

Overcome Out of Date Purchasing Models with SaaS Technology



Back in the fifth century B.C.E., the philosopher Heraclitus of Ephesus said, “Life is flux”—i.e., the only constant we can count on is change.

This is especially true in the modern business world, where yesterday’s fool-proof strategies are soon replaced by tomorrow’s cutting-edge innovations.

For procurement professionals, advances in information technology (IT) have made embracing innovative tech like Software as a Service (SaaS) purchasing technology an essential part of effective, value-focused procurement.

It can be difficult to break away from established procurement models and embrace change, especially that change involves significant changes in strategy, tech, and management.

But in not only accepting, but implementing, updates in procurement technology, you can ensure your company has the flexibility and tools needed to compete, thrive, and build value.

Upgrade Your Procurement with SaaS Purchasing Technology

In procurement, as in so many fields, even long-cherished truths can be set on their ears by advances in technology.

The capabilities of modern purchasing software make it clear just how dusty and outdated some purchasing models are—and how effectively, and easily, they can be streamlined and improved.

• Growth is Limited by Scalability

A business using an outdated, locally-hosted procurement software—or, worse yet, without any centralized procurement solution at all—has probably encountered “the wall.”

Your company’s expanding at a rapid pace, but purchasing can’t meet growing demand because you have to wait for IT staff to upgrade software, add additional physical hardware, and revamp your installation for new content, users, and suppliers.

With SaaS-based technology, however, onboarding new users can be handled by the empowered team members who need to add users or licenses, without the need to do more than inform IT and procurement.

Scaling is no longer a chokepoint for expansion, and costs are lowered thanks to a single, centralized point of deployment (rather than countless individual software purchases for physical copies or loosely distributed servers across multiple locations).

SaaS purchasing technology also makes license management much easier, so you can add or remove licenses as needed. You have the licenses and software you need, when you need it, without wasted resources, time, or labor.

With SaaS purchasing technology, it’s much easier to enable easier, relevant, and—most importantly—visible purchasing for all employees.

When your purchasing software is integrated with your Enterprise Resource Planning (ERP) package, you can create procurement policies, approval hierarchies, and procedures that give every employee access to goods and services relevant to their position with an interface as familiar as their favorite online store.

• **Few Buyers Means Less Maverick Spending**

Maybe Mabel in sales bought a printer from a non-preferred vendor.

Maybe Scott from accounting ordered a whole box of new pens for his personal use without realizing there was an entire skid in the warehouse. Maybe a busy manager picked up a new computer because they “knew a guy” who offered them free Windows.

Intentional or not, maverick spending for departmental or personal purchases can wreak havoc on budgets and bottom lines, especially without a centralized software solution. Purchases the procurement team can't see or record can't be factored into forecasts, budgets, or reporting.

Old-school purchasing software compounded this problem by providing advanced purchasing tools for some well-trained and authorized users while proving frustrating and ungainly for others—who quickly decided to get what they wanted without having to bother booting up their personal computers or filling out a purchase request.

The need for advanced training created two classes of people within some organizations: power users and mavericks.

To curb invisible spending, a lot of companies decided to severely curtail the number of “approved” users, which had the unintentional effect of generating more, rather than less, maverick spend as users found ways around what they saw as roadblocks to their workday.

This approach didn't work very well, from not only a procurement standpoint but that of information security and accounting as well.

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The upside? Employees buy what they need, from approved buyers, when they need it. You can see, track, and plan your spend much more effectively when 30% or more of it isn't tucked away in dark corners.

▪ **Limited Catalogs Keep Spend Under Control**

One of the time-tested ways procurement pros seek to influence and control spending is through the use of catalogs.

Traditionally, an employee in need of (for example) a new printer would peruse a catalog, either using a physical catalog from an approved supplier or by logging into the ERP software provided.

They see a list of available, approved printers, choose one, and submit a request form. Simple, right? And, in theory, a method that enables procurement to ensure purchased items meet company standards for price, performance, and other parameters (such as compatibility with a specific operating system).

This model is extremely useful within that context, but what about items without a formalized name, part number, or specific price?

What about one-off items, or services? To be effective, your company's procurement system needs to recognize and accommodate these needs.

With SaaS, you can not only add items on the fly or from supplemental lists provided by already approved vendors, but incorporate services into your catalog, too.

Hourly rates, preferred providers, special pricing for bundled services—these are just a few examples of how you can simplify

purchasing goods and services for your team members while maintaining strong influence over each dollar spent and ensuring you get maximum cost savings from your supplier contracts.

Cataloging anything that can be purchased also makes comparison shopping based on value, rather than simply price, much easier.

Buyers can engage with suppliers, get more details on their specific offerings, and make a purchase that meets your targets for building value while still meeting their individual and departmental needs.

· **Giving Suppliers Access Compromises the System**

It's a common fallacy: despite it ultimately hurting their own business and their relationship with the buyer, suppliers with access to your procurement system will enter erroneous information or try to "scam" the buyer.

But the reality is, savvy suppliers are much more likely to worry about the accuracy of their information than your staff, since their timely payment and reputation depend on it.

Older software didn't really accommodate the possibility of system integration with complete data segregation between buyers and their suppliers in the purchasing process.

Modern information technology services, including SaaS-based procurement software, are different. They incorporate firm firewalls between what's accessible and what isn't, allowing suppliers to update their own information via Web, app, or email without being able to tinker with anything outside their purview.

Database connections make it easy to integrate new product and service data using protocols such as cXML.

· **It's Too Hard to Integrate Finance and**

Procurement

They both generate tons of data. They both have a significant impact on your company's bottom line and competitiveness in a crowded, busy marketplace.

And maximizing the value produced by both is essential to effective strategic and tactical planning for finance, marketing, and manufacturing.

Yet older software solutions didn't always connect Finance and Procurement, let alone make it easy to integrate and manage them from a single place.

Using SaaS makes it possible to manage not only the oceans of data these departments produce, but leverage it to coordinate on initiatives and shift company goals toward building value along with optimal spending.

For your finance department, connecting all your data with procurement via a centralized SaaS brings a host of benefits, including:

- Detailed spend data, properly categorized and tracked
- Opportunities for cost reduction, including software license management itself
- Improved financial forecasting, planning, and reporting

For procurement, the benefits of SaaS include:

- Full integration across the organization for maximum spend visibility.
- Optimal category management and spend prioritization focused on value rather than cost.
- Better contract negotiation, evaluation, and relationship management with suppliers—and better clarity regarding opportunities to build mutually beneficial partnerships.
- IT integration provides full details on not only goods and services purchased, but non-standard or “freemium” apps that hold potential value for the whole organization if purchased and managed (which also benefits Finance's planning and forecasting).
- Centralized license management for not only SaaS software, but

computer purchases, mobile devices, and other technology equipment.

The Future of Procurement, at Your Service

Don't let outdated thinking and last-gen tools hold your company back from success.

Take advantage of SaaS procurement technology, and discover how easy it can be to manage spend, integrate and support company-wide goals, and generate not just savings, but lasting value for your business.

What's your goal today?

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