



# A Checklist for Procurement Teams to Overcome Purchasing Challenges and Gain Significant Savings

Unmanaged spend, inefficient process, non-negotiated contracts and many other issues can cause procurement teams to overspend. Even if procurement teams are able to stay within budget and generally do a good job of controlling spend, [the rise of automation](#), analytics and other areas of technology can help even the best procurement teams find savings.

For example, [research from The Hackett Group](#) finds that digital transformation can reduce operational costs by 45% for typical procurement organizations. Even so-called world-class procurement organizations can cut costs by 33% through comprehensive digital transformation, even though they already spend 22% less than peers, according to The Hackett Group.

Still, procurement teams may not exactly be sure where to direct their digital spend to ultimately earn a solid ROI on new technologies, and it may be unclear how else they can tackle spend inefficiencies. To assess whether your organization is on the right track toward procurement savings or whether you need to make some changes, consider directing resources to unmet areas across the following categories:





# 1. Spend Data

Many companies struggle to track their spending fully and accurately. Overall, organizations suspect nearly one-third of their corporate data is inaccurate, [finds Experian](#). For procurement, that can translate into issues such as busted [budgets](#) and insufficient risk management.

Knowing specifically what your organization is spending money on provides a [solid foundation](#) for identifying savings opportunities. Make sure you have systems in place such as an [e-procurement](#) or spend management platform, or at the very least a consistent way to track spend data through your own internal processes.

But in addition to tracking overall spend, aim to track spend across:

- Tier 1 suppliers
- Tier 2 suppliers
- Tier 3 suppliers
- Individual departments
- Product and service categories



## 2. Spend Analysis

While tracking spend data provides a good foundation, you need to be able to analyze the data that you're tracking. However, many companies have yet to set up the tools and processes needed to dive into their spend data and spot trends that can be used to implement efficiencies.

This analysis does not always need to be overly in-depth, as you might be able to easily identify issues such as going over budget without any analytics tools. Ideally, however, you can go deeper to analyze spend data and find savings opportunities such as by using a real-time analytics platform that can spot **maverick spend** as soon as it occurs so you can then prevent future occurrences.

Prioritize adding analytics tools and talent that can provide:

- ❑ Real-time reporting
- ❑ Customizable metrics, e.g., spend per custom time frame in comparison to a previous time frame
- ❑ Interactive dashboards, e.g., charts and other forms of visualizing data that you can adjust to spot savings opportunities
- ❑ Predictive capabilities, e.g., recommendations for alternative products to purchase at a lower price



# 3.

## Sourcing

Aside from tracking and analyzing spend data, many companies struggle to get a full handle on managing their supply chain. In fact, nearly two-thirds of procurement leaders have limited or no visibility past their Tier 1 suppliers, [finds a Deloitte survey](#).

However, with spend tracking and analysis capabilities in place, [procurement teams](#) can look more closely at their purchasing activities with specific vendors and then find savings opportunities by improving their overall [sourcing processes](#). For example, analytics may indicate that consolidating vendors could lead to better pricing by being able to place higher-volume orders to receive bulk discounts.

To go even further, look for technology and implement processes that can improve sourcing and bidding by:

- ❑ Automating or at least standardizing RFQs/RFPs
- ❑ Negotiating rates with suppliers based on analytic
- ❑ Promoting preferred suppliers as the top options for employees to choose from
- ❑ Automating or at least standardizing purchase orders and invoice processing
- ❑ Streamlining purchasing activities, e.g., going through one procurement platform for payments to then distribute to individual suppliers



# 4.

## Approvals

In addition to the direct cost issues that can come from managing what purchases are made and with whom, many procurement teams struggle with process inefficiencies that create more work for employees and take away from more value-added activities. In particular, trying to obtain proper approvals for purchases can slow companies down. Yet if procurement teams get too lax with approvals, they can end up creating compliance risks or similar gaps that cost more time and money to resolve. Fortunately, implementing clear controls and streamlined approval workflows can help unlock savings, such as by reducing instances where employees make unnecessary or duplicate purchases. In addition, streamlined approval processes can save time, which can ultimately translate to savings,

such as by limiting the number of employees that you need to add to process manual tasks. Aim to implement technology and processes that help streamline approvals by:

- ❑ Setting limits for purchases that require approvals
- ❑ Automatically verifying certain types of transactions
- ❑ Automatically notifying appropriate approvers or at least having a clear chain of command for purchases that fall outside of normal procurement methods
- ❑ Allowing for mobile approvals to improve efficiency
- ❑ Blocking unapproved suppliers



By reviewing and completing this checklist, procurement teams can more easily evaluate whether certain technologies can help them achieve savings, and they can improve their overall purchasing efficiency.

Have questions about the checklist or want to learn more about how your procurement team can unlock significant savings? Request a [free consultation](#) with our product experts today.

