

MRO vs. Capex Procurement Policy: Clear Separation of Operating and Capital Procurement

The MRO vs. Capex procurement policy defines how companies distinguish between the procurement of consumables and repair materials (MRO) and capital goods (Capex), and which procurement routes, approvals and budgets apply in each case. It creates uniform criteria for the classification, approval and documentation of both types of purchase. In doing so, it avoids incorrect postings, prevents missing approvals for large sums and speeds up day-to-day operations.

Key facts

- MRO typically covers the ongoing requirements of production and maintenance, whereas Capex covers durable investments in plant, tools and infrastructure.
- In practice, the classification is usually based on useful life, value thresholds and company-specific accounting requirements.
- MRO purchases are frequently processed via framework agreements and catalogues with simplified approvals, while Capex goes through approval processes with capital investment requests.
- Clear policies significantly reduce irregularities, duplicate orders and budget overruns.
- In practice, typical value thresholds for simplified procurement are often in the range of a few hundred to a few thousand euros per company.
- The policy should be integrated with budgeting, purchase requisitions (BANF) and Controlling.

Definition: MRO vs. Capex procurement policy

The MRO vs. Capex procurement policy is an internal guideline that defines the criteria according to which a requirement is classified as an MRO purchase (Maintenance, Repair, Operations) or as an investment (Capex, Capital Expenditure). It thereby determines the procurement route, approval levels and budget treatment.

Classification criteria MRO

MRO covers consumables, wear parts, tools, operating supplies and spare parts for maintenance. These items are generally consumed within one year, flow into materials management and are charged to the ongoing cost budgets. Typical are many small to medium order volumes with high frequency, processed via purchase requisitions (BANF) and standard ordering processes.

- Consumables and wear parts
- Spare parts for plant and vehicles
- Operating and auxiliary materials, protective equipment

Classification criteria Capex

Capex concerns investments in machinery, tools, IT hardware or building equipment that provide the company with long-term benefit and are capitalised. Such purchases run through capital investment requests and budgeting, often with multi-stage approval by the specialist department, Controlling and executive management. Classification is frequently based on useful life, purchase value and the capitalisation requirement under commercial law; the specific interpretation should be agreed with accounting on a case-by-case basis.

Why the separation matters

Without a clear distinction, grey areas arise: toolboxes, measuring equipment or software licences may be MRO or Capex depending on perspective. Misclassification leads to budget deviations, incomplete investment planning and friction between Procurement, Controlling and specialist departments. A written policy creates binding rules here.

Methods and approach for implementing the policy

An effective policy combines defining criteria, clear process routes and technical support in the procurement system. It should be developed by Procurement together with Controlling, Accounting and Maintenance.

Criteria catalogue and value thresholds

It starts with a practical criteria catalogue: useful life, capitalisation requirement, purpose of use and purchase value. Many companies work with value bands below which simplified procurement routes apply. Tools with a useful life of more than one year, for example, may be treated as Capex or as MRO consumables depending on their value; this decision should be made on a rule-based basis in the system.

Process routes and approvals

MRO requirements typically run via purchase requisition (BANF), catalogue order or framework contract call-off with a short BANF-PO lead time. Capex requires a capital investment request with a business case review, budget anchoring and multi-stage approval. The policy defines which role buyers play in obtaining quotations, supplier negotiations or e-auctions, and from what volume a formal tender with a possible bid challenge is required.

System support and workflow

Modern procurement systems can be configured so that classification happens automatically based on item classes, cost types and value thresholds. Exception Management helps to identify deviations such as budget overruns or incorrect account assignments at an early stage. This keeps the BANF-PO lead time manageable even with stricter Capex approvals.

Key KPIs and metrics for MRO and Capex procurement

Both types of purchase require different KPIs: MRO is primarily steered via process efficiency and stock velocity, Capex via budget adherence and investment economics.

KPIs for MRO

The focus is on BANF-PO lead time, the share of approved catalogue orders, stock value in the C-parts

area and minimum stock adherence in materials management. Supplier evaluation for MRO suppliers is also included, as responsiveness and delivery reliability are particularly important here. Non-single-source KPIs such as the share of maverick buys show whether the policy principle of 'first the requirement, then the order' is being lived.

KPIs for Capex

Here, budget utilisation dominates, along with the deviation between the investment request and the actual cost calculation, the share of tracked change order clauses and adherence to the sourcing pipeline up to order award. The lead time from investment approval to order placement is also a common practical indicator. In addition, First Article Inspection (FAI) for new plant constructions can be tracked as a quality milestone.

Overarching KPIs

Budget adherence, the share of policy-compliant purchases and the number of exceptions in Exception Management are suitable as overarching steering indicators. They show whether the policy is accepted in day-to-day practice or whether there is a need for training and adjustments.

Risks and controls in the classification

The biggest weak point is the grey zone between the two categories. Without controls, there is a risk of budget circumvention, compliance breaches and poor economic decisions.

Typical risks

Common mistakes are split orders to circumvent approval limits, and posting investments as expenses. Unintended automatic contract renewal in MRO framework agreements can also bind budgets in the long term. For Capex, additionally unclear change order clauses are a risk, enabling variations and additional costs.

