



At the Heart of Supply Chain Effectiveness

Charting the Course to Procurement Transformation

Strengthen Your Source-to-Pay Process and Unlock
Procurement Value

Abstract

Procurement within manufacturing and retail enterprises is fighting a two-front efficiency and savings battle. In response, procurement organizations must add advanced capabilities in sourcing and spend management to leverage suppliers as important sources for innovation, efficiency, and savings. Further, to help suppliers chart the right course, a holistic solution providing a clear picture of your spend and a category management framework is essential. Such a solution will deliver tangible outcomes—improved profitability and operational efficiency.

From Looking Inward to Outward

Survival hinges on innovation these days, especially for manufacturing and retail enterprises. These are times when every nut and bolt within the enterprise has already been carefully tightened, leaving operations with little choice but to look beyond the realm of the enterprise in search of efficiency. Today, manufacturing and retail enterprises are increasingly collaborating with the supplier community to reduce inventory carrying costs, increasing inventory turns, improve profitability, and improve their overall operational efficiency. Here, source-to-pay cycle is gaining significance in supply chain collaboration given the following changing dynamics:

- ◆ Need to cut costs and improve competitiveness
- ◆ Globalization of supply chains and the need to reduce cycle time
- ◆ Increasing complexity in managing suppliers and sharing information
- ◆ Increasing supply risks
- ◆ Suppliers being considered not just a cost, but a strategic input to the bottom line

This new environment has given rise to a major challenge for Chief Procurement Officers (CPOs)—to transform their departments into profit centers and adopt non-linear methods to support growth—in other words, do more with less.

Walking a Tightrope: Seven Major Challenges Faced by Procurement

Manufacturing and retail procurement departments face seven major challenges:

- ◆ **Ensuring Compliant and Transparent Operations**
In large organizations with regional procurement hubs supporting a decentralized model, the head office team has very little visibility of transactions. They also fall short in terms of their adherence to the procurement guidelines. This leads to audit problems.
- ◆ **Ensuring an Efficient Procurement Function**
With no increase in headcount, the procurement teams are expected to be a lot more productive and contribute to the bottom line of the organization.
- ◆ **Cutting Cost**
This is one of the most important functions of procurement officials as they are the defenders of the enterprise's cost structure. With bottom line and margin target across categories, the procurement team is constantly looking for improvements in the cost structure of both direct and indirect categories. Procurement specialists usually split procurement activities into two parts:
 - ◆ **Direct Procurement:** Direct categories are all goods purchased by the company, which directly enter the production process of that company. For example, in case of the food industry, ingredients and packaging will be the key direct procurement categories. The direct categories are the core or strategic focus areas for any enterprise and the endeavor is



toward nurturing long-term relationships with the suppliers.

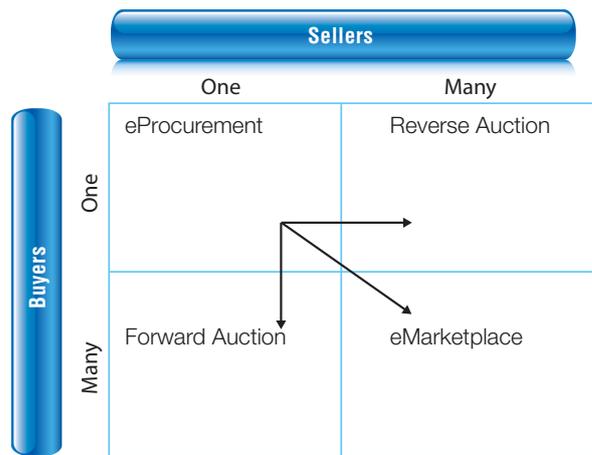
- ◆ **Indirect Procurement:** Indirect categories are all the goods and services that are bought by the company to enable its activities. This entails a wide scope, including marketing-related services (media buying, agencies), IT related services (hardware, software), HR-related services (recruitment agencies, training), facilities management and office services (Telecoms, furniture, cleaning, catering, printers), or utilities (gas, electricity, water), and more.
- ◆ **Assuring Supply**
Across categories, the buyer team is constantly looking for new sources of supplies to help mitigate the risk of possible shortages in raw material, consumable and MRO items, which may adversely impact the external or internal customers.
- ◆ **Measuring Supplier Performance**
Manufacturing companies have been sporadically using scorecards to measure basic supplier performance metrics for a long time. However, now both manufacturing and retail firms have become increasingly aware of the importance of supplier performance and its critical impact on their own performance and market competitiveness.
- ◆ **Providing Spend Data Visibility**
Procurement organizations struggle to get the right level of visibility into their business performance. The usual approach of using cumbersome spreadsheets and ERP reports takes

