



The Definitive Guide to Automating your Procurement cycle

Table of contents

Introduction

Ch 1: Stages Of a Procurement Process

Ch 2: Why You Should Automate Your Procurement Process

Ch 3: Top 3 Mistakes Made When Automating the Procurement Process Solutions

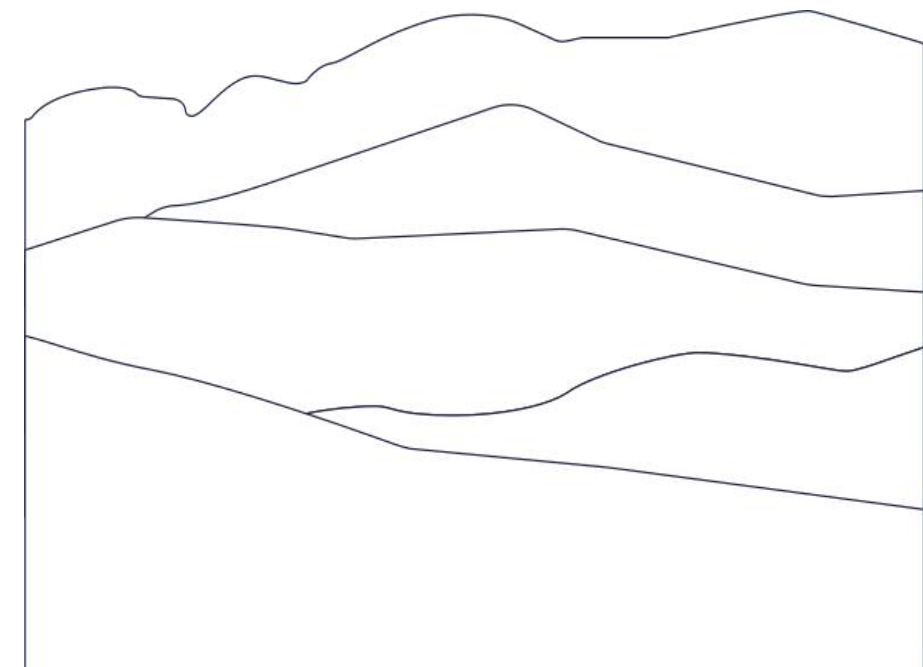
Ch 4: Procurement Software - Understanding the Different Types and Their Usage

Ch 5: Will a Procurement Software Work for Your Business Size?

Ch 6: How To Choose the Right Procurement Software

Key Takeaways

How Hubbler can help you



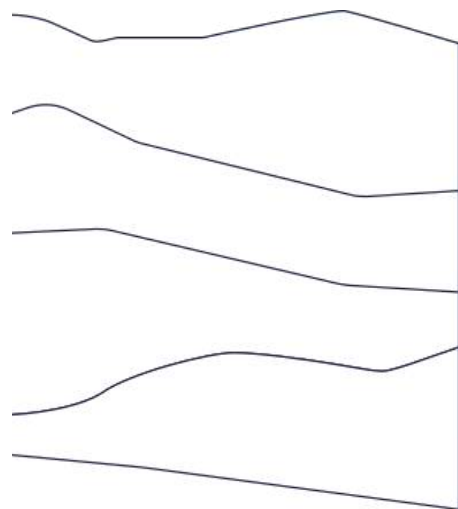


Introduction

Imagine running a half marathon with your hands tied behind your back. You can but it's inefficient. And that's how it is for your procurement process if it's filled with inefficiencies.

So while you are manually generating your purchase orders for important goods, your competitors would have already snatched away the procurement order and have moved on to hunt for another one.

A Procure-to-pay process is a process in which a business sews together workflows, connecting procurement, needs-generation, invoicing, and accounts payable in their logical order.



As soon as a company places a procurement order, the Procure-to-pay procedure begins. The procurement department is then notified of the necessity, and orders are placed with the appropriate vendors.

After that, vendors move to ship the orders and raise invoices for respective orders. Here, the accounts payable section comes into play to clear the invoices. This is what makes all of the Procure-to-pay processes.

In this ebook, learn everything there is to know about the procurement process from how it works to how to choose the right procurement software and everything in between.



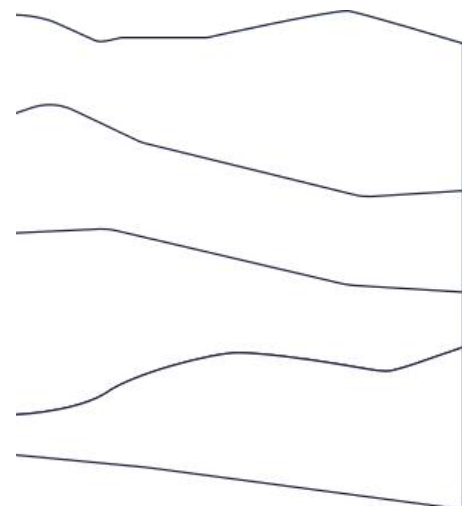
Chapter 1

Stages Of a Procurement Process

There are five main stages in a procurement process:

1. Identifying The Need
2. Finding a Seller
3. Negotiating Terms And Prices
4. Preparing Paperwork
5. Handling Logistics

Let's know each one of them in detail.



1. Identifying the need

The first stage in the procurement process is identifying the need for the item(s). It could be a product, material, service, software, etc. Or it could be a reordering of a previous item.

