

MRO Purchasing: What It Is and Best Practices To Manage It



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In the procurement world, finding, negotiating, and managing deals for big-ticket direct procurement purchases gets a lot of attention, consumes and provides a lot of resources, and represents massive opportunities for growth, innovation, and long-term strategic cost savings for the company.

Traditionally, direct procurement has been treated as a much more reliable source of value development than the cost-savings focus of indirect procurement, also called MRO (maintenance, repair, and operations) purchasing.

However, as technology continues to mature and the endless battle for competitive advantage in a crowded marketplace roars on, indirect spend has

become a potential source of both cost reduction and lasting value.

Realizing these potential savings, however, relies on fine-tuning procurement processes, strategic sourcing in the MRO supply chain, and overcoming the possibility of resistance to change in a corporate culture long accustomed to treating MRO as a necessary chore rather than a vector for value creation.

What is MRO Purchasing?

MRO purchasing or procurement refers to the process of acquiring the goods and services needed for business maintenance, repair and operations.

These items are not directly linked to the production or delivery of the core product or service but are essential to keep the business running smoothly.

While these items may seem minor compared to direct spend items (those directly involved in producing a product or providing a service), they play a crucial role in maintaining business operations.

If not managed properly, these expenditures can significantly impact a company's bottom line.

MRO Job Description and Responsibilities

The job of an MRO buyer involves procuring these necessary items and managing their inventory.

They are responsible for negotiating with suppliers, placing orders, tracking deliveries, and ensuring that the company has the MRO items it needs when it needs them.

The purpose of an MRO buyer is to manage the procurement of MRO items efficiently.

This involves balancing cost, quality, and supply to ensure the company's operations can continue without interruption.

There's not much difference between an MRO buyer and a general buyer except for the types of items they handle.

While an MRO buyer focuses on maintenance, repair, and operations items, a general buyer may handle the purchase of raw materials, machinery, or other direct inputs for production.

Qualifications for an MRO buyer typically include a bachelor's degree in business, supply chain management, or a related field.

They should also have strong negotiation skills, knowledge of procurement processes, and familiarity with inventory management systems.

Examples of MRO Procurement and Inventory

Many of the MRO products are consumables, meaning that you'll have to continually purchase them to keep things running optimally.

- **Janitorial Supplies:** This includes cleaning solutions, mops, brooms, garbage bags, and other cleaning supplies. These items are essential for maintaining cleanliness in the workplace but do not directly contribute to the production process.
- **Safety Equipment:** Personal protective equipment (PPE) such as safety goggles, gloves, hard hats, and other protective gear are also part of the MRO inventory. They are crucial for ensuring the safety of workers.
- **Maintenance and Repair Supplies:** These include tools and materials needed to maintain and repair machinery and equipment. Examples are lubricants, spare parts, and machine part replacements.
- **Office Supplies:** Items like pens, paper, staplers, and other stationery, as well as larger items like computers and furniture, are part of the MRO inventory.
- **Laboratory Equipment:** For businesses that operate laboratories, equipment like microscopes, beakers, test tubes, etc., are considered MRO inventory.
- **Power Tools:** Tools used for various tasks around the business, like electric saws and hand tools such as pliers, are also included in the MRO inventory.

■ Examples of MRO Procurement and Inventory



Janitorial
Supplies



Safety Equipment



Maintenance and
Repair Supplies



Office Supplies



Laboratory
Equipment



Power Tools

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The Relationship Between MRO Purchasing and Indirect Spend

Indirect spend refers to purchasing goods and services that are not directly incorporated into a product or service.

This includes MRO items and other expenses such as professional services, travel, and office rent.

MRO purchasing is a significant part of a company's indirect spend.

Since these purchases are often made across various departments and locations, tracking and managing them can be challenging.

Without a strategic approach to MRO procurement, companies can end up with uncontrolled spending, missed discounts, and inefficient processes.

The MRO Purchasing Challenge

MRO procurement often deals with myriad small, bread-and-butter buys that seem individually insignificant but work in concert to create a vast and powerful MRO supply chain that keeps the lights on, the production line in good repair, and your staff equipped with the tools and services they need to do their jobs.

MRO supplies critical parts, not just spare parts, and if its supply chain fails, your

company could find itself in serious trouble much more quickly than expected.

MRO spend is not without its challenges, mind you.

Without rigorous internal procurement processes in place or the aid of continuous improvement supported by automation, MRO can be a source of “invisible spend” that can cripple effective spend analysis.

It can also increase risk exposure and supply chain management headaches.

It’s perhaps not that surprising, then, that MRO procurement—often treated as an afterthought— has been overlooked for so long as a genuine source of value.

There’s plenty of opportunity for positive transformative change for purchasing managers and MRO buyers who want to take advantage of the value and reduced total cost of ownership (TCO) hidden within MRO while increasing spend visibility.

There’s real value to be found and optimized in the MRO supply chain, and formalizing your practices, identifying the key performance indicators (KPIs) that provide the most useful data, and incorporating the right tech tools (including a procurement software package) will help make (corporate cultural) change a reality.

Making the Most of MRO Management

Want to maximize the value and cost savings generated by MRO items?

The first and most important step is to prioritize and support MRO procurement and MRO inventory management in the same way you do direct procurement.

You’ll immediately gain substantial and sustainable savings through:

- A shift away from tactical cost reductions and toward strategic reductions to TCO through incentives, economies of scale, and partnerships with trusted vendors.
- Elimination of needless workflow complexity to reduce staff hours and process inefficiencies. Paired with automation, roadblocks, and human error are reduced significantly.

- Enhanced data management and collaboration to boost productivity and engagement by all stakeholders.
- Simplified spend analysis and more accurate financial forecasting and strategic planning through elimination of rogue spend.