too long and fails to provide the insight needed for better decision-making.

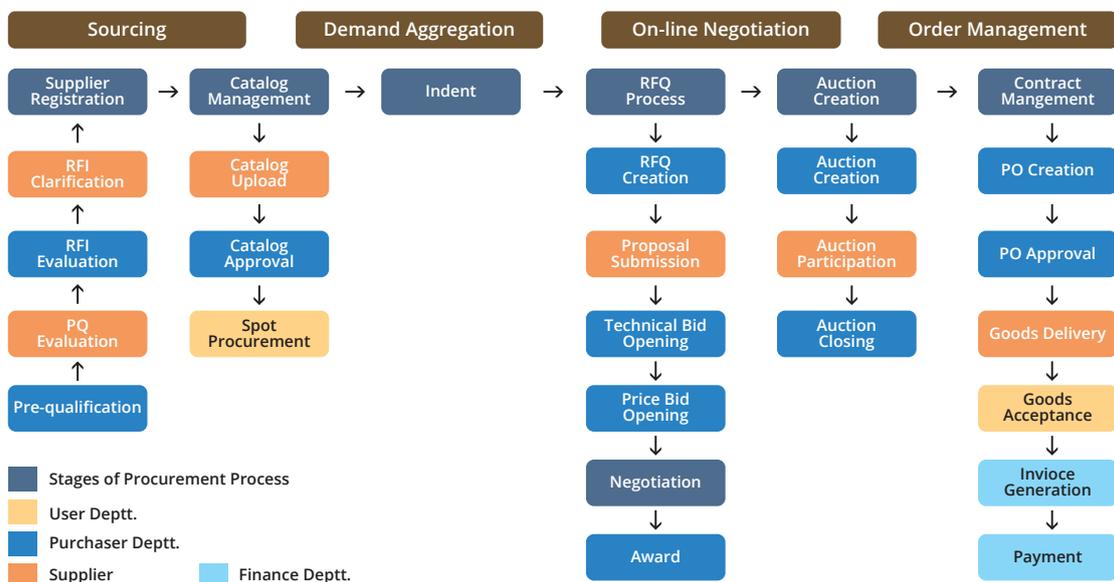
- ◆ **Ensuring Efficiency in Payables Management**
One of the most time-consuming activities for the accounts team is handling the paper invoices received from the suppliers and entering the data in their financial systems. Subsequently, this paper invoice flows through a sequence of approvals from stores, quality and end users before the accounting team performs the so called 'three-way match'— comparing the PO, GRN and Invoice before releasing the payment. The client organization is always on the lookout for productivity improvement in this area of account payables management.

Behind Any Efficient Procurement Function is a Smart Solution

ProcureEasy, our scalable and secure platform is a potential partner for any company seeking to transform their source-to-pay processes. Here is a broad scope of the platform:



Count on These Ten ProcureEasy Features



Supplier Registration

The sourcing application supports user-friendly supplier self-registration; suppliers can share their detailed company information, including drawings and documents, and respond to the pre-qualification questionnaires shared by the buying organization. Evaluation of these responses is controlled through configurable workflows for enabling the acceptance or rejection of the supplier's registration. The registration of the suppliers is done by categories, which ensures ease of search for buyers. In a multi-company procurement scenario, the registration process can be controlled in a centralized or a de-centralized manner.

Requirement Aggregation

Purchase requisitions created by users across locations can be consolidated to be loaded on to a RFQ document or an auction for necessary processing.