This process involves three things - **key stakeholder identification, documenting the need, and questions and additional information to cover.**

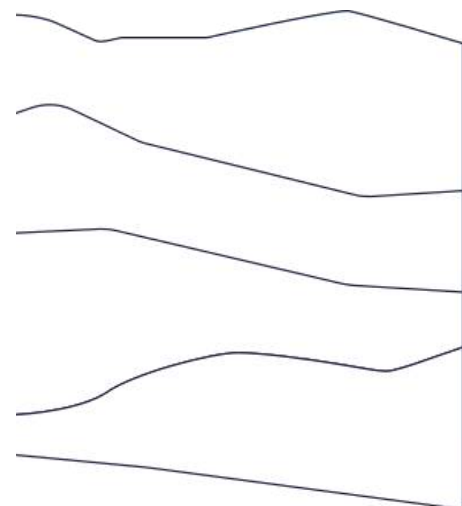
When identifying key stakeholders, include folks like procurement officers, heads of departments, operational managers, and specialist end-users.

When documenting the need, it's important to define and analyze the need. Find out who are you buying for and how will that benefit the people you are buying for. Also, figure out when and where will the product or service will be needed and what outcome you'll get from this procurement activity.

All the stakeholders must be consulted at this stage. This is to ensure there are no issues later on in the procurement process.

Specifically identifying an exact need can remove any confusion, bolster communication with potential suppliers, and reduce acquisition timelines.

When conducting an internal need analysis, you have to collect different types of data like:



- Costs and value for all activities and assets like management costs, internal and external suppliers, process costs, etc.
- Resources like utility, space, usage, replacement, turnover, etc.
- Inventory for supplied or finished products

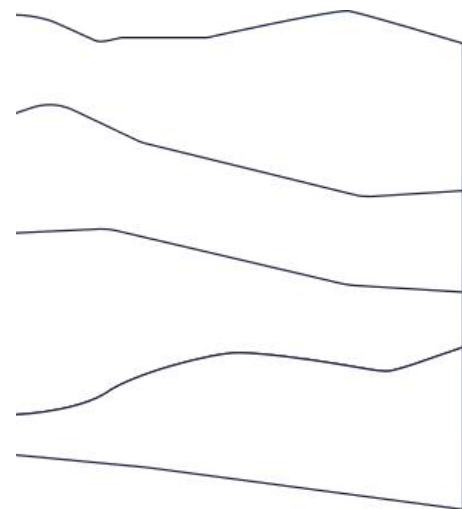
2. Finding a seller

Once you have determined what your business requires, it's critical to research the possibilities on the market.

Comparing multiple sellers and requesting a quote for the product or service needed will help you locate the one that will give you the best price and help you stay cost-competitive. Generally, you should get at least three quotes but that's a best practice that your organization has to determine.

Below are the things you need to compare when selecting a vendor:

- Price
- Location
- Delivery times
- Availability/responsiveness
- Reviews and Reputation



Then you have to decide which ones matter to you the most and then rank the vendors accordingly.

And to save time, you can also reach out to your previous or existing sellers. Because it's easier to negotiate with people you've worked with that have a long-term relationship.

3. Negotiating Terms and Prices

After locating the ideal supplier, it's time to focus on negotiating the terms of the contract. Building a solid rapport with the supplier will assist you in negotiating the best terms and pricing for the product or service you're buying.

You can also lock in other important details at this point, such as the seller's manufacturing or delivery timeline.

When creating the contract details, outline the following details:

- Your budget
- The likely scope of work
- Duration of the contract (clarify if it'll be one-time or ongoing)
- Likely delivery dates
- Terms and conditions, legal formalities



Knowing when to compromise is an invaluable skill when you're in procurement.

The contract should be as brief as possible. And both parties should get signed and approved copies of the contract, be it digital or physical.

Also when negotiating prices, small liberties and concessions like being fine with delivery dates going one or two days beyond what's mentioned in the contract, paying 2% commission when delivered before time, etc., could go a long way. Now, create the appropriate documentation, such as a pre-purchase Q&A, purchase order form, payment form, or service agreement, to guarantee that you have written records of expectations and the terms that you and your supplier have agreed on.

Upon approval of the purchase order, your finance team has to send the details to the supplier with additional information like:

- The reference number
- Payment terms
- Information regarding delivery and other details

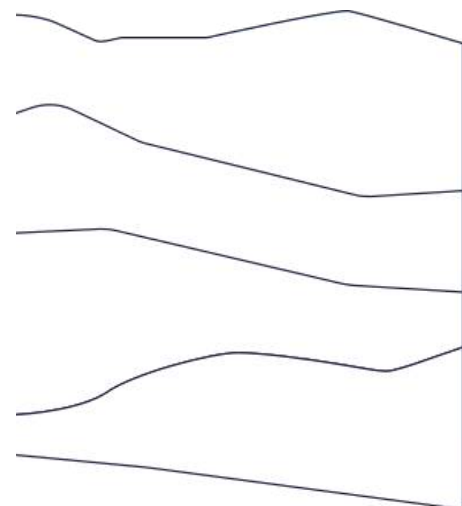
4. Preparing Paperwork For Purchase Order

The purchase order receipt nudges the supplier to prepare and send the goods and services per the agreement.

The supplier might need payment before releasing the product. So he/she will send an invoice upon receipt of the purchase order with a specific payment due date.