■ Making the Most of MRO Management



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Fundamentally altering your corporate culture to allow the concept of building value through supply chain management to take hold can be a hard row.

There's real value to be found and optimized in the MRO supply chain, however, and formalizing your practices, identifying the key performance indicators (KPIs) that provide the most useful data, and incorporating the right tech tools (including a procurement software package) will help make this change a reality.

Tips to Help You Optimize Your MRO Supply Chain

- **Consolidate Your Supply Base:** By reducing the number of suppliers you work with and standardizing your procurement process on a single platform, you can streamline operations and potentially negotiate better terms.
- **Implement a Modern CMMS:** A Computerized Maintenance Management System (CMMS) can help manage maintenance tasks and track the equipment lifecycle, enhancing efficiency.
- **Adopt Storeroom Management Technology:** This technology can help

manage inventory, reduce wastage, and ensure that necessary supplies are always available.

- **Use Condition Monitoring Equipment:** This equipment can detect potential failures before they occur, allowing for preventive maintenance and reducing downtime.
- **Centralize Physical MRO Inventory:** Centralizing inventory can prevent duplication, reduce waste, and improve visibility into stock levels.
- **Ensure Quality:** Make sure the supplies you order meet your quality specifications. This can prevent costly errors and rework.
- **Buy from Reliable Vendors:** Choose vendors known for their reliability, quality products, and excellent service.

■ Tips to Help You Optimize Your MRO Supply Chain



Consolidate Your
Supply Base



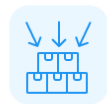
Implement a
Modern CMMS



Adopt Storeroom
Management
Technology



Use Condition
Monitoring
Equipment



Centralize
Physical MRO
Inventory



Ensure Quality



Buy from
Reliable Vendors

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Best Practices for Managing MRO

Purchasing

• **Centralize Procurement**

Centralizing your MRO procurement process brings all purchasing decisions and activities under one roof.

This reduces the chance of duplicate orders and ensures that all purchases comply with the company's purchasing policies.

• **Establish Your KPI Metrics**

Without established benchmarks and standards, it's challenging to assess the effectiveness of your MRO procurement accurately.

Implementing KPIs grants you crucial data highlighting your initiative's advantages to senior management and other stakeholders in monthly or quarterly reports.

Consider the following KPIs:

- Allocated budget for procurement
- Performance and contributions of suppliers
- Instances of inventory shortages
- Unplanned or unauthorized spending
- Quantity of inventory available in days/months
- Comparison between emergency orders and restocking orders
- Parts lost due to becoming outdated

• **Leverage Technology**

Utilize procurement software to automate and streamline your MRO purchasing process. Implementing a dedicated procure-to-pay solution like PLANERGY helps centralize MRO procurement, ensuring all maintenance, repair, and operations purchases are tracked, controlled, and optimized from one platform.

This can help track spending, manage suppliers, and create reports,

providing valuable insights into your procurement process.

Evaluate it regularly to determine where there are areas for further improvement.

• **Develop Strong Supplier Relationships**

Building solid relationships with your MRO suppliers can lead to better pricing, improved service, and access to new products.

Regularly review your supplier performance and negotiate contracts to ensure you get the best value.

• **Implement a Preventive Maintenance Program**

Regular maintenance can reduce the need for repairs and replacements, decreasing your MRO spend.

Implement a preventive maintenance program that schedules regular check-ups and maintenance for your equipment.

This will extend the life of everything you use and minimize the need for excessive replacement parts.

• **Train Your Staff**

Ensure that everyone involved in the purchasing process understands the importance of MRO procurement and how to manage it effectively.

Regular training sessions can help keep everyone on the same page and improve the efficiency of your procurement process.

Require your staff to follow a specific procurement procedure - working with preferred vendors, filling out a formal purchase requisition, and going through an approval process.

With the help of procurement management software, you can automate a great deal of the process while still keeping a close eye on your spend

management in real-time.

Implementing ways to ensure employee compliance is a necessary part of your overall procurement strategy, and is crucial for cost management and effective MRO.

Best Practices for Managing MRO Purchasing



Centralize
Procurement



Establish Your
KPI Metrics



Leverage Technology



Develop Strong Supplier
Relationships



Implement a Preventive
Maintenance Program



Train Your Staff

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Stop Making MRO More Time-Consuming Than Necessary

MRO purchasing may not be the most glamorous part of business operations, but it is crucial.

By understanding what it is, how it relates to indirect spend, and following best practices, businesses can better manage their MRO procurement, leading to cost savings and more efficient operations.

Whether it's a truckload of new office supplies for headquarters or replacement parts for your bustling production line, MRO items have strategic and financial value for your business.

Unlock the potential of your MRO supply chain through process improvement,

automation, and cultural education, and discover the very direct impact MRO can have on your bottom line.

What's your goal today?

1. Use PLANERGY to manage purchasing and accounts payable

We've helped save billions of dollars for our clients through better spend management, process automation in purchasing and finance, and reducing financial risks. To discover how we can help grow your business:

- Read our case studies, client success stories, and testimonials.
- Visit our Spend Analysis Software page to see how PLANERGY can empower you to get more value from your spend.
- Learn about us, and our long history of helping companies just like yours.

[Book a Live Demo](#)

2. Download our "Indirect Spend Guide"

Download a free copy of our guide to better manage and make savings on your indirect spend. You'll also be subscribed to our email newsletter and notified about new articles or if have something interesting to share.

[download a free copy of our guide](#)

3. Learn best practices for purchasing, finance, and more

Browse hundreds of articles, containing an amazing number of useful tools, techniques, and best practices. Many readers tell us they would have paid consultants for the advice in these articles.

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