WHITE PAPER

## Top Reasons To Consolidate Your Consumable Providers



## **A Vicious Cycle**

Congratulations! Your lab budget is increasing. Since the Great Recession ended, the typical lab budget has grown by as much as 5%. That is the good news. The bad news is those increases are specifically targeting the higher costs of instruments and consumables. As lab professionals, you are still expected to do more with less. Forget about the new chemist or that new analyzer you need. Your budget may be increasing, but administrators still believe that your lab may be spending too much on the wrong things.

They may not be wrong. Nearly half of lab professionals admit that they have no clear idea of how much their labs even spend every year.<sup>3</sup> They simply go ahead and do what they have always done. Only now they do more of it, because there are fewer staff members to run the tests, order and track supplies, and generally do more for less. Despite their best efforts, they still see their laboratories slowly losing control over their own budgets.<sup>4</sup>



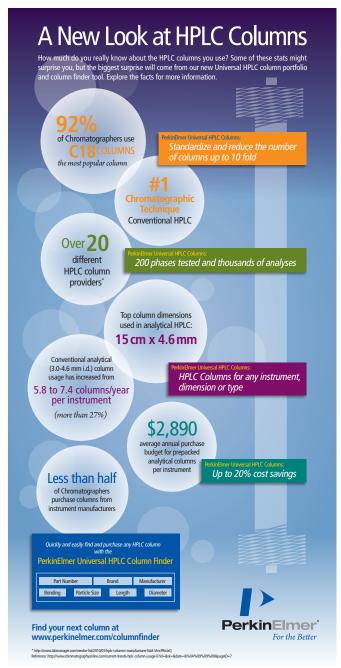
Why? In many respects, it all comes down to numbers and tradition. According to one recent report, the typical lab spends nearly 60% of its annual budget on consumables, things like columns and vials to hundreds of other common lab supplies (see Figure 1 as an example of LC columns you use in your lab). Because many labs allow staffers to order their own consumables, the result is less than efficient. Most staffers admit that cost is a low driver, while product quality, quick delivery, and brand reputation are important.5 Unfortunately, it does nothing for personal accountability. In addition, lab ordering practices such as these do not even begin to account for the time staff researchers spend placing, then chasing down the countless consumables they order from various—sometimes even hundreds — of suppliers. Just keeping track of all these orders and suppliers can be a nightmare. Who orders what, from whom, and how? Inevitably, inaccurate reporting, frequent out-of-stock scenarios, supply hoarding among labs, and even potential security and regulatory breaches result in administrative and cost-reducing measures, including layoffs.6 Then the vicious cycle begins again with each new fiscal year.<sup>7</sup>

## **Changing the Status Quo**

To end the cycle of spend and cut, there are a number of ways laboratories can avoid the angst associated with annual budget reviews. Here are some of the top reasons to consider consolidating your consumable purchases:

- Topping the list is inclusion. That means involving everyone in the budget and ordering process to create an integrated approach to not just the lab but the business. It may seem like a cliché, but knowledge really is power. No truer example exists than presenting all of the facts and figures to lab personnel in search of new solutions. It will not take long to uncover one of the most glaring issues that involve everyone: without a central purchasing plan or consolidated supplier for consumables which accounts for up to 60% of your annual budget labs will continue to over order and needlessly spend too much money.<sup>8</sup>
- In a complex global marketplace, where goods and services are
  often sourced to third parties, supplier consolidation for your
  leading purchase adds buying power and reduces costs. How?
  Beyond the products themselves, dealing with a single-source
  consumables supplier who has proven, real-world expertise to meet
  your needs, such as PerkinElmer, can reduce costs by up to 25%.9

- There is an efficiency ripple effect when consolidating suppliers, says The Hackett Group, a strategic consultancy and leading best practices implementation firm to global companies based in Miami, FL. Because fewer transactions need processing, labs save money by expending less time and overhead on each order, which can average more than 1,000 transactions a year.<sup>10</sup>
- Consolidation initiatives often lead to bigger systematic savings.
   In the area of consumables, for example, PerkinElmer offers a wide assortment of lab products and accessories, regardless of instrument manufacturer. Equally important, it can also provide your lab with easy access to a full slate of lab services through OneSource®, the most comprehensive suite of scientific laboratory services and enterprise solutions in the industry.
- The U.S. Food and Drug Administration Amendments Act of 2007 (FDAAA), and FDA's Guidance for Industry Format and Content for Risk Evaluation and Mitigation Strategies (REMS), REMS Assessments, and Proposed REMS Modifications. (FDA basic guidance: Guidance for Industry Good Pharmacovigilance Practices and Pharmacoepidemiologic Assessment (2005).
- European Medicines Agency (EMA) Guideline on Risk Management Systems for Medicinal Products for Human Use (2005).
- In July 2012, the EMA introduced new, stricter guidelines for pharmacovigilance activities: Good Pharmacovigilance Practice (GVP), replacing its Volume 9A guidance.
- International Conference on Harmonisation's (ICH) ICH Harmonised Tripartite Guideline: Pharmacovigilance Planning --E2E (2004).
- Consolidation initiatives reduce instances of non-compliance.
   In fact, research shows that supplier and internal compliance not only fosters higher stakeholder satisfaction levels, it saves an average of 10% in reduced non-compliance issues while also reducing the potential for fraud.<sup>11</sup>
- It is a lot easier to negotiate pricing with a single-source provider. The reason is simple. You are not just a voice in the crowd. You also have a clearer line of sight of what your lab has, does, and plans to buy in the future. That kind of data provides you the leverage you likely lack in a multi-vendor relationship. If you want to find out more, call or email your PerkinElmer representative today. Come budget time, you will be glad you did.



 $\label{prop:composition} Figure~1.~{\rm Putting~stats~to~LC~column~usage.~Download~the~infographic~at~www.perkinelmer.com/columninfographic.}$ 

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- 7. Swails, "Smaller Budgets, Bigger Payoffs," pp. 19-20.
- 8. The Hackett Group, Strategic Sourcing, The Hackett Group website, http://www.thehackettgroup.com/strategic-sourcing/, accessed February 26, 2016.
- 9. Clinton Anderson, David Fleisch, Greg Gerstenhaber, and Sam Thakarar, "A fresh look at procurement"
- 10. Ibid.
- 11. Ibid.

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