



Cost Optimisation Analysis for Amazon Business





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Introduction

This document summarises the details of the cost optimisation analytics exercise undertaken by Compleat & Amazon Business during July 2020. The process leverages the spend data captured & processed by our clients through Compleat P2P, our purchasing & accounts payable automation application.

Following this, the spend data was analysed using our digital procurement applications & technologies (Compleat Capture & Compleat Advanced Spend Analytics (ASA)), & finally reviewed by our spend analytics experts to deliver the cost optimisation analysis (Compleat Procure).

Project Overview

The primary objective of the project was to quantify, in detail, the level of any savings that every business is likely to achieve by increasing their spend through Amazon Business (& reducing the number of existing suppliers they currently trade with & the associated administration costs) by evaluating their previous purchases with other providers of items that Amazon also sell.

Project Scope

The project required a statistically valid volume of spend for review. This was achieved by aggregating & anonymising the spend of 5 Compleat customers over a period of up to 12 months, for invoices received & processed up to 31 May 2020.

The project was on 3 common categories of business consumables spend for every business:

- Office equipment & supplies.
- Facilities management.
- ICT equipment & consumables.

Of the 5 customers, 4 had revenues of under £10m, while 1 organisation had revenues of more than £100m. By including very small organisations (those with under £1m in revenues) & large organisations, we were able to review the impact on savings achieved based on the different levels of corporate spend.

The analysis covered 33 existing suppliers, all of whom were being used by the 5 companies for the spend categories above.

The total value of the spend reviewed was £159,385.



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Project Process

The cost optimisation process was based on the customer spend during the 12 months, utilising the spend data captured by our e-Invoicing Portal, Compleat Capture.

Compleat Capture then automatically extracted the supplier information for every invoice processed – invoice header level data & critically, the line-level information (item code, description, unit of measure, quantity, & price) – before subsequently processing the spend data through the ASA (Compleat Advanced Spend Analytics) tool.

Please note: Every Compleat customer can access & analyse all of their spend analytics for an annual subscription fee for ASA. Also, Compleat Procure provides the resource & capability to help our clients achieve cost savings results.

Category Management

The spend was then segmented into spend categories, allowing us to identify the relevant suppliers being utilised within each of the 3 categories being reviewed.

ASA fully automates this process, as all the suppliers “onboarded” within Compleat Capture were allocated a Category by our procurement team. This identified the 33 suppliers that met our 3 categories for review.

The sample size was 776 individual items of spend across all the invoices processed.

Line-Item Analysis

Compleat Procure extracted the line-level analysis &, based on the unit of measure, quantity, & price, delivered the cost per unit for every item being reviewed.

This aggregated & anonymised data was then provided to Amazon Business for them to compare their pricing for the same or equivalent products. The results were subsequently reviewed by one of our experienced analysts within the Compleat Procure team.

A considerable level of care was taken for every line item reviewed to ensure a like-for-like match of either the same or equivalent item(s) of similar quality. This guaranteed the integrity & accuracy of the spend review process.



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Savings Results

Of the 776 items reviewed, Amazon Business’s pricing was more expensive on 285 items & less expensive on 491 items:

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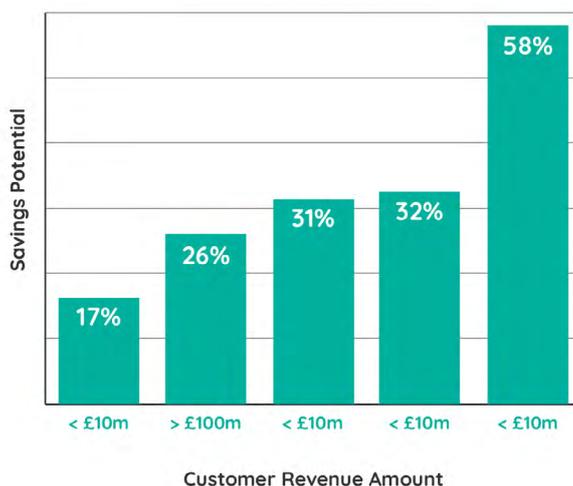
Overall, the net savings available by buying all items reviewed £159,385 from Amazon Business was £51,332.