RFX for Direct Categories

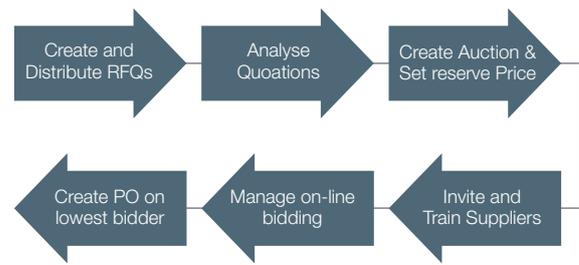
Closed group interactions with competing suppliers not only help to get the best prices but also help adhere to transparency and compliancy guidelines. It may not be always necessary to introduce new suppliers but essential to find out which supplier within the closed group can offer the best commercial terms.

Bidding for Indirect Categories

Owing to undifferentiated nature of supplies, the available market capacity for products and services often exceed the demand. Hence, these categories often present the best opportunity for applying reverse auctions. A reverse auction is a dynamic, real-time negotiation between a purchasing organization and several pre-qualified suppliers competing against one another to win the opportunity to supply goods or services to the purchasing organization. Reverse auctions often work well in the industries where the traditional RFX tool is first used to gain information and pricing insights from potential suppliers. The two key questions, which need to be answered before trying out a reverse auction, are:

- ♦ Is the procurement organization willing to try new suppliers?
- ♦ Is the spend large enough to make suppliers compete?

The process of managed auctions is as shown below.



Logistics Bidding

Functioning on the reverse auction model, the ProcureEasy platform enables freight negotiations across a plethora of transporters operating in different routes. This leads to a quick and substantial reduction in the transportation cost, thereby, making the cost structure of the product more competitive in the marketplace.

Project-based Procurement

The platform allows a communication channel to be established amongst all the stakeholders of a project team, who can jointly track the progress of any project through the various stages of completion. This allows the end user teams like stores, quality, and accounts to share a feedback regarding the work in progress (project execution) with the procurement team for necessary action from the suppliers. This feedback can be linked to the exchange of documents and release of payments.

Contract Management

Based on a dynamic environment where business challenges can come up at any point in time companies require best-of-breed solutions for approaching large value procurement. In fact, legal contracts represent one of the largest areas of risk for any enterprise. Hence, contract management has become a key element for improving compliance and increasing efficiency within the eProcurement framework. The ProcureEasy platform provides a repository of all the contracts and establishes a link between catalog management and contract management. With this linkage in place, enterprises tend to have a higher rate of contract compliance and more likely to reduce the time to process requisitions leading to cost savings and productivity gains. The platform supports risk management and contract compliance keeping in view the requirements of legal, finance, procurement, and all other internal and external stakeholders.

Catalog Management

To reduce the transaction cost, ProcureEasy offers a comprehensive functionality of catalog management. Catalog management is a comprehensive listing of all the items and services arranged systematically with

descriptive details. It provides an authorization and workflow-based network between suppliers, procurement team, and the end users, who can quickly procure goods as per their requirements. This significantly reduces the number of purchase orders and invoices handled by the procurement organization and directly impact the bottom line of the enterprise.

Spend Management

NIIT Technologies' spend visibility offers an integrated spend management dashboard for a 360-degree view of all purchasing activity and data—enabling executives, managers, and frontline employees to make more informed decisions. We have the capability to extract data from disparate ERP systems across different locations, and collate, and cleanse the data to provide meaningful information for the enterprise to take decisions, which help reduce sourcing cost and improve purchasing performance. Our spend analytics increases visibility by using a proprietary data cleansing and enrichment methodology. Some sample reports are:



Invoice Management

It is sometimes a real challenge for large organizations to process the paper invoices received from different suppliers at different locations. Many of these organizations are trying to shift from a de-centralized accounting to a centralized accounting system, which offers better control and visibility of the account payables process. The movement of all paper invoices to a central location could be quite a nightmare for any organization.

Here the workflow-based movement and tracking of digitized invoice images is bringing about a paradigm shift in the way the account payables is approached.



