eRequester®

COST CONTAINMENT

USING SPEND MANAGEMENT SOFTWARE AS THE CATALYST FOR STRATEGIC SAVINGS

THE AHA! MOMENT:

THE BENEFITS OF COST CONTAINMENT ARE BOTH MEASURABLE AND IMMEDIATE

Cost containment as an organizational strategy just makes good financial sense and is easily attainable through best-in-class spend management software solutions. When organizations implement proven spend management best practices the benefits are both measurable and immediate.

We see a lot of organizations who focus on point solutions rather than explore a strategy to maximize the effectiveness of their investment by focusing on a top down approach versus individual departments.

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Let's dive into the three main areas of organizational cost containment and how to overcome the common sources of waste: the lack of efficiency, visibility and savings strategy. In the end you'll be able to see your organization's potential savings.

Let's get started.

30% REDUCTION IN THE PURCHASING CYCLE
Boost Process Efficiency

Remove old and antiquated systems and processes.

Easier said than done, right? Maybe 5 years ago, but today there is no reason for mature organizations to hold onto legacy systems. They are cumbersome, wasteful and drain resources unnecessarily. Take for instance the requisition-to-pay cycle—the average time to process a request took days. Just a few years ago, most paper-based systems were being replaced with a digital counterpart like emailed forms or systems like SharePoint. While this ushered in the era of digital for most middle market companies, these systems turned out to be just as clumsy in practice as the paper they replaced. Approval tracking was near impossible, requests were being lost or stalled, and the AP process was a nightmare due to a lack of centralized data. In the end, these solutions, while technically "digital," were still labor intensive and merely mimicked the paper-based processes they replaced without providing any real, lasting benefit.

Spend management software alleviates these bottlenecks and delivers a 30% reduction in the purchasing cycle. What's important here is that this reduces the cost from requisition-to-PO by nearly 50%--so if the average is $125 it can reduce it to $63.75 per PO. The added benefit today is that best-in-class spend management software makes the transition to true digital easy. Companies can skip stop-gap measures like emails, spreadsheets and costly in-house development and instead implement a system designed with spend management efficiency in mind. Top-tier software removes chokepoints with intelligent automation, pre-filled accounting information, approval workflows and centralized requisition audit trail data. Approval guesswork and lost requests are a thing of the past.

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What you can gain through process efficiency:

$367,500 Potential Savings

Let's say your purchasing manager makes $90k a year. Every hour they waste managing a legacy system costs your company an average of $43. That chips away at the bottom line. If your organization can recoup that lost time you're not only saving directly, but your purchasing manager's productivity will shoot through the roof.

Now, let's look at the cost per PO. If your organization processes 500 purchase order per month, and the average savings per PO with a spend management system is $61.25, you can look at a potential savings of $30,625 per month and $367,500 annually. That's a lot of money that can now be put to use growing your business.

40% REDUCTION IN ROGUE SPEND
Gain Critical Visibility

You can't control what you can't see

Rogue send for most companies can account for up to 2% of all indirect spend through out-of-compliance purchasing. Rogue or unauthorized spend, by its nature, is not trackable and as a result this type of spend is only accounted for at the point of reporting—when it's too late to address it. This greatly increases your risk of going over budget on a project, buying out of contract and worse—it leaves you wide open to fraud. Legacy systems and processes are not equipped to deal with accurate tracking of spend. In a perfect world accounting would be aware of all approved spend prior to approvals. Older systems just don't measure up due to the latency inherent in their slow cycle times. As a result, you'll hear a lot of the usual suspects claiming the same old arguments:

- The request was so small it wouldn't affect anything
- I was given verbal authorization
- I needed the purchase to maintain my project timeline

In the end, it boils down to the fact that it was easier to ask for forgiveness than permission. It's this thinking that is a byproduct of an organization with poor spend visibility.

Older systems just don't measure up due to the latency inherent in their slow cycle times

Spend management software has been proven to reduce rogue or unauthorized purchases by 40%. It's simple – all spend request are funneled into a centralized system and can be monitored in real-time. Even small requests that don't require approval are still tracked, meaning nothing gets through the system without someone finding out about it. At any point with spend management software you can see all spend requests, check their current status, and rest easy knowing there is a complete audit trail being captured. This is only the beginning.

The better the visibility, the better the control. The overall boost in visibility provided into spend gives a tremendous amount of data to approvers when it's most critical—when they're reviewing the request. Best-in-class solutions deliver much more with; budget awareness, the ability to easily request more information and automated approval workflows. To go even further, organizations can have the option to implement a "no PO, no pay" policy or strengthen spend controls without requiring additional monitoring by utilizing software-based automation— boosting the reduction in rogue spending even further up to 50-80% with spend limits, routing by amount, over budget warnings, and more.

What you can gain through improved visibility:

$10,000 Potential Savings

Let's say you have an average annual revenue of $50M and your average indirect spend is 20% of revenue. On average 2% of rogue spend is costing your organization $20,000 a year. Reducing rogue spend by 50% can save you $10,000 a year with very little effort by using spend management software. Keep in mind this does not factor in fraud prevention, which as you know can potentially save your organization a great deal.

30% AVERAGE SAVINGS ON EVERYDAY SPEND
Strategic Savings Opportunity

Outdated or manual systems don't even factor here

We've outlined how spend management software with its automated efficiency and visibility can save you time and money. We've also seen how it can reduce or in some cases remove unauthorized spend. Now let's look at how it can be used to add savings as a strategy. This is an area that legacy systems don't even measure.

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The hidden power of spend data lies in how you can leverage it to gain a competitive advantage. You just saved your purchasing manager a lot of time by no longer needing days to gather data for reporting. You've automated spend data collection for project audits and more granular reporting. Now let's explore an added and often overlooked benefit to improved visibility—the ability to easily negotiate with vendors. All this new data gives your purchasing manager an edge. By seeing how much money is being spent and with which vendors, you can work out better terms and pricing with your high-volume vendors. That's a great use of spend data and recaptured time.

Next, you can find ways to save on everyday spend like maintenance, repair and operations (MRO), office supplies, technology and furniture. There's even a way to save on fleet or bulk orders. eRequester spend management software makes this easy with its value-added group purchasing discount service. eRequester delivers an integrated group purchasing platform that saves an average of 30% with vendors you already know and trust. By punching out to vendors like Grainger and CDW or using the competitive Marketplace portal with over 25 vendors—your savings strategy just took off without any additional work, contracts or annual spend requirements.

What you can expect with strategic savings:

$1.5M Potential Savings

Let's borrow from our previous example and say you have an average annual revenue of $50M and your average indirect spend is 20% of revenue. Now let's say that MRO and office expenses account for 50% of the average of $10M in indirect spend. If you're able to save an average of 30% on these purchases, you'd be recouping over $1.5 million annually without lifting a finger by leveraging eRequester's value-added group purchasing platform.

IT JUST MAKES SENSE

Adding spend management has the potential to save you organization a substantial amount. In our examples a middle market company with $50M in revenue can stand to save $1,877,500 annually.

Now look at your estimated investment into spend management software—it should only account for a fraction of your potential savings. The internal conversation should be less about making a case for a department or two, and more about maximizing the strategic savings of your entire organization.

Spend Wisely

southeast computer solutions
solutions made easy

eRequester®

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