The Average Savings Potential

The average savings potential across this “basket of spend” was 32%.

The savings potential for each of the 5 customers identified was broken down & represented 17%, 26%, 31%, 32% & 58% respectively against their spend. The £100m turnover customer savings were 26%.

Average savings available from Amazon Business are 32%



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Notable Observations

The most notable observation was the excessive prices being paid by these organisations for a high number of basic common purchases from their existing suppliers.

Example 1

A 5-ream **box of paper** being billed at £43.95 against the same item on **Amazon Business** priced at £16.38.

Example 2

Pack of 10 **A4 ring binders** with dividers being billed at £48.62 against the same item on **Amazon Business** priced at £19.05.

Whilst the pricing on Amazon Business was more expensive for 285 items, the price differential was always relatively small reflecting the competitive nature of the Amazon Business supplier “marketplace”.

The survey did not include freight/delivery charges analysis, but we would highlight that Business Prime usually removes all these costs against a fixed fee.

From a procurement perspective, this type of pricing differential is common as a single supplier will offer competitive pricing on some aspects of their portfolio but charge premium prices on others to be profitable.

The Result

Amazon Business saves you money on what you already buy.

Amazon Business provides a fundamentally different purchasing proposition, being a marketplace for hundreds of thousands of suppliers that all proactively & dynamically compete for your business (& against each other) for every single item you purchase.

The result is ALL items on the marketplace are competitively priced, & this fundamental difference delivers the aggregated savings across all relevant spend.

We conclude that almost every business will save money by increasing their spend with Amazon Business in preference to using their existing suppliers.

Please note: The Amazon Business pricing did not include any of their advanced procurement & pricing offerings, which may have reduced the prices paid even further.

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The Compleat Online Purchasing Experience

Whilst almost no one will question whether or not their staff would prefer to buy from Amazon Business over any formal or informal purchasing process for other suppliers, most senior finance managers will have valid concerns over their ability to control & cost-effectively manage the process.

Online buying is a component of the Compleat P2P purchasing & invoice automation suite of SaaS applications that extends the functionality of almost every accounting & ERP application.

Compleat P2P is usually deployed, integrated with your accounting/ERP application & taken live in 1-3 days (depending on the size of the organisation & number of users).

Compleat P2P delivers finance departments with real-time visibility & control over every online purchasing request before the order is placed. This also includes the status of every transaction throughout its lifecycle. Furthermore, all aspects of the ordering & subsequent approval process can be undertaken from any “connected” device.

Requisitions (whether for online or offline purchasing) can be self-approved or automatically sent for a single/multi-step approval process based on value & multiple other criteria.

On final approval, a digital order is delivered into the Amazon Business infrastructure for their unique “pick & ship” experience. Every Amazon Business invoice is then automatically digitally captured & matched against each order/order line item, requiring zero touches.

General ledger analysis can be automatically defaulted at requisition entry or be manually reviewed/updated either before the order is placed or as part of the invoice approval process.

Finally, an automated single or multi-step approval process (or self-approval process) can be applied to invoices, with them checked against multiple criteria including invoice value. On final approval, the invoice is posted to your existing accounting/ERP application & includes a full audit trail.

The productivity gains, both inside & outside the finance department, are always between 65%-90% over every manual process.

Summary

Whilst the value of “indirect spend” is rarely significant within the big picture of corporate spend, the high volume of low-value invoices is time-consuming for the entire business & that time could be better spent on more valuable activities.

Every organisation will make real cash savings by buying more from Amazon Business & those savings will almost always deliver a highly compelling ROI against the cost of automation.

In the current uncertain world we live in, Compleat P2P addresses three of the major priorities for every CFO: conserve cash, reduce costs, & increase productivity.

Isn't now the time to take total control over all spend before it takes place, reduce the costs of what you buy, & free up time for everyone involved for them to focus on what really matters?

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