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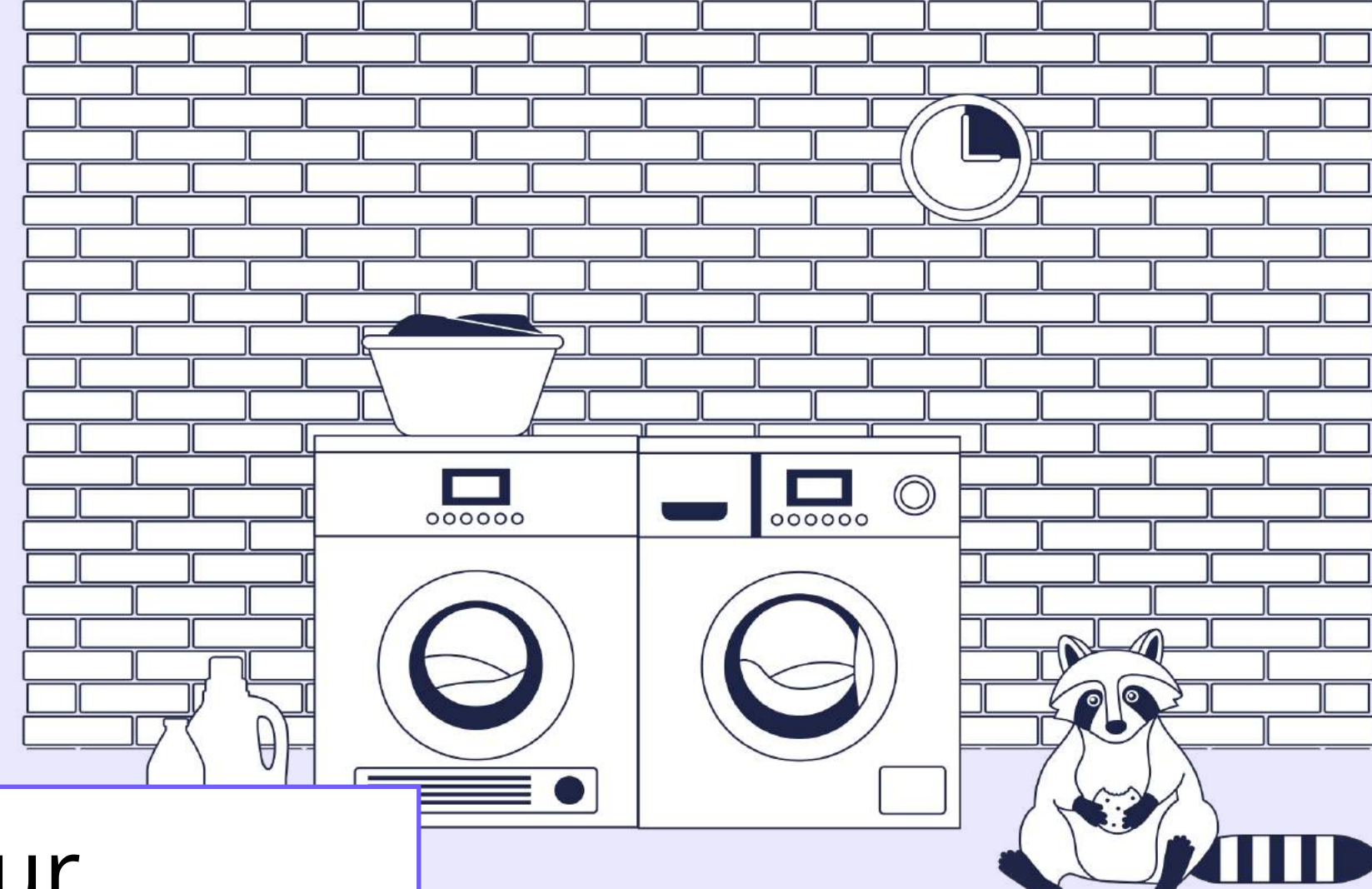
Once all this is done, we move on to the final step which is taking care of the logistics.

5. Handling Logistics

To guarantee that the product you order is accurate, consistent, and delivered on time every time, it's crucial to set up a standard procedure for orders and deliveries.

The supplier prepares and sends the product or service to the company. Upon receiving the order, you have to document that the order arrived as well as double-check that the order was fulfilled accurately. Create a record of the order and contact the supplier promptly if anything is missing or damaged.

Before placing an order, ensure you have all the necessary logistical information, including shipping, delivery, and payment information, to ensure that your things arrive to you without any delays.

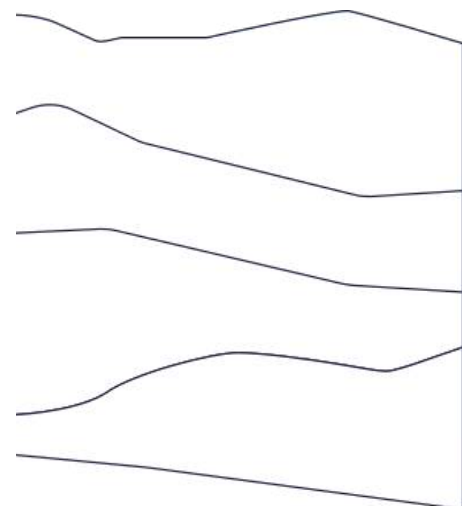


Chapter 2

Why You Should Automate Your Procurement Process

The world has embraced automation with an open mind. Procurement, too, has gained much from the latest, contemporary digital initiatives that have enabled streamlining the process from end to end.

According to the Digital Procurement Survey of EMEA companies (PwC), 79% of the respondents reported higher employee satisfaction and operational efficiencies by transitioning to digital solutions. Countless more benefits ensue from automating your procurement process.



Expedite Approvals

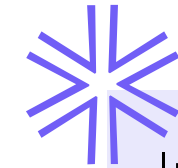
The approval of procurement requests faces impediments because of the hierarchical structure of organizations. The document must follow the organizational cascade of forwarding, checking, reverting, correcting, and reposting; it results in a waste of time.

