

LEAN PROCUREMENT STRATEGY SUCCESS STORY

STUDY SHOWS POTENTIAL TO REDUCE HIGH R&D PURCHASE ORDER COSTS

Problem

Inefficient ordering processes can lead to high purchase order costs.

Solution

Lean business process capabilities allow companies to consolidate suppliers and implement electronic, automated order processing systems to reduce operational costs and process complexity.

Result

Reduce the cost of creating and issuing a purchase order to as low as \$15.

Problem

VWRCATALYST recently performed Lean business process assessments across the R&D industry to show the potential to significantly reduce purchase order (PO) costs. Current state procurement processes were assessed at 16 unique companies using Lean Six Sigma methodology, including activity-based costing and value stream analyses. The assessments show that the average cost to create and issue a PO in the R&D industry is \$138. This high cost is typically caused by:

- Sourcing the same item from multiple suppliers
- Maintaining numerous low volume suppliers, which drives up process complexity and operational costs
- Using a paper-based purchasing cycle
- Entering information into multiple systems for requisitioning, order placement and receiving
- Unnecessary order reviews and approvals
- Not fully realising the benefits of preferred provider agreements

Solution

The critical first step toward optimising your cost per PO is to conduct a Lean business assessment and obtain a quantitative understanding of the opportunities available. **VWRCATALYST** can perform such an assessment to rapidly evaluate business processes, identify opportunities to reduce costs, and recapture time for your company's scientists to focus on high value, specialised work.



Result

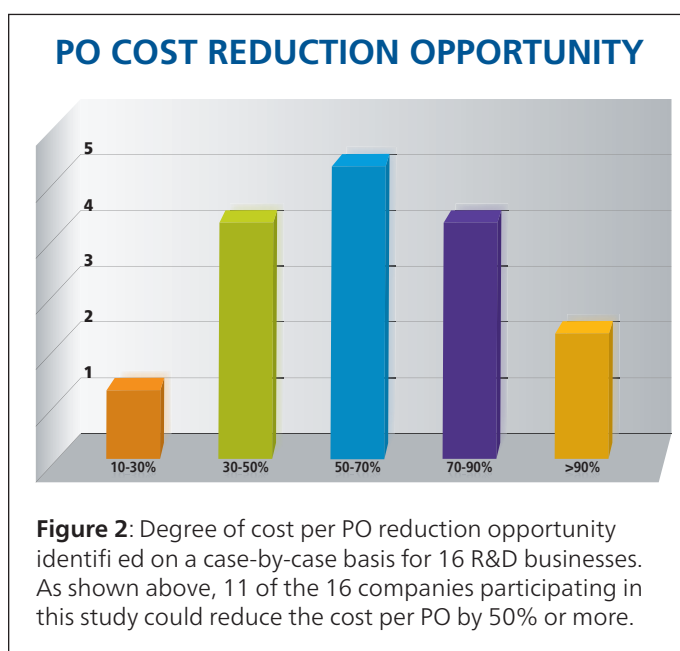
Optimised future states were process modelled for each company to show how a Lean procurement strategy can **eliminate non value added activities, maintain quality and control** of the procurement process, **improve customer satisfaction**, and reduce the cost per PO to **as low as \$15**.

The greatest savings are seen when an R&D business consolidates suppliers and implements an electronic, automated ordering system. VWR's e-Business Integration Services support a Lean procurement strategy by streamlining and automating purchasing activities, leading to improved cost control and productivity.



	Current Cost Per PO	Optimized Cost Per PO
Average	\$138	\$44
Median	\$120	\$28
Standard Deviation	\$85	\$42
Maximum	\$320	\$183
Minimum	\$39	\$15

Figure 1: A typical R&D business that has not yet undertaken a comprehensive analysis of its procurement process can reduce the cost of creating and issuing a purchase order to as low as \$15.



How many purchasing orders are you placing each year? **VWRCATALYST** has the skills, knowledge and experience to support procurement strategy improvement at your organisation.

Visit VWR.COM/VWRCATALYST or email VWRCATALYST@eu.vwr.com for more information.

We Enable Science Through Services

From research to production, **VWRCATALYST** can help you re-focus scientific time on initiatives that directly support the strategic mission of your company.

We Enable Science by:

- Powering productivity
- Improving quality, safety, and regulatory compliance
- Reducing total operating costs

Our services include:

- Procurement and Supply Management
- Laboratory and Production Support
- Scientific Support
- Equipment and Instrument Services
- Lean Six Sigma Process Consulting