



Case study

Cutting process costs with eProcurement

How a major automotive manufacturer reduced
its process costs through eProcurement from RS

End inefficient, costly procurement processes

Procurement teams and engineers face several challenges regarding the maintenance, repair and operation of their organisation's assets and facilities. The supply chain for indirect materials is complex due to the number of stakeholders involved, a fragmented supply base and the number of products that are split across categories. In addition, there is constant pressure from senior management to reduce costs.

As one of the largest industrial suppliers, RS is in a unique position to understand the complex needs of its customers, and to help these businesses streamline their processes and make cost-efficiencies.

The crucial fact for organisations to appreciate is that indirect procurement process costs can be twice as much as the amount spent on the products themselves. So if your organisation spends £100,000 on purchasing products over the course of a year, you will spend a further £200,000 on processing or 'soft' costs.



Indirect (MRO)
process costs

Indirect (MRO)
product costs

As such, there is significant value in reducing process costs rather than focusing solely on purchase price.

The challenge

An example of how RS has worked with an organisation to improve the indirect procurement process is our relationship with one of the UK's biggest automotive manufacturers. Using RS as one of their key suppliers for MRO products, they were faced with placing high volumes of low transactional orders across their organisation. Each order placed had to go through a manual requisition process and be manually keyed into their local ERP system (Enterprise Resource Planning).

This caused duplication of work for the procurement department and as a result, processing times (and the ensuing costs) for each order were high, as every order raised outside the company's own eProcurement system required an internal purchase order to be raised and added into the system. Given the number of transactions involved across an organisation of this size, this significantly added to the procurement team's workload.

In addition, the customer wanted to have greater visibility of its indirect spend across the key suppliers they were regularly purchasing from so that it could better identify cost-saving and efficiency opportunities. As such, the company wanted to integrate these suppliers within its eProcurement system.

The solution

RS was chosen to be part of the first phase of suppliers the car manufacturer wanted to integrate with. This was due to RS's extensive product range, which meant it could cover all of the customer's product category needs, as well as the technical experience RS has with eProcurement implementations.

To ensure minimal disruption for the engineers and still give them access to products, technical data, imagery and stock availability, a capability called PunchOut was used. This provides a secure connection to RS's website from within the customer's eProcurement module. Using PunchOut means that end users at the automotive manufacturer can open a purchase order (PO) in their own system, access the RS website and build a basket of products, which is then pulled back into their system. When the basket details are received it automatically populates the PO with all the details the customer needs, ready to be sent (via any internal approvals) directly to RS for processing.

The integration itself was carried out jointly by technical experts from both sides, with a dedicated eCommerce specialist from RS overseeing the process from start to finish. Due to the large number of variables involved in set-up, the teams mapped out the customer's current process to check that the new process would follow it as closely as possible to achieve the desired outcome and ensure that all the procurement data required was captured in the system. After rigorous testing, the final system went live and RS continued to monitor the connection for the first month before the project was closed as a successful integration.

The outcome

This new, simplified process has significantly reduced the process time for orders being placed, while maintaining the autonomy of end users to make purchases themselves. This frees up the time of both the procurement team and end users to focus on value-added activities in their respective roles.

The total process 'soft' costs have been reduced from £223,554 per year to £141,987 – a saving of more than £81,000. This has been achieved by reducing the order processing time from an average of 89 minutes to just 56 minutes. This breaks down to just 7 minutes to raise an order (half the previous paper process), getting it authorised in 6 minutes (half the previous process) and removing the need to confirm price/availability of the product due to instant access to this information (removing 11 minutes from the previous process). In addition, there is also no need to pay individual invoices each month, with RS providing a single monthly invoice summary.