Controls and approval levels

Effective controls include multi-stage approvals above defined value thresholds, sample checks by Controlling and a functioning bid challenge in the event of tender breaches. For larger investments, reviewing warranty claims and contractual penalties is standard. Legal and tax assessments, for example regarding the capitalisation requirement, should be examined on a case-by-case basis with tax advisors and accounting.

Compliance and record keeping

The policy should define documentation requirements: justification of the classification, proof of approvals, bid comparisons. This facilitates internal and external audits and supports evidence obligations, for example under the Corporate Sustainability Due Diligence Directive (CSDDD) where supply chains are affected.

Current developments and levers in MRO and Capex procurement

Digitalisation, sustainability requirements and strategic procurement are changing both procurement areas. The policy should be regularly adapted to these developments.

Digitalisation and automation

Catalogue solutions, automatic approvals for small-volume requirements and MRP-supported planning (Material Requirements Planning) significantly reduce the manual effort in the MRO area. For Capex, digital capital investment requests and an integrated sourcing pipeline are gaining importance in order to shorten lead times and create traceability.

Consolidation and strategic procurement

In MRO procurement there is often untapped consolidation potential: many decentralised small-volume orders can be consolidated via purchasing cooperatives or internal bundling with a small number of suppliers. For Capex, bid challenge and supplier negotiation management in a structured tender often yields noticeable price and condition improvements.

Sustainability and reporting obligations

Over their lifetime, investments significantly influence a company's Scope 3 emissions. The policy can therefore embed sustainability criteria in Capex evaluations, for example energy efficiency requirements. In the MRO area too, origin, recyclability and supply chain due diligence are playing a growing role.

Typical metrics

BANF-PO lead time (MRO): typically 1–3 days

short cycle times are usual for consumable requirements

Share of policy-compliant purchases: > 95 %

indicator of acceptance of the policy

Capex budget deviation: < 5 %

deviation between investment request and actual cost calculation

MRO catalogue penetration: > 80 %

share of orders processed via catalogue/framework contract

Practical example

A mid-sized mechanical engineering company with around 400 employees previously had no clear separation between MRO and Capex. Maintenance staff procured tools and measuring equipment via direct purchase orders, while larger plant investments were sometimes run as MRO and burdened the ongoing budget. After introducing a procurement policy with a criteria catalogue, value thresholds and a two-stage approval process, the situation normalised within a year: MRO requirements were consolidated via framework agreements and catalogues, and investments received a standardised capital investment request with a business case review.

- Criteria catalogue with useful life, value thresholds and capitalisation logic defined
- MRO consolidation with framework suppliers and minimum stock management for A and B parts
- Capital investment requests with mandatory fields for energy efficiency and change order clauses
- Quarterly Exception Management reviews by Procurement and Controlling

Conclusion

The MRO vs. Capex procurement policy may seem administrative, but in practice it is a powerful steering instrument. It prevents budget circumvention, creates clear approval routes and ensures that

consumables and investment expenditure end up where they belong. What matters is a practical classification developed together with Controlling and Accounting, along with regular review of the value thresholds. Anyone who consistently embeds the policy in systems and processes reduces process costs and at the same time strengthens budget discipline. Both types of procurement benefit when clear criteria, defined approvals and measurable KPIs work together.

Frequently asked questions

What does MRO procurement include?

MRO procurement covers consumables and operating supplies, wear parts, spare parts, tools and protective equipment for production and maintenance. These goods are typically consumed within one year and charged to the ongoing cost budget. The focus is on availability, short lead times and simple ordering processes.

When is a purchase Capex and when is it MRO?

The decisive factors are useful life, purchase value and the capitalisation requirement: if the benefit lasts longer than one year and the value exceeds the company-specific capitalisation threshold, this is generally Capex. Consumables and small items fall under MRO. The exact thresholds should be agreed case by case with accounting and tax advisors and defined in the procurement policy.

Why is the separation of MRO and Capex important?

Without a clear separation, there is a risk of incorrect postings, bypassed approvals and incomplete investment planning. Split orders to circumvent approval limits are a typical risk. A written policy with a criteria catalogue, value thresholds and defined processes creates binding rules and transparency for all parties involved.

What approvals do Capex purchases require?

Typically multi-stage approvals are required: the specialist department, Controlling and, depending on the volume, executive management or the supervisory body. The process starts with a capital investment request including a business case calculation and budget anchoring. For larger volumes, bid comparisons, supplier negotiations and documented award decisions are standard.

How can MRO costs in procurement be reduced?

Effective levers include consolidating decentralised small-volume requirements with a small number of framework suppliers, catalogue solutions with agreed prices, and maintaining minimum stock levels for critical parts. In addition, Exception Management helps to identify maverick buying. Regular reviews of framework contracts, for example regarding automatic contract renewal, also contribute to cost control.

Which KPIs are relevant for MRO and Capex procurement?

For MRO, these are primarily BANF-PO lead time, catalogue penetration and stock adherence. For Capex, the focus is on budget adherence, the deviation between the investment request and the actual cost calculation, and sourcing lead times. Across both areas, the share of policy-compliant purchases shows how well the guidelines are applied in day-to-day practice.