However, approvals is still a necessary process in procurement that involves numerous stakeholders and their time.

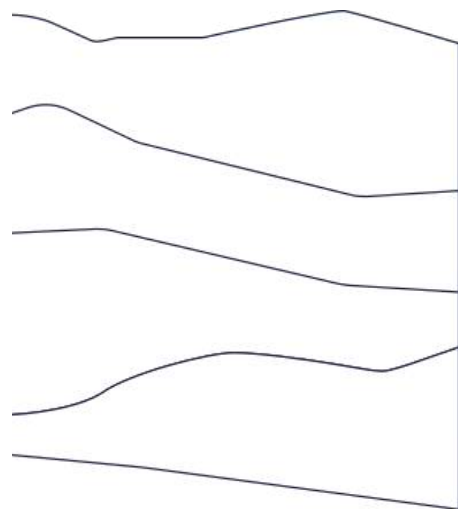
Thus, by automating the approvals processes, there is a high potential to reduce delays on the part of stakeholders involved, and also the person-hours spent in tasks such as:

- Creation of new purchase requests from ready templates
- Identification and scrutinization of vendor list for the said items
- Automation of procurement request forwarding
- Faster approvals
- Automation of purchase order creation after approval

Automation helps organizations create seamless document flow from one department to another, making the procurement process as lean as possible.



In fact, for 57% of companies, the involvement of internal stakeholders is a key success factor in procurement.



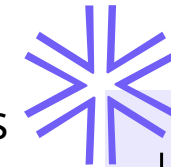
Smarter Resource Planning

Automation captures everything on a digital record. Organizations thus have 100% visibility into transactions that have occurred during a certain period.

Order histories, purchases, contract modifications, expirations and renewals, vendor quotes and commitments, inventory status, delayed, on-hold, canceled, or priority procurements – everything is visible on a single screen through intuitive, customizable dashboards.

Organizations can, thus, plan their resources better. High-quality data informs the intelligent computing systems to churn out insights so that companies can make informed decisions.

Automation helps you optimize your resource expenditure, movement, and renewal, helping you extract maximum value through minimizing wastage.

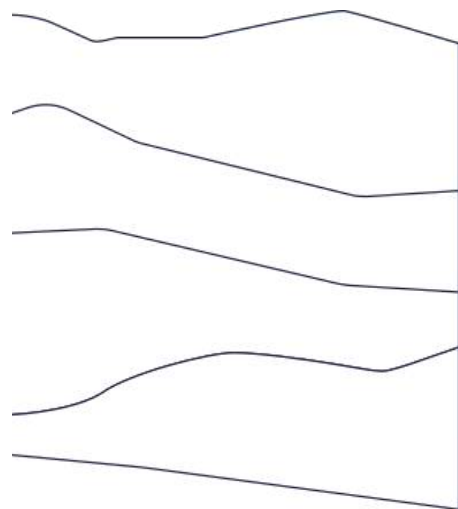


Hackett Research suggests that deploying digital solutions to procurement helps organizations cut costs by 25%.

Foster Long-Term Relationships

Good business depends on transparency. Automation brings every procurement operation onto a digital platform that is accessible at all points of contact in the entire supply chain.

Suppliers, coordination partners, warehouses, and even ground forces have complete visibility of the movement and status of the goods involved in a contract.



Automation of procurement processes generates data at each touchpoint and delivers better visibility into each task. In fact, according to PwC, procurement data has helped 85% of companies create value across their procurement ecosystem.

Better visibility and transparency encourage cohesive behavior of the entire value chain and establish trust and cooperation as the core values of any procurement operation. These qualities are essential to fostering long-term relationships with every professional in the procurement ecosystem.

Efficient Contract Management

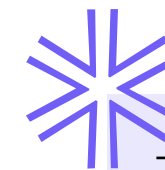
Automation adopts all the contract management activities onto a digital platform. Organizations invest a significant amount of time in mailing physical documents for seals and signatures.

With automation, the parties can sign electronically and store them at a centralized, accessible location on clouds, available for access or reference by every authorized professional.

Automation helps in the quick creation of new contracts from ready templates, collaboration for modifications if required, parallel, real-time editing, tracking of the procurement progress as per the terms in the contract, and much more.

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The market for contract management software is expected to grow at a CAGR of 16.7% between 2020 and 2027.

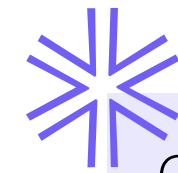
Automation also creates reminders for contract renewal, expiration, and deadlines, helping keep things moving as per schedule.

Boost in Productivity

The greatest advantage of automation lies in the boost it gives to productivity. The procurement department of any organization needs to have a bird's eye view of every ongoing activity. Through automation, procurement professionals can save the time they spend on repetitive, clerical tasks such as:

- Creating and sending follow-up communications on the status of the goods
- Creating new procurement documents, such as contracts, requests, addendums, or modifications, from scratch
- Invoice checking and approvals
- Keeping track of inventory, tallying itemized lists with incoming and outgoing goods, updating the inventory status in real-time
- Tallying item stocks with usage and initiating the procurement process for low-stock items, raising alerts in case of a mismatch
- Forecasting future requirements informed by the rate of utilization of each item

Automation takes all the mundane, mechanical tasks away from human resources, leaving them free to strategize and apply their critical thinking to add value to key processes.



Organizations can boost their ROI by 2.5 times by deploying digital solutions in their procurement strategy.

