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A focus on indirect purchasing: A study recently conducted by HTWK Leipzig and Mercateo

Digitalised purchasing processes mean halving the procurement costs

A one-hour saving of work time which results in halving the processing costs in the company: that's the difference between a conventional procurement process and a digitalised procurement process. This was the conclusion reached by Prof. Holger Müller of Leipzig University of Applied Sciences (HTWK Leipzig) and Elisabetta Bollini of Mercateo AG, in their study entitled "Indirect purchasing in focus: potential savings and future opportunities". Specifically, the authors researched the time that it costs companies to procure the materials which they require each day for their administrative, operational and maintenance processes – beyond the goods that are relevant to the production itself. The results are broken down according to non-uniform, uniform and digitalised procurement processes. This means that it has been possible for the first time, to estimate the potential savings offered by digitalisation for so-called "indirect" purchasing processes.

The study was carried out from December 2016 until the end of January 2017. A total of 110 persons responsible for procurement and purchasing in German companies of various sizes and sectors participated in the online survey. The study was conceptualised and supported by Holger Müller, Professor for Supply Chain Management at the HTWK Leipzig, together with Elisabetta Bollini, who is responsible for Market Research in the Marketing Department of Mercateo AG.

A key finding: The procurement of indirect requisitions can become a significant cost factor in a company if its purchasing processes are insufficiently professional, and above all else, they have not been digitalised. In specific terms, this means that with the help of digitalised processes, an average medium-sized company with around 7,100 orders per year is able to reduce its ordering costs by 40 percent, from approximately 820,000 Euros to just 480,000 Euros. In this context, the individual components of an order, from the purchase requisition, to the choice of supplier, the order and incoming goods, to the completion of the purchase invoice, were defined and examined for the specific amount of time that they take. A uniform but still manual process does not bring about any savings. The costs can only be reduced with a digital process, reducing them from 115 Euros (manual process) to 67 Euros (digital process) – see figure 1.



Holger Müller views the study as an important source of support for small and medium sized companies in terms of the development of their level of digitalisation: “In large companies, the digital support of the procurement process is largely established. In small and medium sized companies (SMEs), however, many order processes are still completed manually. Before this study, solid data was quite simply lacking on the savings that digital processes can really bring about at the level of the individual processing steps. With these results, for the first time ever, we are able to provide decision-makers in SMEs with a reliable data basis that enables them to optimise their processes and to achieve the related potential savings.

The study further demonstrated that an alarming 70 percent of the companies surveyed do not see themselves as being well prepared for digitalisation. In this respect, the adaptation of administrative processes to the rapidly advancing networking within the “industry 4.0” is particularly important in order to enable the development of smooth processes between companies and to prevent the development of isolated “islands of digitalisation”. This is another area in which SMEs have the most catching up to do.

Stephanie Egerer, Marketing Director Mercateo AG, believes the results of the study show that companies require a new, sustainable infrastructure: “Company executives are aware that they can achieve considerable savings as a result of the digitalisation of their procurement processes. However, they lack the tools to do so. For example when it comes to ensuring quicker access to innovative offers and new cooperating partners, this is an important success factor for companies, and one which is set to become even more relevant in the future. SMEs in particular believe that the introduction of standard solutions puts their direct business contacts and their existing relationships at risk. For this reason, increasing numbers of purchasers and suppliers are looking for a new and innovative infrastructure which successfully meets these challenges. With Mercateo Unite, we are providing exactly that infrastructure, which enables transactions to be completed on a digital basis with the continuous expansion of the company’s own network.”

The study is available to you exclusively and at no cost in the form of a download at Mercateo. Please visit the following page: www.mercateo.co.uk/corporate/info/mercateo-htwk-study-2017/

More information about Mercateo: www.mercateo.co.uk/corporate

About the HTWK Leipzig:

Leipzig University of Applied Sciences (Hochschule für Technik, Wirtschaft und Kultur Leipzig / HTWK Leipzig) combines practically-oriented teaching with applied research. The regional stand-out attribute of the university is its broadly-based profile in the area of the engineering and technical sciences. In addition to the areas of business, social sciences and humanities, the HTWK Leipzig also has a varied offering in the area of teaching and research. Some 6,100 students are presently enrolled at the university. With third party funding of over 10 million Euros, the HTWK Leipzig is currently one of the leading research universities in the field of applied sciences in Germany.

[Photo: Mercateo]

Contact:

Mercateo UK Limited
16 Great Queen Street
London WC2B 5AH
Email: press@mercateo.co.uk
Web: www.mercateo.co.uk