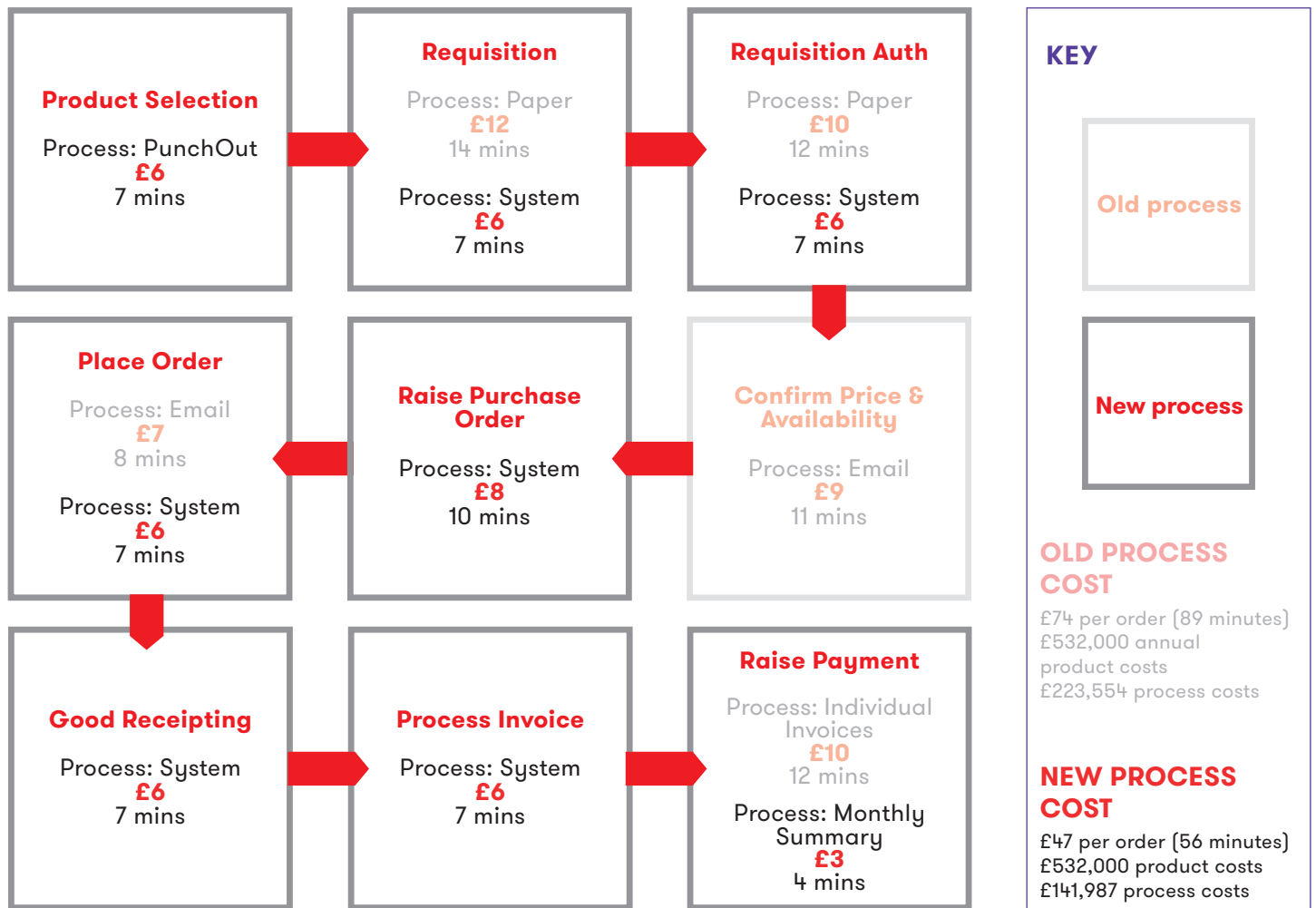
Furthermore, using one integrated system gives the customer greater transparency around its

indirect spend. With all the data from thousands of purchases collected in one system it is now possible to analyse this information to help the customer benchmark its performance and improve its indirect procurement strategy in the future.


Finally, the data from eProcurement can be used by the customer to keep better control of its inventory. By having clear sight of what is being purchased, it's possible to create a stock profile based on actual consumption. This means the customer only needs to hold the stock it actually uses (particularly to cope with unplanned maintenance), while costly items that are not used regularly can be ordered as and when they are needed by making use of RS's next-day delivery service.

£81,567 (33 mins)
Savings per year Time saved per order

Cost-saving achieved through eProcurement



Discover the benefits of RS eCommerce Solutions

- 
Gain more control over orders and spend
- 
Improve reporting
- 
Save time
- 
Speed up processing
- 
Boost visibility

For more information about RS's eProcurement solutions, contact your RS account manager
 To find out more on procurement best practices visit rs-connectedthinking.com