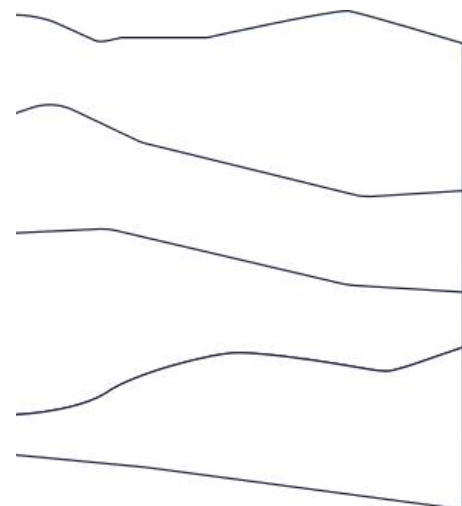


Chapter 3

Top 3 Mistakes Made In the Procurement Process (With Solutions)

The procurement process, from need analysis to handling the logistics, is a long-drawn and complex process. So it's natural there'll be some mistakes.

Here, we're discussing the top three mistakes procurement folks make that you might too when automating your procurement process. You'll also get to know how you can avoid these potential mistakes for smooth sailing. So let's start with the first one.



1. Wrong Vendor Selection

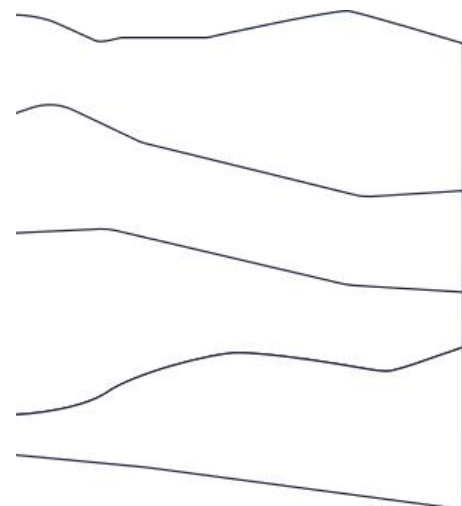
One of the most challenging parts of procurement automation for businesses is vendor selection. Finding high-quality suppliers is challenging, but it's also important to qualify them using the most rigorous procurement process possible. A vendor should be chosen based on how flexible they are in order to create a long-term relationship.

Vendors need to be aware of both your business requirements and their part in bringing in revenue. So, it's a good idea to consider other alternatives before selecting a low-cost supplier.

Solution

You can do two things:

- Classify vendors into categories. The categories could be based on prices, range of products, delivery dates, geography, etc., to get a clear picture of what options you have.
- Do an initial review of all the vendors you have listed out. Contact the vendors' clients to know about their performance



2. Inaccurate Data Collection

Since procurement is a complex process, there may be times when you have the wrong data and you don't even know it's the wrong data. So based on that data, you create a purchase order which might lead to excess inventory.

For example, your data says you need 10,000 glass bottles. But in reality, you needed 8000, which you didn't know at the time. This will lead to excess inventory and warehousing issues at the same time.

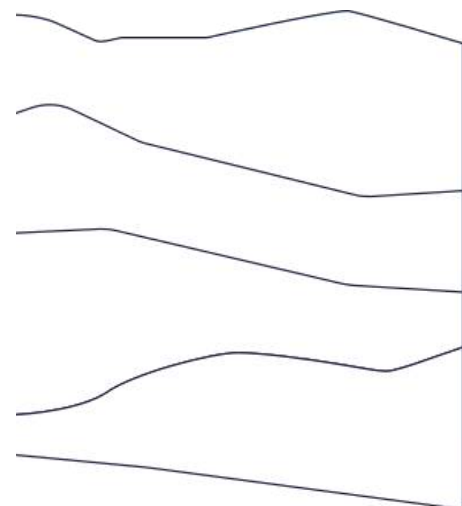
Solution

You can do two things:

- Set a standard process to ensure the integrity and quality of the data. Data collection methods should be clearly defined across the entire organization.
- Make a central data repository that's transparent and lets decision-makers to focus on the critical data to quickly make informed decisions.

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3. Not Choosing The Right Procurement Software

Many procurement folks are still not unaware of the modern procurement software and tools and still use age-old OCR and ERP solutions.

The problem with those solutions is they need constant human intervention which defeats the purpose of an automated procurement software.

Using the right autonomous procurement software so you can focus on important activities by putting routine tasks on auto-pilot mode is an advantage worth having.

Solution

You can do two things:

- Out of all the software you've found, narrow it down to 3 and go hard on researching them. Read G2 reviews, watch video reviews of people using them, book a demo with them, etc.
- Jot down your requirements and compare them with their features. If your every requirement is met, you are good to go.

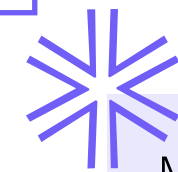
Chapter 4

Procurement Software - Understanding the Different Types and Their Usage

There is no deficiency of procurement software in the market today.

The report further highlights that the procurement system has increasingly become user-defined rather than something that the administration controls. This is carving a new and secure niche for no-code and low-code platforms to shine on empowering employees to design their own procurement workflows.

Procurement software comes in ten distinct types:



Mordor Intelligence reports that the procurement software market will grow at a compounded annual growth rate of 10.2% for the period 2021 to 2026.

Supplier Discovery

Each organization has its own standards, timeline, and quality of material that it follows for procurement. Searching for suppliers that meet all the benchmark criteria can, thus, result in investing more time on it than necessary. It can stunt organization productivity if the process isn't automated and enriched by high-quality data.

Supplier discovery procurement software connects organizations with suppliers that meet their procurement standards, benchmarks, and criteria to the T.

When to use this software?

If an organization frequently requires high-quality and standardized goods (like chemicals or perishables), this is the right software to use.

