

# The Benefits of Procurement Software



Competing effectively in today's marketplace takes more than a superior product or clever marketing. With digital transformation encouraging the use of data management and analysis as the primary drivers for effective competitive strength and operational efficiency, companies of all sizes are on the lookout for digital tools that will help them generate value and lower costs. One way companies integrate these tools as part of a larger digital transformation strategy is through the use of procurement software solutions.

With proactive and strategic integration, procurement software benefits every business. By choosing a procurement solution that fits their business needs and budget, companies can effectively leverage digital transformation to center value creation and continuous improvement.

## What is Procurement Software?

Whether a single application, a purpose-built customizable suite of applications, or add-on integrations for your existing software environment, procurement software (also called *eProcurement software* and *procurement solutions*, among others) is designed to give businesses access to advanced digital tools—such as

process automation, cloud-based data management and organization, and deep data analytics—they can use to more effectively manage essential purchasing processes.

Procurement software comes in a variety of configurations and types, designed to meet different business needs, budgets, and organizational objectives. A few of the most common types of procurement software include:

- Purchase Order (PO) Software
- Spend Management and Analytics
- Supply Chain Management
- Supplier Relationship Management
- Contract Management
- Procure-to-Pay (P2P) Optimization
- Source-to-Pay (S2P) Optimization
- Electronic Invoicing (eInvoicing)
- Electronic Sourcing (eSourcing)

Some procurement solutions, such as PLANERGY, are effectively eProcurement suites. Customizable and purpose-made, they combine some or even all of the capabilities offered by other types of eProcurement software, plus other features such as inventory management and project management integration.

Regardless of platform, eProcurement software is used by companies of all sizes and types to:

- Standardize and streamline purchasing processes.
- Improve spend visibility (and spend management).
- Improve data accuracy and availability.
- Lower costs.
- Build value.
- Optimize enterprise resource planning (ERP)
- Provide a foundation for centering value creation through data-driven digital transformation.
- Enhance strategic decision-making and business process optimization.

*Digital, cloud-based, and mobile-friendly, eProcurement solutions are definitely native to the electronic ether. But it's another "e"—efficiency—that makes eProcurement systems such a powerful source of immediate value.*

# Key Procurement Software Benefits

Timelines, implementation methodologies, and preferred procurement software will vary from business to business. And while a 2019 study and survey from research firm ArdentPartners found best-in-class organizations gained significant advantage over their peers through the effective use of various procurement technologies, both best-in-class firms and all others were effectively neck-and-neck with regard to benefitting from eProcurement (57% of all best-in-class organizations and 56% of their competitors embraced eProcurement as part of their overall digital transformation strategies).

Adopting a procurement software solution is the ideal entry point for any organization aspiring to reach the performance, productivity, and profitability standards set by industry leaders.

Making the leap to eProcurement software will generally bring some key benefits to any company that adopts it, including:

## **The “e” in eProcurement Also Stands for “Efficiency.”**

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- Process automation eliminates human errors and delays on high-volume, low-value, formerly time-consuming tasks.
- Eliminating manual processes also creates cost savings by eliminating the need for paper and document management/storage.
- Complete, transparent, and accurate spend data reduces cycle times for both purchase orders and invoices.
  - This creates immediate cost savings by eliminating duplicate, incomplete, and missing purchase orders.
  - It leads to long-term cost reductions by allowing accounts payable to take a strategic approach to paying vendor invoices, capturing early payment discounts or delaying payment to the due date in order to better manage cash flow.

- General operational efficiency improves as goods and services are received more quickly and paid for more effectively.
- Standardizing forms, workflows, and internal processes helps eliminate waste and supports iterative improvements.
- Integration with existing ERP systems and other software applications helps centralize data management, improve communication and collaboration, and ensure employees spend less time chasing down information and more time focused on their tasks.
- Templates used in contract management integration and supplier management modules make it easy for team members to auto-populate documents (including contracts) with accurate and complete supplier information, minimizing the need for additional manual research while preserving legal and industry compliance.

## **A Strong, Strategic Supply Chain**

Bringing together supplier relationship management with advanced vendor management tools, procurement software allows procurement professionals to forge strong and strategic working relationships with their vendors while refining the supply chain for maximum resilience.

- Rather than a reactive approach, procurement software lets procurement teams take a collaborative and consultative approach to supplier relationships.
- Vendor portals, punch-out catalogs, and other supplier integration tools improve data collection and transparency, providing more data to analyze for actionable insights, opportunities to collaborate on new products, and ways to secure optimal pricing and terms with every vendor.
- Vendor portals also simplify supplier evaluation and make it easier to manage different types of projects, budgets, and spending initiatives that may involve special vendor selection.
- Process automation and a guided buying environment ensure every purchase is made from the correct vendor at the optimal price and terms.
- Data analysis and workflow optimization allow for contingency plans that ensure operational continuity and greater resilience in the face of global disasters, pandemics like COVID-19, and other major supply chain disruptions.

