



Estimate your own cost savings from StraightBUY adoption

Administrative Time Savings

This type of saving is hard to quantify unless the organisation knows exactly how much the administrative costs of the purchasing process are. It is rare for an organisation to have this information. However, generally the range of estimates from those organisations that have investigated this is between AUD \$50-\$120 per purchase order.

- The table below allows you to estimate these savings.

This is an exceptionally large amount of money when it is considered that the average value of those purchase orders is likely to be less than \$200.

Hard Cost Savings

This type of cost saving from the adoption of StraightBUY is more easily quantifiable. The “hard cost” is the dollar amount paid to the suppliers.

Once the purchasing process is improved and the information levels are higher, it is generally possible to obtain better bargaining outcomes with suppliers and then ensure staff use these negotiated discounts.

- Table 1.1 also asks you to enter your organisation’s total spending (which is suitable for e-procurement) and then the percentage saving you estimate.

Reduced Inventory

The level of inventory depends on the nature of your business. The amount of saving depends upon your organisation’s current inventory levels, the extent that the improved cycle times allowed by StraightBUY will allow this to be reduced, and the cost of funds that the business pays to hold money for use in operations.

These factors are very different for different industries and also different organisations within an industry, but table 1.1 allows you to estimate the savings for yourself.

Intangibles

It is up to individual organisation to estimate the value of the intangible benefits from StraightBUY adoption.

These intangible benefits such as improved audit trails, increased professionalism and better ability for the purchasing function to cope with changing circumstances, are not included in the table below as they are too difficult to calculate.

Table 1.1

The table allows you, the person that understands your business best, to estimate for yourself the savings.

(MRO - Maintenance, Repair and Operation)

Annual Cost Savings from StraightBUY Adoption

Number of MRO purchase orders per annum	_____	Total spending on MRO purchases per annum	\$ _____	Current average inventory	
Multiplied by the administrative cost saving of purchasing online	X \$ _____	Multiplied by the actual percentage cost saving on purchases as a result of better purchasing information e.g. 3%	X _____ 100	Expected reduction in average inventory as a result of e-procurement	- \$ _____
Total Annual Soft Cost saving	= \$ _____	Total Annual Hard Cost saving	= \$ _____	Cost of Funds	X % _____
				Reduced Inventory Costs	= \$ _____
				Total Annual Cost Saving	
				= \$ _____	

