supply (CIPS) Writing in the [2021 Indirect Procurement Report](#), based on a survey of CIPS members, she said it was important to keep a grip on costs and total cost of ownership as the recovery gathers pace.

In the heat of the moment, the temptation to place ad hoc orders with non-approved suppliers is understandable. But the short-term saving in time can come with longer-term problems of admin cost, warranty problems, product quality and so on.

Amid current uncertainty and disruption, those responsible for MRO must resist that temptation again. Eliminating the chaos of uncontrolled spending is vital if a business is to avoid unnecessary costs and complications further down the road.

## Solution

A robust purchasing strategy is a must-have for any business. Without one, costs will spiral. But unless everyone who needs to adhere to procurement protocol knows and understands the right processes, the strategy can fail to deliver. It must be well-communicated throughout the business and involve easy-to-use systems and tools.

Working with King’s College Hospital, RS helped [develop a strategy to rationalise all maintenance, repair and operations \(MRO\) purchase processes](#). But it didn’t just stop there. RS also helped structure a series of presentations and training sessions for stakeholders, so they would understand the new strategy and what it meant for them.

Once our [RS PurchasingManager™](#) platform was rolled out, King’s College Hospital streamlined its internal admin processes, created robust supplier contracts and ensured compliance with those contracts. There has been a 40% reduction in time taken to process orders and a 41% reduction in process costs per order.

# CHALLENGE 2: UNPRODUCTIVE TIME

The decades old just-in-time model wasn't built to withstand a pandemic, but that doesn't mean its central ethos is wrong. There is a delicate balance that needs to be struck between having parts and components available for urgent use, and the need to reduce inventory costs, cited as a business pressure by **47% of UK respondents in the 2022 RS and CIPS survey**.

Supply chain delays can lead to costly downtime if parts aren't secured quickly or correctly. That extends all the way into your own business, of course. Inefficient and ineffective ordering processes can lead to duplication of effort, a lack of parts and – perhaps most importantly – wasted time and money.

Even with low-value orders, an inefficient process can eat up productivity and lead to increased procure-to-pay costs, according to Kate Davies, Head of Global Commercial Services at RS: "Until you can make the cost of that tail of low-value items and the number of suppliers visible you are not going to get the ear of the CFO to implement change."

## Solution

Identifying and eliminating bottlenecks is a crucial first step to greater efficiency. Increased automation of purchasing processes can help to avoid costly manual admin and reduce human error, which is an unavoidable part of many functions. The benefits don't have to end there, though. If you can take away admin tasks that tie up the time of engineers, they can focus on what they are actually there for.

For the Siemens R&D team at Congleton, in Cheshire, RS Components was able to help eliminate several time-consuming activities. **RS ConnectPoint™** was a core component of the solution we delivered for Siemens. Its touchscreen terminals allow users to find the items they need and order them quickly and easily. Consequently, **the customer saw savings of £24,700 on the purchase-to-pay cycle, according to Janet Haslam, Senior Buyer at Siemens**.

## Business pressures



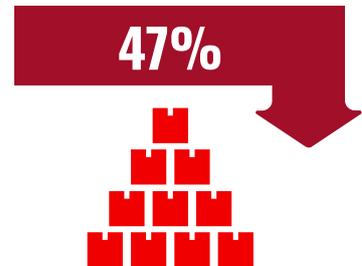
Reduced operational budgets

52%



Sustainable and ethical procurement

47%



Need to reduce inventory costs

# CHALLENGE 3: UNNECESSARY ADMIN COSTS

The impulse to place ad hoc orders is usually borne out of a desire to save time. Unfortunately, the time just gets added on later in the process. Every purchase generates an invoice. But an unexpected invoice will have to be retro-fitted into a business's systems, becoming part of the long-tail of ad hoc order-to-admin cost.

Establishing the correct job or cost centre is just the start. If the supplier hasn't been set up for payment, there may have to be a lengthy on-boarding process. Added to which, a purchase order will almost certainly need to be raised, triggering approval processes.

This is the kind of scenario that demonstrates why eProcurement solutions have grown in both importance and popularity. In the 2021 CIPS survey, **53% of UK procurement professionals said their end-users were using such systems to place orders directly** and 26% were using procurement cards to monitor spend.

## Solution

Digitisation is here to stay and is accelerating. According to a McKinsey Global Survey of executives, the pandemic has **"accelerated the digitisation of their customer and supply-chain interactions and of their internal operations by three to four years"**. Everything will be more digitalized, unlike before. **We are likely to continue managing procurement operations through virtual meetings even after the pandemic.**

RS helped the UK arm of a diagnostic imaging and healthcare equipment business streamline its processes for end-to-end order management. Using **RS PurchasingManager®**, a customisable web-based order management tool, we were able to simplify procurement processes, reduce the time taken per order and maintain full spend visibility. Fixed prices are now adhered to automatically; POs are generated automatically; and audit trails of orders are logged automatically. In total, we helped reduce annualised source-to-pay process costs by £24,100 – a time saving of around 25 minutes per order.

**How do end users buy from indirect MRO suppliers?**



Through eProcurement systems and procurement cards

# CONCLUSION

Change is often unsettling but investing in the increased digitisation of procurement processes doesn't need to be challenging. Done well, it can help create the kind of balance in procurement teams where the everyday necessary tasks can be relied upon to be handled consistently well, while allowing time for more strategic interventions in business improvement.

As supply chain disruption, economic uncertainty and other external challenges continue, it will be more important than ever to ensure costs remain carefully controlled, that responding to customer needs can be done in a timely yet profitable manner.

RS has expert advisors on hand to talk through these and related issues, and discuss how we've helped organisations like yours. One of our team will be in contact shortly.

If you have been forwarded a copy of this report and you would like to speak with one of our expert advisors, please email us at:

[connectedthinking@rs-components.com](mailto:connectedthinking@rs-components.com)

**For more information and expert insight on the subject of indirect procurement and MRO supplies, please visit: [rs-connectedthinking.com](https://rs-components.com/connectedthinking)**

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