

Benefits of Procurement Technology & Tools



Before the introduction of e-procurement, or electronic transmission of data to support the procurement function, a company's procurement system was typically handled with paper.

While it worked because it had to, it was full of inefficiencies and was a tedious process for procurement professionals.

When the internet came along, and e-commerce began to flourish, procurement function moved to email and websites.

And as new technology continued to develop, procurement transformation began – allowing for e-catalogs and complete end-to-end procurement systems managed solely online with enterprise resource planning (ERP).

These systems allow you to place orders from any mobile device or computer where an internet connection is available.

What Procurement Technology Brings to

The Table

Many industries across the United States are implementing procurement technology to assist with process automation and improve their profit margins.

But beyond this, the technology also assists with productivity, increased transaction visibility, accountability, and cost efficiency throughout the entire supply chain.

Research from Bain and Company shows that fewer than 10% of companies have deployed procurement solutions based on key technologies such as the Internet of Things, Big Data, and blockchain technology.

That same research also shows more than 60% of companies either use no tools at all or rely on systems primarily based on Microsoft Office to handle their workflow and supplier relationship management (SRM).

When you factor in things such as information sharing, category management, stakeholder management, and risk management, the figure goes to more than 70%.

While Microsoft Office has useful tools and features for many aspects of running a business – procurement is not one of them, primarily because those tools do not allow for real-time collaboration.

That's a major missed opportunity for businesses, especially small ones operating on a limited budget.

Research from Procurement Leaders shows fully automated procurement function could save the Global 5000 up to \$86 billion annually. For companies with a spending base of \$1 billion to \$3 billion, that implies \$12 million in annual procurement headcount savings. Those that spend \$3 billion or more would save an average \$27 million on headcount.

Businesses are starting to catch on to the reasons for digital procurement as companies are gaining experience with these technologies and seeing what they can do.

Capital investors are investing a lot of money in the development of these digital

procurement tools, banking on the fact that they will produce significant value for those who use them. Data shows global investment in these tools, including that from venture capitalists, totaled \$475 million in 2017, up from \$378 million in 2014.

Low barriers to entry, combined with this increase in funding, have contributed to a number of new technologies available on the market today.

If your organization has yet to convert to e-procurement tools to improve the procurement process, finding the right one for your needs can bring you many benefits.

Benefits of Procurement Technology & Tools

• Improved Spend Visibility and Lower Costs

Using digital procurement technology allows you to structure your spend across suppliers, and allows everything to be tracked in a central location.

Not only does this allow you to leverage volume to reduce your costs, but spend analytics makes it easier to find cost reduction opportunities continuously.

Plus, you'll be better equipped to manage risk management, contract compliance, track your vendors and use supplier scorecards, which helps to increase productivity and additional savings.

Having all your transactions in a central database makes for easier reporting on requisitions, purchases, orders, and invoice payments.

You can easily see which departments throughout your business are ordering and receiving the most goods, whether they are staying within the established spend limits, and so on.

This data makes for more informed decision making, which ensures you're keeping an eye on balancing what your company needs with what the company is spending to accomplish those needs.

▪ **Global Procurement**

Because procurement tools support multiple currencies, languages, and logistics choices, your company has the ability to easily source goods and services from anywhere in the world.

Using internet-based procurement applications connects you to suppliers worldwide, giving you a wider variety of products, services, and suppliers to choose from.

▪ **Better Operational Performance**

Because e-procurement technology solutions allow many internal processes to be automated, including supplier evaluation and purchase order tracking, your company can operate more effectively and efficiently.

The more you can do without human intervention, the less room for potentially costly error. And, the more you can do without a human, the more time the humans have to focus on the tasks that cannot be automated, such as strategic sourcing or contract management.

▪ **Standardized Workflow**

Using electronic procurement technology produces a system that standardizes workflows and reduces the need to deviate from the process, creating more process efficiency.

Moving your system online allows for quick and easy reference to the data you need when you need it – whether it's vendor contact information, a contract, an order, or a supplier quote.

Transactions are routed through the correct channels and the right approval are made, to ensure orders are placed with the right vendors under the current contract terms, to ensure no purchases are made off-contract.

Simplified Processes

Procurement technology allows for electronic document storage, which simplifies a number of processes.

Engagement turnaround time is decreased because reusable templates are easily accessible. Contracts and orders are also stored in the system, so it takes less time to find older documents.

This speeds up contract compliance checks and reduces the potential for error.

Because you can use procurement tools to automate the procure to pay (P2P) process, the entire thing moves more smoothly.

Keeping vendors paid on time ensures a good working relationship and opens the door for savings in the future.

Invoices and orders are stored in a repository for quick access and better recordkeeping.

▪ Improved Data Accuracy

Data processes are streamlined when handled electronically, thereby reducing the chance of error.

Your document repository is easily accessed to ensure contract compliance, to reduce data inaccuracy.

Because everything in the procurement system lends itself to transparency, you can keep track of who is doing what in the system.

This means everyone is held accountable for their actions, and the data integrity isn't compromised.

You can see who placed a requisition, who approved it and allowed it to become a formal purchase order, who approved the purchase order, when the order was officially placed with the vendor, and so on.

- Everything is attached to the previous step in the supply chain, so once an

order is received from the vendor, it can be marked received, given to the original requestor, and the invoice can be paid.

The system also makes it easy to process returns, should the item be defective, incorrect, or no longer needed.

With most procurement tools, no records are deleted from the system, so older transactions are always available for search, but can be archived so they are not in the way of viewing more recent transaction data.

▪ **Internal Integration**

Because an electronic purchasing system can be implemented throughout your organization, internal departments can more effectively collaborate when and where they need to, and reduce, or even eliminate asymmetrical information.

Creating a standardized approval process and formal workflow allows every transaction to be managed at the correct level of authorization.

For instance, Sally can order herself a new keyboard if she needs it, but she cannot place orders for new servers or email marketing vendors because she doesn't have the authority to make those kinds of decisions for the company.

Integrating this process throughout all internal departments ensures that everyone can get what they need, when they need it, without having to go to procurement directly to request it.

▪ **Electronic Catalogs**

By using electronic catalogs, buyers have increased visibility into the products available for ordering, as well as the price information.

As these catalogs become more popular, suppliers are starting to offer a more standardized product, which makes it easier for you to compare apples to apples across suppliers and make sure you're getting the best possible deal.

Procurement teams can add a set number of items to the system from these catalogs, as approved items.

Then, anyone with the authority to order items for themselves or their department can use a requisition and online ordering system to request those items, get approval from the necessary staff members, and receive the items they need.

This frees up procurement organizations, so they don't have to worry about the low-value transactions, such as items for everyday office functions like paper and printer ink and can concentrate their efforts on strategic sourcing and supplier relationship management.

For the greatest success, companies must use a fully integrated e-procurement approach that handles everything from requisition and approval hierarchy to order processing and invoice payment, along with a database for supplier information such as RFIs, contracts, and performance records.

It may take more than one module in your ERP to develop a complete end-to-end system but transitioning only part of the system over to an electronic technology won't give you the most benefit.

While moving to an e-procurement system will require you to invest time, money, and effort, more often than not you'll find cost savings are possible, which makes it well worth the investment.

It certainly pays for your company to spend money on procurement tools and technology because you'll be more productive in the end.

With the increased efficiency, you'll see an almost immediate change in the workflow. And over the long term, you'll see a reduction in costs that allows you to put more of your resources toward strategic initiatives aimed at increasing company growth.

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