Examples:

Ariba, ThomasNet

Supplier Onboarding

An organization must know all the necessary details about the suppliers it deals with frequently. Supplier onboarding software, also called supplier information software, maintains a unified database of all the supplier information.

Organizations can find their contact information, certification, performance ratings, diversification details, and more on this database.

When to use this software?

If an organization deals with multiple suppliers frequently (like eCommerce), this software is a powerful addition to the arsenal.

Examples:

Hiperos

Supplier Management

Organizations can use this software to measure the performance of their supply partners quantitatively and qualitatively.

Based on the rating system and order fulfillment attributes, this software helps organizations manage their suppliers and revise associations based on performance.

When to use this software?

This software is a necessary addition for businesses in the fast-moving consumer goods category, where supplier performance is pivotal to doing good business.

Examples:

BravoSolution, Aravo

eProcurement

eProcurement software is a digital marketplace for products that are preapproved and serviced by contracted suppliers. It lets organizations automate requisitions and POs through pre-set rules.

When to use this software?

Organizations that frequently procure equipment (like electronics and electrical dealers) or other standardized goods can utilize this software well.

Examples:

eBid and ePlus

eSourcing

eSourcing procurement platforms allow an organization to conduct digital bids in real time. If an organization wishes to procure goods at the best market price, it can leverage this procurement software to conduct public or private RPF events.

When to use this software?

The organizations that frequently need to procure bulk quantities of things (like paper or textiles) have a great advantage with this software.

Examples:

Trade Extensions, WhyAbe

eInvoicing

The best bet for reducing the paperwork and corresponding workload on employees is by adding eInvoicing software to the desktop. This software enables organizations to conduct all invoice-related operations digitally. It also encourages discounted pricing by establishing a faster payment loop between the company and the vendor.

When to use this software?

Organizations wishing to digitalize their invoicing completely can benefit from implementing this software.

Examples:

Tradeshift

Spend Analysis

Every organization has room for improving its spending habits. A spend analysis software draws up the purchasing patterns, expenditures on a timeline, historical expenses, future resource requirements, etc., to help a company see where it can optimize spending.

When to use this software?

Organizations seeking to adopt lean strategies for organizational processes stand to benefit from this software to a large extent.

Examples:

Oracle E-Business, ProcurePort

Contract Management

Organizations can quickly create new contracts from scratch using predesigned templates. The software also provides extensive clause libraries to speed up the contract creation process.

Companies can keep track of all their active contracts, approval and signature status, changes, expires, renewals, etc., from a single view.

When to use this software?

Organizations dealing with a heavy influx of contracts (like manufacturers) can empower their operations using this software.

Examples:

