

SMART PROCUREMENT FOR SUSTAINABLE SAVINGS

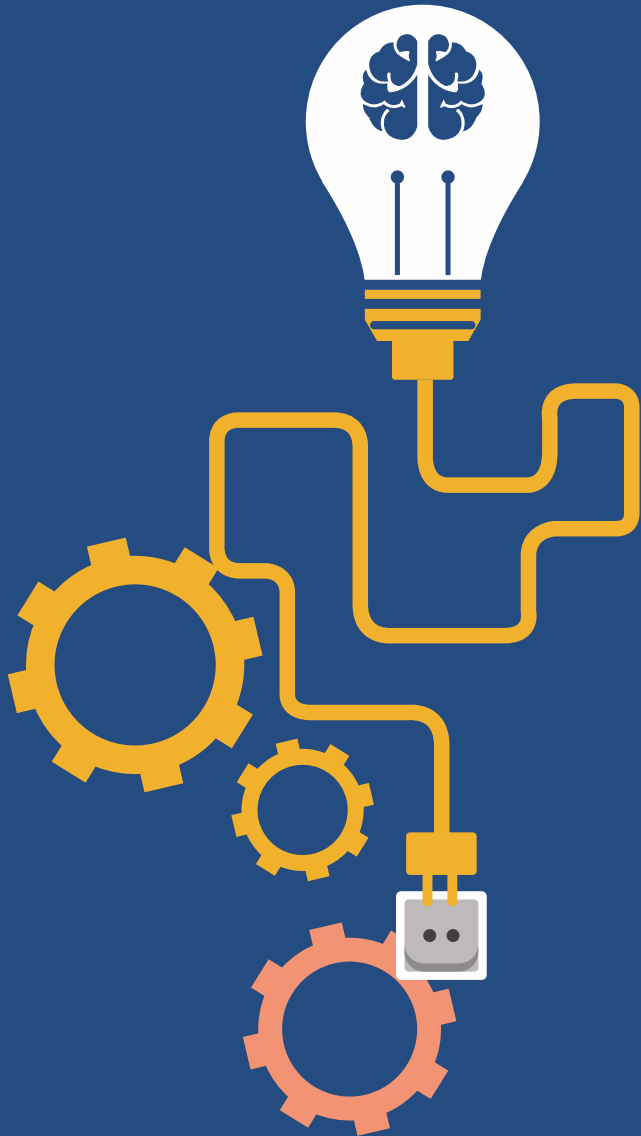
Best Practices for Spend Management while Simplifying Compliances and Combating Risks



ZYCUS

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INTRODUCTION

While the banking, financial services & insurance (BFSI) industry is faced with stringent regulatory requirements, shifting consumer behavior and changing competitive landscape, there is also an onus to increase customer engagement. This translates into increased operational costs and indirect spend which eventually leads to reduced profit margins.

Combating these challenges requires procurement to develop strong strategies that can act as propellers to steer the organization away from the difficult macro and microeconomic conditions.




