

## Annual CAPS Benchmark Study – No Surprise – Finds Level of Offshoring, e-Procurement Up in 2007

### Procurement Overhead Costs Remain Flat for Third Straight Year; \$25 million in Average Spend per Procurement Employee

#### SCDigest Editorial Staff

CAPS Research, an arm of the Institute for Supply Management, recently released its cross industry benchmark report on procurement and sourcing, a semi-annual survey of almost 200 companies across a wide range of sectors.

The full report, including industry sector comparisons, is only available to study participants, but CAPS prepares a public report that lists the “averages of the averages” across a wide variety of purchasing metrics.

While industry-specific comparisons are probably of the greatest value, the aggregate metrics are certainly indicative of overall trends, and worth comparing to see how a company stacks up in its procurement management against a broad group of companies and industries.

Key metrics from the report are as follows. The full summary report is available at [CAPS Research Summary Report](#) (free registration required).

- The percent of company revenue that is spent through the procurement organization remained steady in 2007 at an average of 45.55%
- For the third straight year, procurement operating expense as a percent of company revenue remained at .36%, meaning the relative cost of the procurement function itself has neither risen nor fallen during that time.
- The same is true of procurement expense as a percent of total spend, which remained at .83% for the second year, almost the same as the .84% in 2005. There was a large drop that year, however, from the 1.01% procurement overhead cost as a percent of spend in 2004.
- Costs per procurement employee are rising mod-

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estly, with an average of \$112,470, up less than \$2000 from 2006. Those costs include salaries, benefits, and other support/overhead costs, and are meant to be an average of all employees in the procurement organization.

- The average amount of purchasing transaction volume per procurement employee, including administrative staff, averaged just over \$25 million in 2007, up about \$1.5 million from 2006.
- The procurement organization on average controlled 82.36% of total company outside spend, actually down a little from 2006 but up more than 2% from 2005.
- 27.22% of companies reported they outsourced some procurement activities, basically unchanged from 2006.
- Offshore spend as a percent of total spend rose substantially in 2007, rising to 25.92% of the total versus 22.49% in 2006.
- In 2007, companies on average said they were able to reduce the cost of procured goods by 2.65%, down slightly from 2006. Cost reduc-

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tion means obtaining a lower price for the same goods or services from one year to the next.

- Procurement consolidation continues, as the percent of suppliers accounting for 80% of total spend continues to decline, down to just 6.26% in 2007 from 6.7% in 2006 and 7.73% in 2004.
- The percent of suppliers being reported as “e-Procurement enabled” rose sharply in 2007 to 19.6%, up from 16.46% in 2006.
- Those numbers track almost exactly the percent of spend made via e-Procurement, which was 19.86% in 2007 versus 17.36% in 2006.
- Perhaps surprisingly, however, the percent of spend that went through e-Auctions declined in 2007 to just 2.58% in 2007, down from 3.18% in 2006.

To the extent that the data are accurate, they in large measure show relatively little improvement in many areas of procurement over the past three years. The drop in spending through e-Auctions is a bit of a surprise, as is the rela-

Benchmark 10A:	
Offshore Spend as a Percent of Total Spend	
Data Year:	Average of Averages
2007	25.92%
2006	22.49%
2005	22.09%
2004	n/a

**Source: CAPS Research**

tive lack of e-Procurement activities. If only 6.26% of suppliers constitute 80% of total spend, but only 19.86% of spend is electronically enabled, it says that procurement activities with even large companies are still primarily conducted through traditional means.