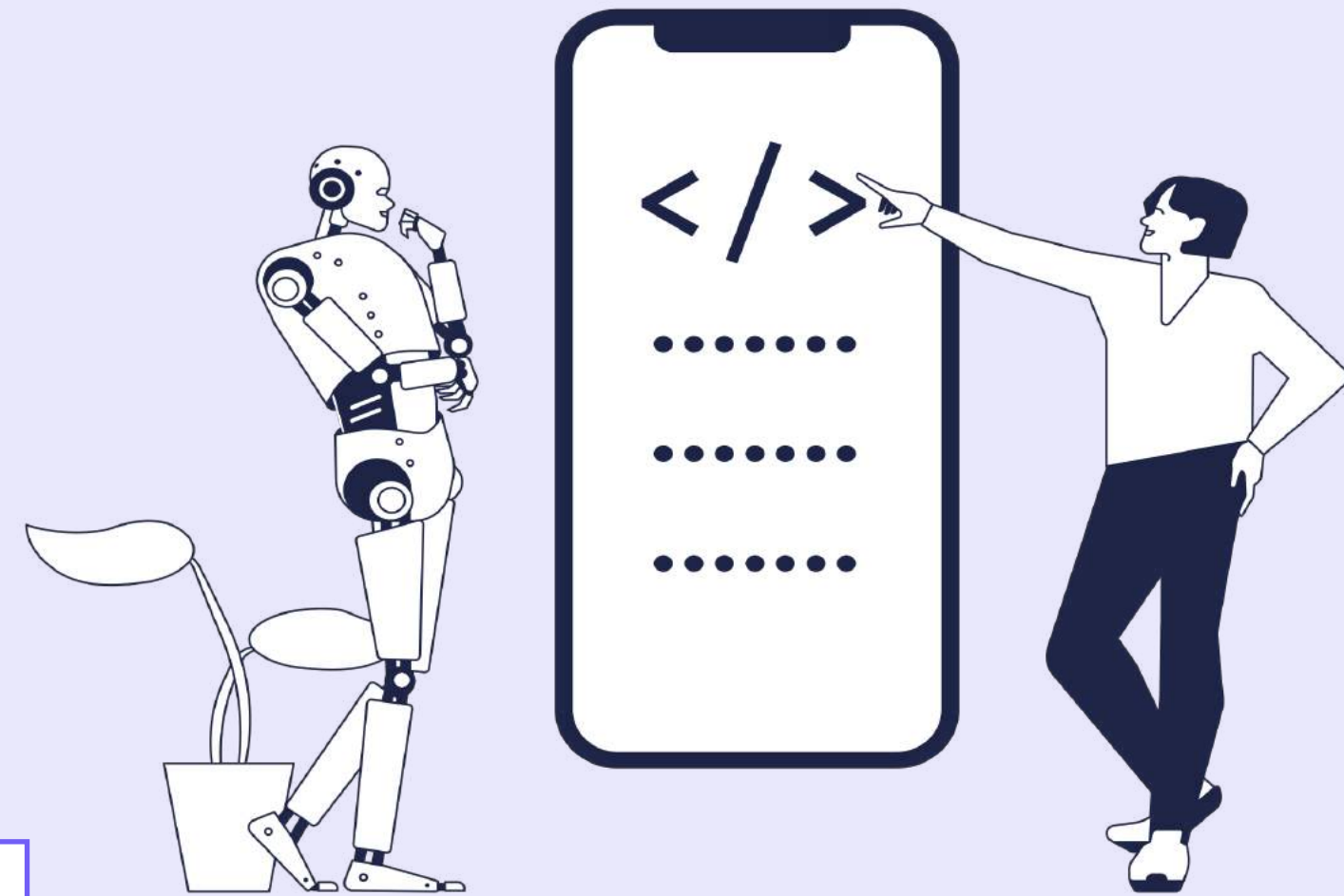
Prodagio and Selectica

Chapter 5

Will a Procurement Software Work for Your Business Size?

Business size matters. Selecting the right procurement software accordingly helps organizations save time and resources.

Pitching Nike against some local shoemaker creates high contrast; a comparison can't be made. The Small Business Association (SBA) has thus created clear classifications of businesses based on their size. It allows for better comparison between various businesses in terms of health, economic and social impact, like comparing apples with apples. The same logic applies when selecting procurement software for an enterprise. The size of an organization dictates the complexities, scope, and expanse of its procurement operations.



“

“Appreciate and value your time because this is the key to success.”

Sunday Adelaja

If the software is chosen without considering these factors, it may lead to gaping inadequacies and loss of precious resources. On the other hand, an overcapable procurement system may see its functions lying idle or disused in a company that does not need for them.

The SBA defines three distinct classes of a business based on size. Procurement platform suitability depends on these factors.

1. Small Business

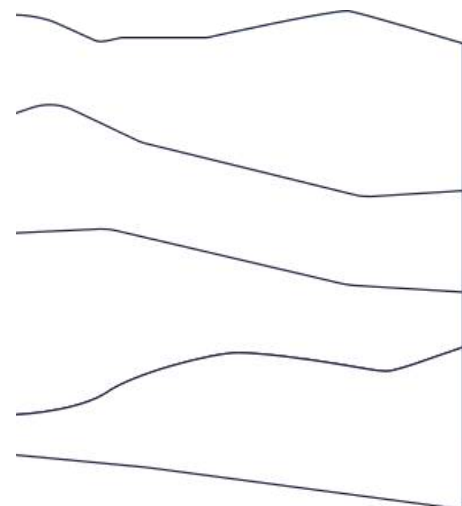
The world perceives small businesses as a collection of struggling professionals going from paycheck to paycheck. That is not the case.

The SBA attributes small businesses as organizations that make a revenue of a maximum of \$38.5 million in a year and have no more than 1,500 employees. A small business has further categorizations:

- Small-sized businesses (when the employees are under 100 in number)
- Medium-sized businesses (when the employees are in the range of 100-1,500)

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Procurement Software for Small Business

Small businesses typically do not have an extensive IT department. The geographical spread is also limited to a few locations, and the cost of resources is a substantial concern for them when acquiring new solutions. They also do not have a complicated procurement process, and the vendors they deal with remain unchanged over time.

A straightforward procurement system that is easy for everyone to use is the most suitable in such cases.

2. Mid-Market Enterprise

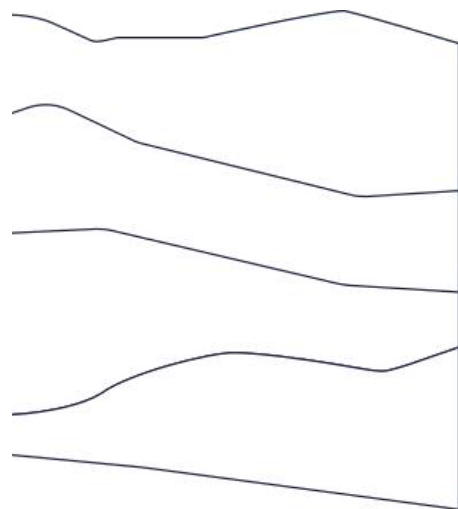
Mid-market enterprises are companies that are larger than small businesses but not quite as expansive as large enterprises.

Typically, a mid-market enterprise employs between 1,500 and 2,000 employees. The SBA designates the annual revenue of such enterprises as between \$38.5 million and \$1 billion.

Procurement Software for Mid-Market Enterprise

These enterprises work with increased complexities in internal processes. Owing to that, they usually have a dedicated workforce for each specialized process, which includes IT.

Private ownership exposes them to more working capital, allowing for a more extensive budget to acquire a procurement system that can handle entry to mid-level complexities in operations.



Mid-market enterprises also operate across a wider geography, necessitating specific functionalities (like electronic contracts and invoicing) in procurement software.

3. Large Enterprise

Enterprises that function with employees upwards of 2,000 counts and generate a revenue of over \$1 billion annually are classified as large enterprises. Not many organizations function at this level and those that do hold significant sway on the economy through trade.

Procurement Software for Mid-Market Enterprise

Large enterprises operate with parallel complexities, global laws, regulations, compliances, international standards of import-export and qualities, taxation, and layers upon layers of considerations for each procurement. As such, a robust procurement software that can manage such a heavy workload is ideal for large enterprises.



Chapter 6

How To Choose the Right Procurement Software

Choosing the right procurement software can be a task. You have to know what your needs are and what the software in the market are providing.