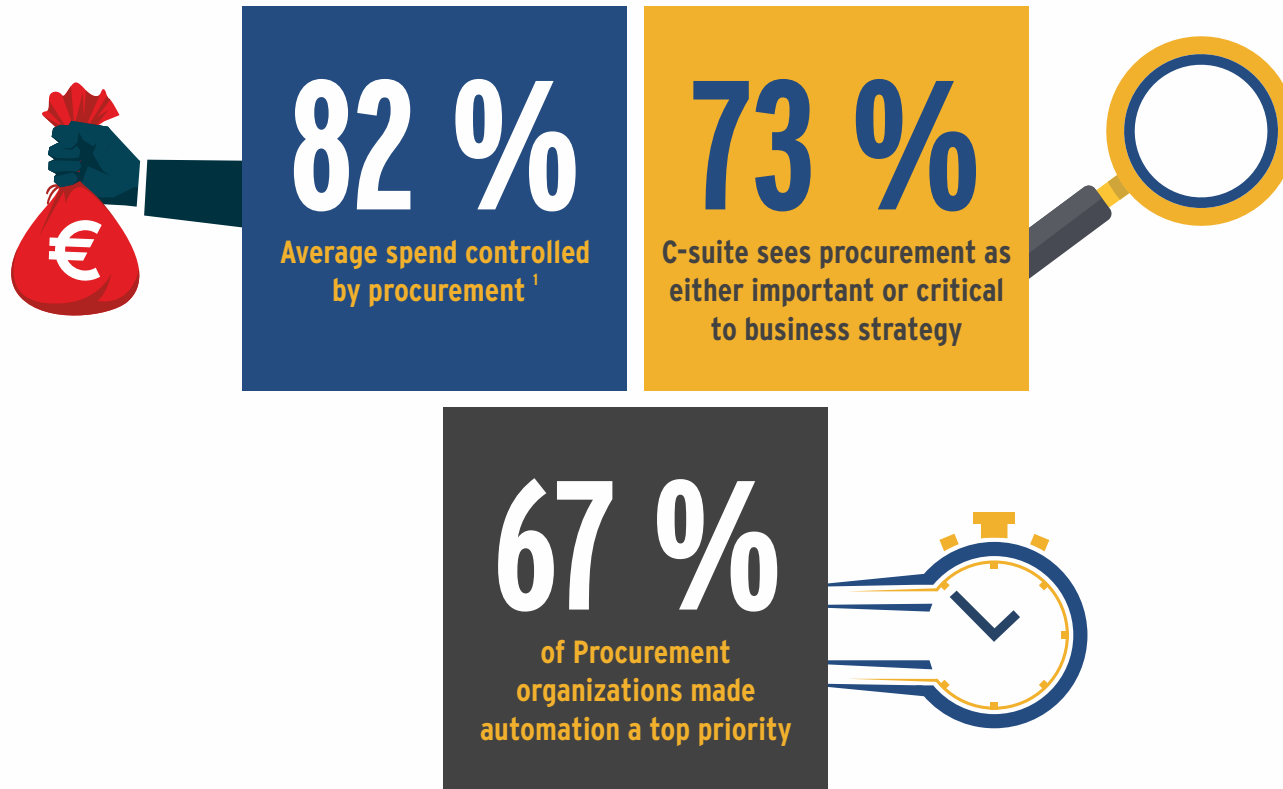
 Industry Challenge	Sluggish economies and tighter credits	Outsourcing /offshoring to vendors across geographies	Stringent national and international regulations	Data sensitivity and security
 Procurement Imperative	Increasing spend visibility and strategic cost reduction	Buying the right way from the right supplier at the right cost	Ensuring contract compliance and supplier certification	Pre-implementation testing and certification

Fig 1. Challenges and Procurement Imperatives for BFSI sector

Today banks can strategize for growth only through a comprehensive analysis of the key dynamics in the complex banking sector, adoption of technology in a meaningful manner and turning to procurement solutions to achieve efficiencies of scale. In such an environment, operational efficiency and organizational agility will determine who succeeds and emerges as a top performer in global B&FS markets.

RANK YOURSELF WITH THESE INDUSTRY BENCHMARKS



Source 1 : Purchasing and Procurement Center

Source 2 : Pulse of Procurement 2019

Source 3 : Pulse of Procurement 2019

TRANSFORM SPEND INTO SAVINGS



Think of it as creating savings opportunities every time you spend- while spend is a one-time occurrence, savings opportunity creation has a cascading effect. A strategic savings plan can be created only after you identify, take control over and bring your organizational spend under management. While organizations struggle to bring Direct Spend under management because of the increase in its cost components, finance departments treat indirect purchases as minor ad-hoc spend. This approach can leave hundreds of thousands of dollars on the table, known in the industry as “dark purchasing”. Mature spend management solutions can help Procurement overcome this challenge.

TRANSFORM SPEND INTO SAVINGS

A

Direct Spend

It refers to purchases of goods and services that are directly incorporated into the final product. Examples include raw materials, subcontracted manufacturing services, components, hardware, etc.