Multiple Routes, Easy Implementation

You can choose from the multiple delivery approaches available:

- ♦ **On-demand Model:** This does not require you to buy any hardware or software license. All services are made available from a secure data center as per the agreed Service Level Agreements. This model offers the convenience of almost zero implementation time combined with a risk-free approach.
- ♦ **On-premise Model:** The software can be installed at your data center and customized to meet any unique procurement activities in your procurement process. This model can be configured to support both centralized and decentralized procurements across all its entities.
- ♦ **Platform-based BPO Model:** Platform BPO is a combination of application delivery, support, and service along with BPO capabilities. We take care of software licensing, hosting, implementation, application support, and business process support for running procurement operations resulting in no capital expenditure for you. You only need to pay a monthly fee based on your usage of technology and BPO services. The whole solution is backed by scalable and reliable hardware housed in a state-of-the-art data center.

The NIIT Technologies Thought Board:

Charting the Course to Procurement Transformation with ProcureEasy

Challenges to Address, ProcureEasy Features, and Value delivered

Challenge #1: Ensuring Compliant and Transparent Operations

ProcureEasy comes with the RFX cycle that makes all transactions available / accessible in the electronic format. All documents can be audited easily to ensure they adhere to procurement guidelines.

Regardless of location, with workflow-based approvals, approvals can be taken quickly, leading to significantly reduced cycle time.

Contract management ensures risk mitigation and internal communication amongst stakeholders.

Challenge #2: Ensuring an Efficient Procurement Function

ProcureEasy allows for creation of pre-qualification / RFI / RFP documents, which reduces cycle time and ensures better supplier collaboration.

Allows for auto evaluation of technical and commercial proposals, improving productivity and eliminating evaluation errors. All comparatives are available for future reference and audits.

Challenge #3: Cutting Costs

Reverse auctions feature reduces costs considerably.

Challenge #4: Assuring Supply

Self-registration **feature allows new suppliers at any location** to self-register and support is available for both centralized / decentralized procurement.

Supplier qualification and on-boarding process reduces dependency on few suppliers.

Provides access to supplier information by product categories leading to healthy competition which in turn, leads to reduced cost.

Challenge #5: Measuring Supplier Performance

KPI-based dashboards and graphical reports ensures effective supplier relationship management and tracks the scope for improvement.

Challenge #6: Providing Spend Data Visibility

Category-wise / supplier-wise spend analytics provides visibility of spend across locations / categories.

Challenge #7: Ensuring Efficiency in Payables Management

Workflow-based scanning, verification, and processing of supplier invoices ensure fast and paperless invoice management leading to improved productivity and centralized account payables management.



Finding New Ideas, Delivering More Value

Any procurement transformation journey starts with an idea of a better future state. It is only then efficient processes to achieve the future state can be laid out.

NIIT Technologies designed ProcureEasy by first envisioning the future procurement state and then delivering more value by building sustainable models in the solution for the transactional work in the source-to-pay cycle. The result is a solution that sets you on the right course for procurement transformation by:

- ◆ Helping achieve high performance by supplementing in-house capabilities with thought leadership, tools, and end-to-end process management, which lowers risk and increases speed-to-value
- ◆ Automating sourcing, procurement, analytics and supplier management functionalities—laying out efficient processes with a scalable and best-of-breed sourcing and spend management solution

- ◆ Providing visibility with on-premise and on-demand solution choices to help identify inefficiencies in your spending process, which can, then, be transformed into a competitive advantage

Case in Point

Ordnance Factory Board (OFB) is an organization under Govt. of India, Ministry of Defence, engaged in manufacture of a comprehensive range of defence hardware and equipment. To make the Procurement process across all their 41 factories streamlined while ushering in transparency and compliance, OFB decided to set up their procurement operations on ProcureEasy, thus enabling the Factories to conveniently interact with suppliers for procurement activities while at the same time enabling suppliers to trade with the entire organization on a real-time basis. This also met with OFB's objective of gaining wide access to a global supplier base. The Ordnance Factories float approximately 100,000 tender enquiries every year for the procurement of stores material, plant and machinery and for civil works. The number of vendors who use the system are about 20,000.

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New Ideas, More Value.™

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