

Lab & production services

Success story

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

CHALLENGE

Avantor Services 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. Avantor Services 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.

CHALLENGE

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.

RESULTS

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

	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.



PO COST REDUCTION OPPORTUNITY

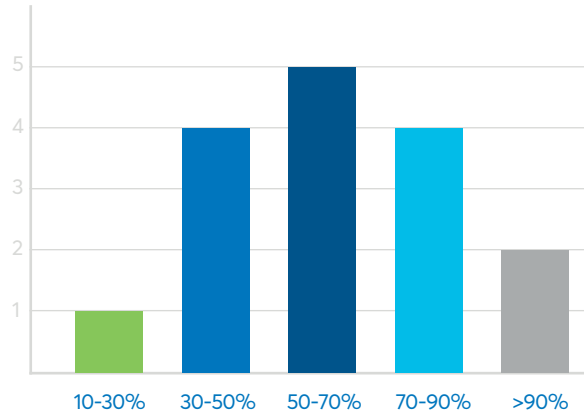


Figure 2. Degree of cost per PO reduction opportunity identified on a case-by-case basis for 16 R&D businesses. As shown above, 11 of the 16 companies participating in this study could reduce the cost per PO by 50% or more.

RESULT

Optimized 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. Avantor Services e-Business Integration Services support a Lean procurement strategy by streamlining and automating purchasing activities, leading to improved cost control and productivity.

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

For more information or to discuss your unique needs

Visit avantorsciences.com/lab-production-services or email services@avantorsciences.com

Avantor Services helps scientific organizations solve complex challenges, resulting in improved productivity, increased efficiency, and accelerated innovation.