Best Practice #1: Focus on strong supplier relationships

67 per-cent procurement organizations made a top priority of streamlining and automating such processes as supplier identification and on boarding, performance tracking and management in 2019.⁴

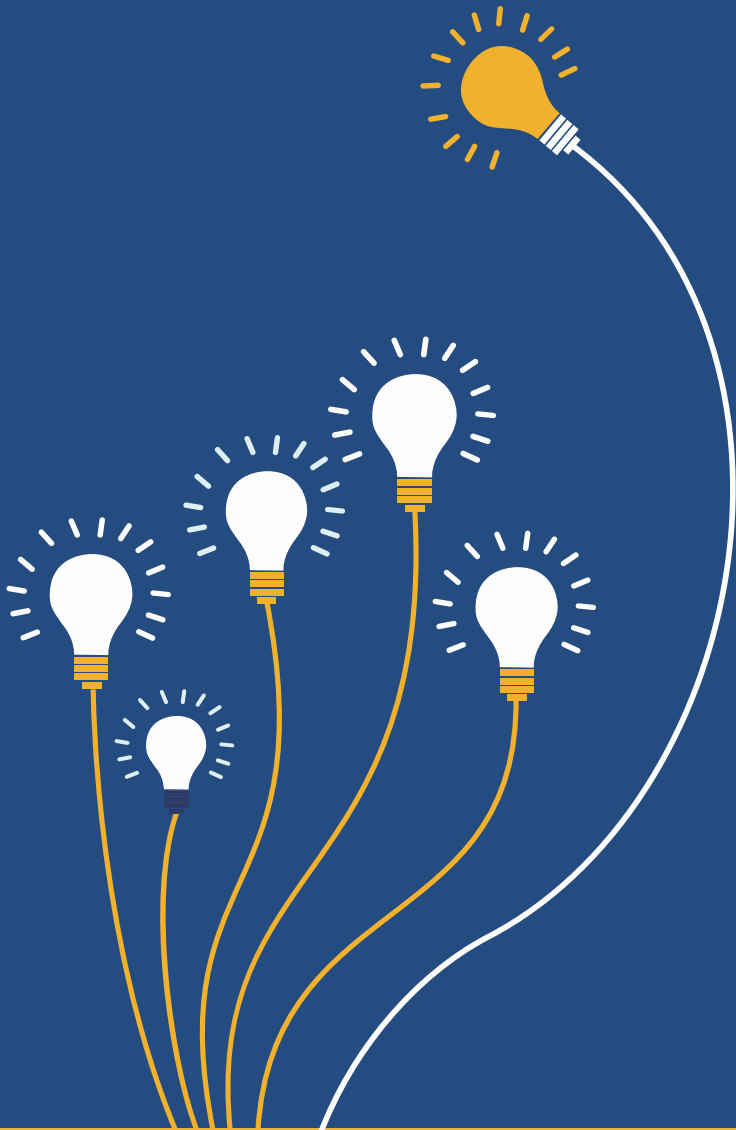
When your suppliers are not managed well you could lose them to a competitor. Even when they stay with you, lack of visibility makes it difficult to evaluate their performance and you end up spending with non-compliant suppliers. A robust supplier management module helps you measure supplier performance collaboratively and store all supplier-related information in one place. Integration with supplier network also simplifies the process of invoice creation, quickens invoice delivery and flags risky suppliers so that you have greater control on your spend.

Best Practice #2: Engage in strategic sourcing

Successful companies have been using sourcing optimization to gain a significant competitive advantage in their industry. With AI sourcing teams can extend their reach and impact beyond just delivering results by generating the greatest value from activities like consolidating spend, rationalizing vendors, enforcing policy and validating pricing for which they require good data, visibility, and exception reporting. Greater stakeholder participation also leads to informed decision making.

Zycus Recommends:

Combine spend analytics with supplier performance monitoring to put a figure on what non-compliance might be costing you. With Zycus supplier management you have access to the latest supplier information, you can pull out intelligence reports to track supplier performance and you can even raise a SCAR (Supplier Corrective Action Request) to address an issue. Our eSourcing solution makes sourcing both simple and complex categories easy. Your sourcing cycles are shortened up to 15 per-cent and you get the scalability for 10,000+ line items and 200+ suppliers in a single sourcing event.



TRANSFORM SPEND INTO SAVINGS

B Indirect Spend

Refers to purchases of goods and services that are not directly incorporated into the final product but are indirectly used. Examples include office supplies, janitorial services, equipment, furniture, etc.