Following are the three main things to look for when choosing the right procurement software:

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Integration With Accounting System

A solid procurement platform will complement your current financial infrastructure and work well with any other applications you already have.

So, before you invest, try finding out whether the software can interact with NetSuite or QuickBooks or not.

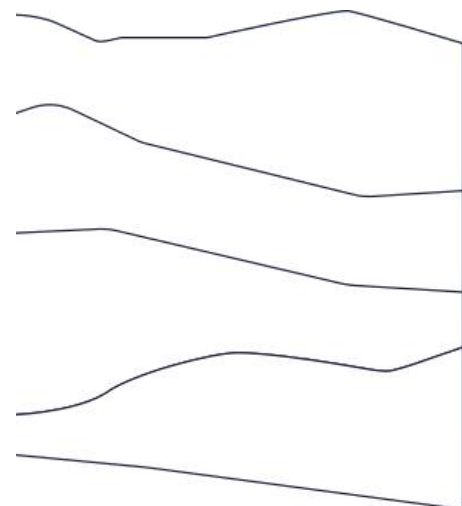
Also figure out if the present accounts payable integrations is available with your accounting system or not.

Moreover, find out if you can combine your procurement platform with the other financial platforms you already have. Also identify if the software can integrate with your current tools like Slack, Zapier, Zoominfo, etc.

Accessible on Mobile

It's all about the mobile. The future of procurement is remote, and this applies to personnel as well as procurement teams. Your procurement should let you send:

- On-the-spot requests, approvals, and receipts for purchases
- Push notifications that can be used to expedite the approval process.
- Pictures of receipts and packing slips and preserve them.



Customizable Approval Workflows

One advantage of using procurement software is you can stop using Excel and Google Sheets and paper-based approval processes. Everyone benefits from quicker approval processes for purchases that save a ton of time.

The best procurement software will enable you to personalize your approval procedures according to financial criteria, users, departments, and locations and will hasten the approval procedure inside your company.

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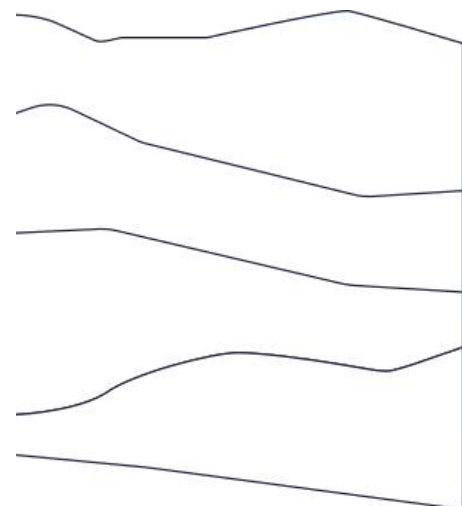
Key Takeaways

Having a good understanding of the procurement process is a must to avoid any friction.

First, you have to identify what you need by looking at your inventory. Then you list down all the sellers who are selling what you're buying.

When you decide on a seller you need to negotiate the terms and prices because you don't want to just accept their prices.

After the terms and prices are set, you start with the paperwork like purchase order forms,



payment forms, service agreements, etc.

Then comes logistics. Ensure that all paperwork related to delivery is sorted to avoid any shipping delays.

Automating your procurement process is the way to go because if your purchase volume is high, manual and repetitive tasks will become tedious.

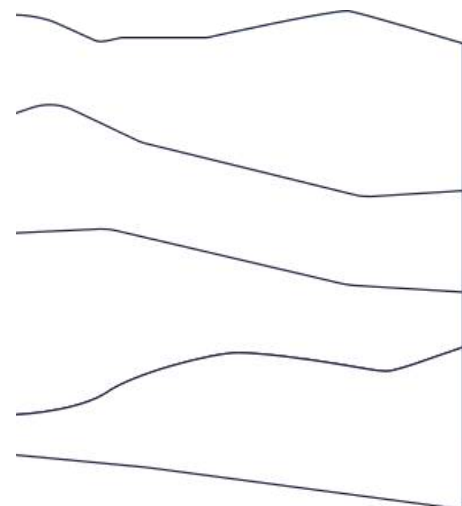
And you need your attention on more important tasks. It'll also boost your productivity since you'll be free from clerical tasks.

Procurement is complex. You may make mistakes in the process.

The most common mistakes would be selecting the wrong vendor, gathering incorrect data, and not choosing the right software to use for automating the process.

Inaccurate data can create inventory excess issues and cause major setbacks and offset budget estimates.

Go for a software that has a mobile app, has fast and highly customizable approval workflows, and can integrate with your accounting systems and other software you are using like Slack, Quickbooks, Zapier, etc.



You also have to figure out if a procurement software is needed for your business size or not. Because small, mid, and large, all require different types of software. After knowing the 'if', you've to decide which software kind of procurement software will you need.

How Hubbler Can Help You

Hubbler's Procure to Pay solution can simplify your complex workflows. It is fully customizable that doesn't compromise on your internal processes.

From budgeting, purchase Requests & Approvals, RFQ, and purchase orders to GRNs and account payables, you can manage them all with one solution. It'll also give your team a unified view of all their processes.

You can generate documents like RFQs, POs, etc., with one click. You can also use searchable records to find information on older purchases.



You also get in-depth analytics, customizable dashboards to focus on the KPIs that matter and drill down on specific data points for a granular view.

We also have vendor performance management. It easily assesses the performance of your supplier using ratings for delivery, compliance, experience, and communication. With this, you can conduct functional and technical rating analyses and create custom dashboards that help track and measure SLAs.

So if you are ready to automate your procurement process,

[Schedule a demo](#)