# Versatile Scalability

Small businesses no longer need titan-sized budgets to compete effectively with the major players in their industries. Investing in procurement software makes it possible to start small and grow as your budget and business needs dictate.

- With the right supplier and a strong software implementation plan, eProcurement software can be seamlessly integrated with your existing software system, minimizing disruption and preserving productivity during the transition period.
- Software-as-a-Service (SaaS) procurement solutions minimize the need for dedicated, on-premises hardware, software, and support.
- Modular procurement systems allow businesses to start small with (for example) a procure-to-pay solution and then expand on their own terms, adding contract management, budgeting, compliance and other modules as desired.

# Cost Savings

Aside from the immediate cost savings created by eliminating manual workflows and their associated waste and expense, eProcurement software creates cost reductions through:

- Improved contract compliance. Real-time access to vendor compliance and performance data makes it easy to handle small problems before they come costly disasters while preserving both valuable vendor relationships *and* operational continuity.
- Elimination of two major sources of spend leakage: maverick spending and invoice fraud.
  - Guided buying and integrated contract management eliminate rogue spend.
  - Automatic three-way matching and full spend transparency massively reduce the risk of invoice fraud perpetrated by opportunistic scammers.
  - Internal controls discourage internal fraud.
- Analyzing spend data. Analysis reveals opportunities to leverage economies of scale and improve contract negotiations with suppliers for the best possible pricing and terms.

- Streamlining the entire procurement cycle. From the creation of the purchase requisition through final payment of the vendor invoice and recording of the associated accounting entries, automation increases efficiency and accuracy and helps to lower costs across the board.
- Spend transparency and process optimization to improve inventory management. Having real-time access to accurate and complete spend data, along with current inventory management data, means no more duplicate orders or ordering goods that are already in another warehouse.

## **More Strategic Decision-Making and Financial Planning**

Doing business in the global economy has made Big Data an essential resource for competitively-minded businesses. Procurement tools help companies organize, filter, and analyze the vast amounts of information flowing through their daily operations to harvest valuable insights.

- Role-appropriate, mobile-friendly access to spend data makes it easier for procurement professionals to collaborate with other stakeholders inside and outside their organizations.
- Complete and transparent spend data can be accessed from dashboards on demand to create reports, forecasts, budgets and more.
- Strategic planning is simplified and easier to manage using data analytics to process past spend, performance, and compliance data to predict future trends, spending needs, cash flow requirements, etc.
- Data analysis can reveal actionable insights, including opportunities to develop new products, pursue new markets, and collaborate with suppliers on shared projects.

## **Centering Procurement as a Value Center for Your Organization**

Whether you produce or resell physical goods, provide essential services, or sell software solutions of your own, your company needs to spend money to make money. Procurement (together with its partner, accounts payable) touches every part of a business, from the smallest mom-and-pop shop to the biggest global conglomerate. And one of the biggest, most intriguing benefits of eProcurement is

that the improvements it offers are not limited to the procurement function.

Traditionally, procurement was limited to maximizing cost reductions while maximizing return on investment, but modern eProcurement systems make it possible for companies to recontextualize procurement as a source of value through organizational optimization.

As we've seen, the improvements that come with automation, for example, can have a "ripple effect" that cuts costs, lowers total cost of ownership, and provides measurable value through improving operational efficiency.

A centralized and shared data environment doesn't just connect your procurement workflows with the rest of your software environment; it also allows you to collect and gather external data sources that can be analyzed in tandem with spend data to provide even richer insights.

Consider these questions whose answers are hidden within your data:

- Does customer demand reveal a hidden seasonality to your operations?
- How can you preserve cash flow and ensure operational continuity in the face of a sudden disruption in the supply of essential raw materials?
- How will upcoming changes in industry reporting requirements affect your operations and bottom line—and therefore your spend?
- Which metrics are the most critical to effective spend management, broken out by project, department, business unit, etc.?

Consolidating your datasphere makes it possible to answer all these questions intelligently and strategically in a timely fashion. Firm control over, and visibility into, your spend data makes it possible to recognize and capture value in a variety of ways, and shift procurement management to the forefront of your company's strategic and competitive planning initiatives.

## **eProcurement Can Help Your Business Compete, Grow, and Thrive**

Procurement is the beating heart of your company's financial efficiency, accuracy, and strength. Investing in a procurement system can help you streamline and standardize your purchasing to get a better return on investment, generate

lasting value and competitive advantage for your company through invaluable insights, and ensure your entire organization is growing more profitable and productive every single day.

## **What's your goal today?**

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