Best Practice#3: Manage your inventory

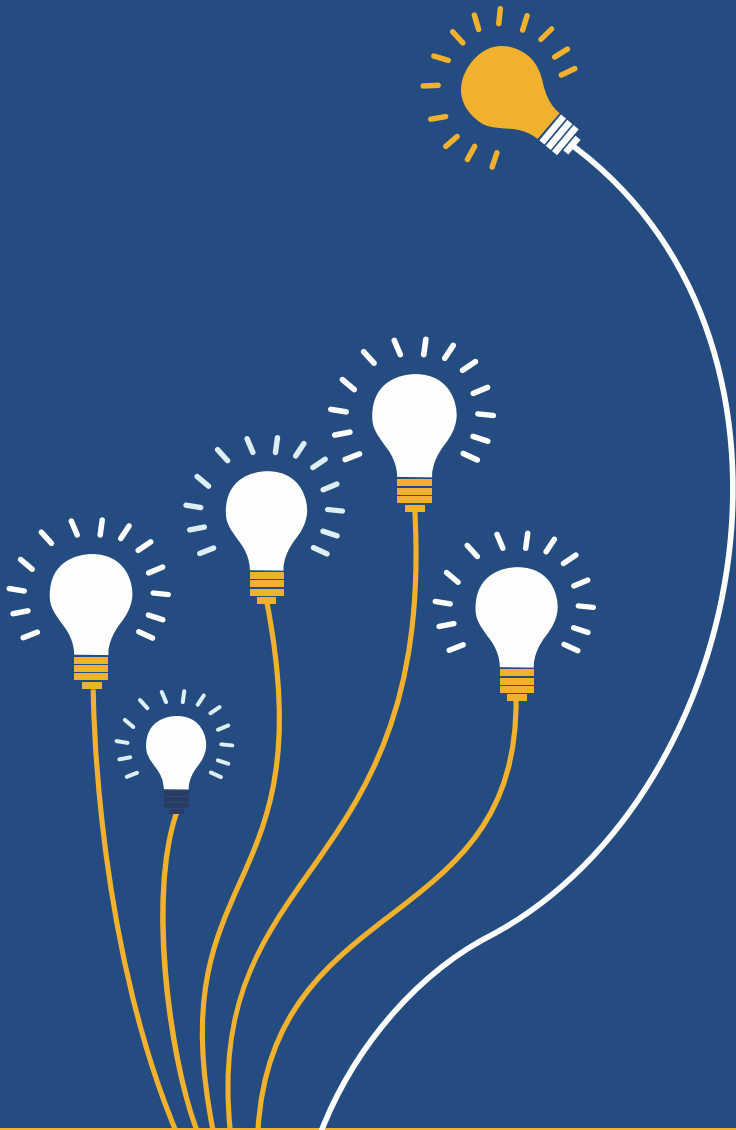
Be wary of using excel sheets because that exposes you to manual errors which can cascade down to wrong forecasting about how much purchases you need. An inventory management module ensures optimal purchasing from your stocked inventory by providing requisitioners visibility to order from stored items. Knowing how much you stock will prevent unnecessary purchases and also fulfill user demands on time. The solution comes with additional features to maintain optimal inventory levels, track cycle counts, manage asset allocation and transfer.

Best Practice #4: Treat projects and services separately

For contracts where the performance will run over an extended period (minimum of 2 weeks), suppliers can't wait until the completion of the performance to get paid. Consider a time and material kind of project or implementing new software- you will have to schedule payments. A way to do this is to establish specific milestones that are achieved on the completion of identified deliverables. In doing this the percentage of payment to be made after the completion of the milestones is defined in the contract. The key point is that all projects will have milestones and these must be defined in product documentation, and captured in schedules and monitored in progress reporting. It is good if milestones form part of contract payment terms. Invoices are sent to the customer when a milestone is successfully reached.

Zycus Recommends:

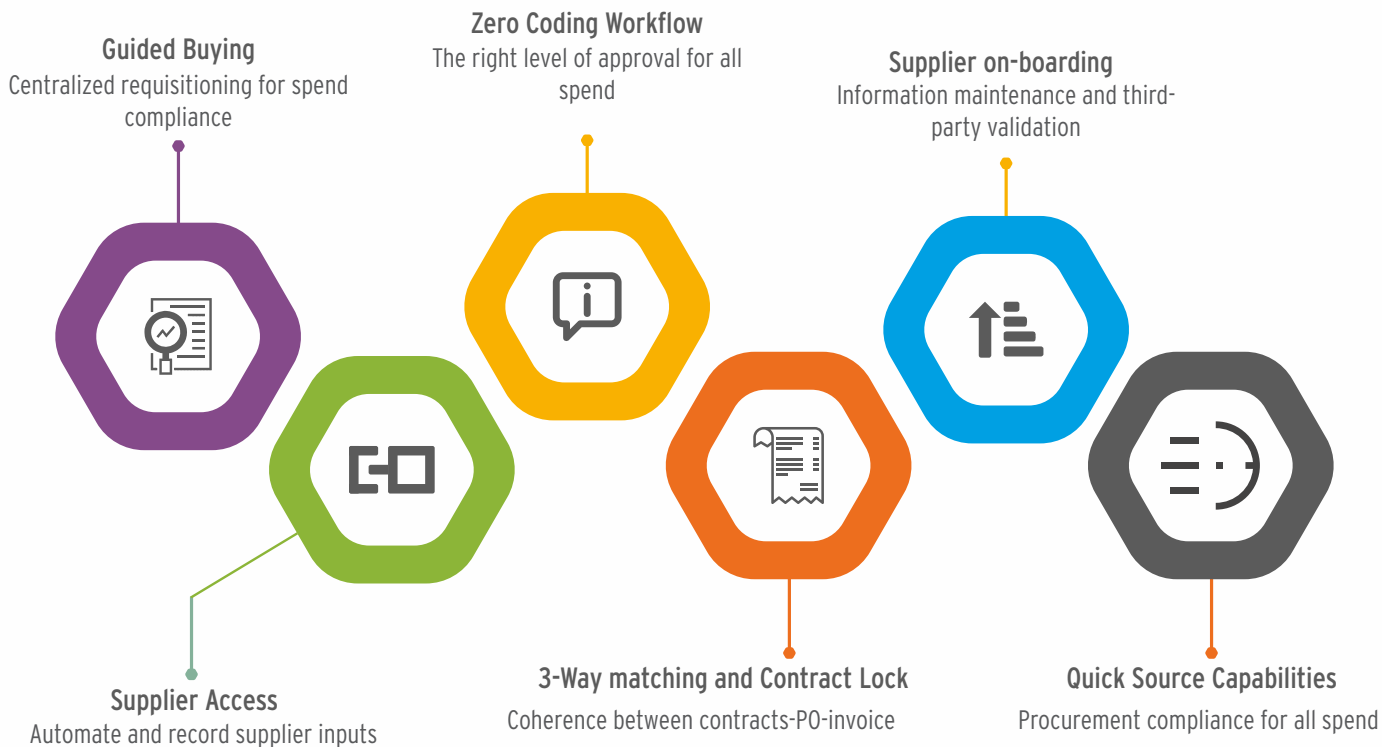
With milestone payments incorporated in the eInvoice module your suppliers can easily flip POs with milestone items into an invoice. Zycus goes a step further by providing a detailed billing plan for items with milestones. You have ready access to the amount pending payment. Our Supplier Network and Invoicing module also fully supports credit memos with milestone items.



SIMPLIFYING COMPLIANCES

A SOX Compliance

Since most of the SOX compliance norms are dependent on situation-specific approval and control workflows, automating the entire procurement function with dedicated software becomes important. Zycus Source-to-Pay suite has intelligent compliance checks working in the background that improve both regulatory and company-specific compliance. Some compliance boosting functionalities of Zycus Source-to-Pay include:



SIMPLIFYING COMPLIANCES

B Tax Compliance

Globalization has opened a window of opportunity for businesses but a global business network has also created a new challenge: tax compliance. Because it is essentially invoices that are taken into account by authorities for tax purposes organizations today are moving forward in their digitization efforts by adopting technology to increase the visibility of transactions and ensure taxes are being paid. With the advent of e-invoicing government has also developed a technology backed and focused approach to invoice clearance.

Invoice Management: The Backbone of Tax Compliance

Some of the benefits that accrue from invoice management solution are:

- As of 2018, the American Productivity and Quality Center (APQC) reported that “top performers”—the top 25% of businesses evaluated—were spending an average of just **\$2.07** per invoice. Those in the bottom 25%, by comparison, spent nearly five times as much, with an average per-invoice processing cost of **\$10** or more.⁵
- Well-maintained invoice record and invoice archiving keeps the business safe from any fraud and invoice compliance violations
- Archiving of invoices for post-audit compliance

TrustWeaver - Zycus' global compliance partner has noted that all emerging economies of the world are moving towards mandatory 'clearance' e-invoicing platforms.

Tax engine integration

If your company is looking for highly accurate tax tracking, with this feature you can easily capture all tax for global suppliers. This comes with the additional feature of compliance tracking for complex tax regimes. Zycus has already partnered with leading tax engines to provide guaranteed tax inputs in countries like North America, Europe, and other geographies. Tax engine integration allows users to get validated tax details based on parameters like category, ship-from address, and shipped-to address and supports global taxes. Users can also automatically compare tax inputs by comparing supplier input tax data with data from the tax engine. Taxes that fall outside the tax limits can be automatically flagged. By routing invalid invoices to concerned teams exceptions can be managed.



RISKS AND FRAUDS

Procurement departments today face multiple risks and frauds which directly affect the financial health of organizations. While malpractices like inflated invoices, unmet contract specifications, and bid manipulation have an immediate effect on the P&L, neglected activities like data management and non-compliance to regulatory standards affect business continuity in the long run. This makes staying a step ahead of Procurement risk pivotal for business stability.

THE FOUR TYPES OF RISKS



Strategic Risk

Not leveraging data for predictive analytics means overspending. Unnecessary purchases, nurturing non-performing suppliers and missing early payment opportunities are all examples of how you could be overspending. AI-driven advanced analytics provide you all the information you need for strategic decision making.



Compliance Risk

When your processes lack internal checks to enforce compliance you are exposing yourself to unwarranted regulatory risk. This could also manifest in the form of delayed information about contract expiry dates. Enforcing SOX-SEC compliance becomes easy with an integrated Source-to-Pay solution. Automated alerts about contract expiry and off-contract spending through Contract Management help you plan.



RISKS AND FRAUDS



Financial Risk

Your bottom line could suffer from improper cash management. This could be in the form of unnecessary purchases from lack of inventory visibility or missing discount opportunities. Speedy invoice processing with Invoice Management software helps you earn excellent returns on free cash on hand with early payment options.

Inventory management gives you greater visibility into stocked items and guided buying controls rogue spend.



Operational Risk

Surging costs and manipulation in the bidding process put your sourcing process at risk which is further aggravated by relentless purchasing behavior. With Supplier Management you can closely monitor supplier-related risks and undertake a strategic sourcing approach. Not just easily monitor but you can also easily integrate risk-relevant clauses in contracts.

And then there is the risk of fraud! Kick-backs from suppliers to gain preference, fictitious invoices, cost/labor mischarging and phantom vendors are some examples. An integrated Source-to-Pay solution protects you from fraud by giving you visibility into your procurement processes, enforcing compliance and tracking your spending. You manage suppliers, three-way invoice matching is automated and all relevant data is captured. The whole system benefits from increased transparency.



CONCLUSION

Organizations have their business units spread across the globe. In some cases, the presence is small but strategically important - as is the case with the majority of the companies in the BFSI sector. Procurement needs to develop systems and processes which will ensure they can deliver beyond cost-cutting to building sustainable business practices aimed at business continuity. Best-in-class procurement organizations in the BFSI sector follow processes that ensure that they reap the true benefits of procurement technology and enhance procurement performance within their organization. As a bank, your success depends not just on the present but also being prepared for any change in circumstances that could happen in the future.



ZYCUS

Zycus is a leading global provider of complete Source-to-Pay suite of procurement performance solutions. Our comprehensive product portfolio includes applications for both the strategic and the operational aspects of procurement - eProcurement, eInvoicing, Spend Analysis, eSourcing, Contract Management, Supplier Management and Financial Savings Management. Our spirit of innovation and our passion to help procurement create greater business impact are reflected among the hundreds of procurement solution deployments that we have undertaken over the years. We are proud to have as our clients, some of the best-of-breed companies across verticals like Manufacturing, Automotives, Banking and Finance, Oil and Gas, Food Processing, Electronics, Telecommunications, Chemicals, Health and Pharma, Education and more.



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