

# User Requirements to Consider When Optimizing Spot Buying

**How to manage the unloved 42% of indirect spend**



Despite contributing to almost half of an organization's indirect spend, spot buying is still a relatively new topic for many businesses.

However, handled correctly, it can result in significant long term cost savings. The majority of procurement departments within large organizations have put in place systems and processes that adequately handle their procurement needs with the exception of tactical purchasing which remains an untapped area for potential cost savings and a source of unnecessary risk. When managed properly, significant cost savings can be realized across all forms of spot buying, whether comprising of a large volume of low value, simple purchases or several big and complex orders.

A spot buy (tactical purchase) is essentially a purchase that was not planned strategically. It can be an entirely unplanned purchase or one





that due to circumstances such as special project work is a planned but ad hoc purchase. The main thing is that it is not strategic in nature.

Many organizations have until now avoided proper management of tactical purchasing of indirect spend due to its complex, challenging nature. Historically, the predominant focus has been on areas of procurement more easily managed and of a higher value or strategic importance, mainly direct spend. Spot buying processes are often manual in nature and therefore inefficient, difficult to manage and offer little overall spend visibility. However, significant cost savings and improved efficiency can result from taking control of an organization's tactical purchasing. Many organizations are now catching on.

As spot buying becomes a strategic target for businesses looking to save money, organizations are increasingly looking for the right tools to control and oversee the spot buying process. In order to find the right technological solution, an organization needs to look at the needs and expectations of would-be users (both casual and professional), what different spot buying tools provide, and what can be expected in the long run when implementing one. Importantly, there are significant efficiency and cost saving benefits. According to the Hackett Group, organizations can expect a 2% - 5% reduction in purchasing cost by actively sourcing tactical spend.

As the user experience is essential in ensuring user adoption of a spot buying tool, here is what we've learned from our own UX research based on user reference groups, user surveys and usability testing.

### **Modern Expectations for Modern Users**

When evaluating different spot buying solutions, it is important to take into account casual users (the majority of users) and the procurement staff expected to administer the solution, this usually entails a core group supporting the entire organization from a shared service center. The needs of both sets of users must be addressed to ensure optimum compliance, productivity and efficiency.

Today, users within an organization expect the same level of user-friendliness and functionality from technologies within their organization as they are exposed to in their private lives. This applies to all internal stakeholders, whether this means managers expecting concise information and reports or ground level employees expecting processes to be intuitive and efficient to use. For businesses, having easy-to-use internal systems not only means higher employee satisfaction but also reduced training and support needs, and optimized efficiency and productivity. More importantly, ease-of-use leads to high user adoption, which is imperative as a system is useless if it's not fully utilized.

The chosen spot buying tool should ideally be the only tool used for all indirect tactical purchases in order to ensure data integrity and efficiency. Due to the ad hoc nature of purchase requests, the system should also be centralized as should the team overseeing the process and requests.

## Casual Users Want Fast Resolutions

Casual users will expect to have a quick response from the procurement team if they cannot find the product or service they require in the catalog. The spot buying tool should provide users an easy to fill-in request form that prevents ambiguous orders, the ability to track the progress of their request, and the option to negotiate a final decision with the purchasing department on the selection of the final product or service.

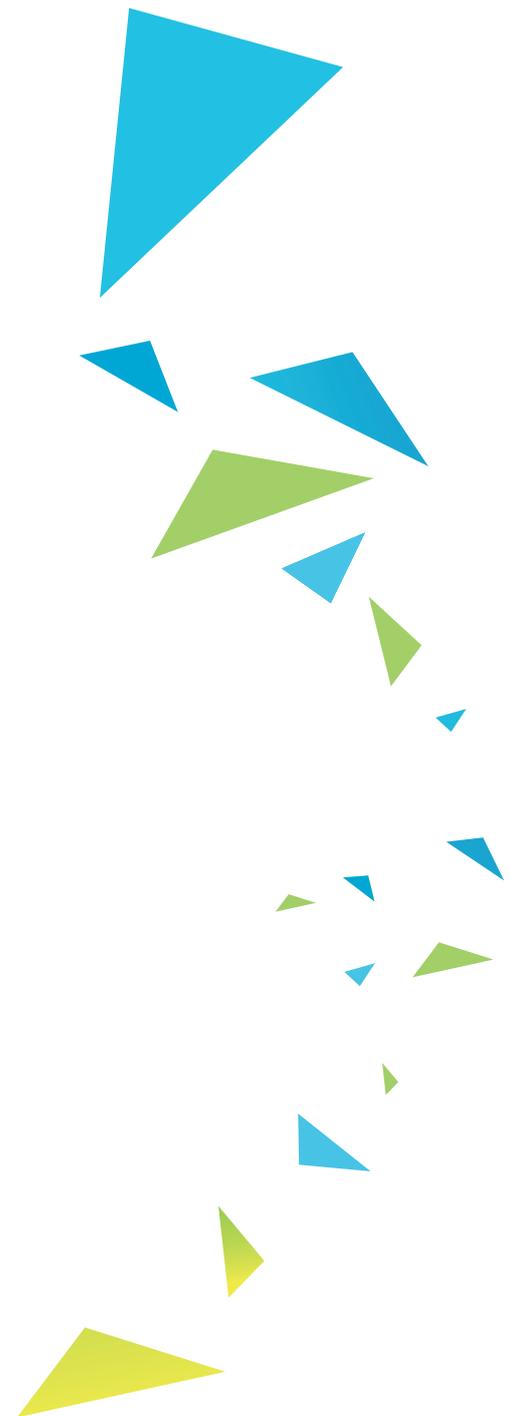
To ensure end user satisfaction and accuracy of information, the system should provide a direct communication channel between the end user and the dedicated procurement team through channels such as message boards.

Spot buys that fall under certain criteria regarding value or the lack of a contracted supplier should be managed and reviewed by a centralized tactical purchasing team, often in the form of a shared services center. Members of this team need to handle a high number of requests efficiently according to set SLAs and will have their own requirements for a spot buying tool.

## Empowerment for Professional Users

Procurement team managers want an informative overview of the workload across their teams in order to delegate accordingly. It is also important to them to be able to identify bottlenecks and performance issues before SLAs are compromised. The spot buying tool needs to have strong documentation features for reporting and auditing reasons including real-time performance measuring based on agreed SLAs. The tool should also document all activities and communications between the requisitioner, shared service center and suppliers for full transparency.

Leveraging competitive prices is of course a key benefit of adopting a spot buying tool. To ensure that the best pricing options are available to professional buyers, the tool should provide real-time RFX and auction capabilities to achieve competition-based prices through bid-based negotiations and reverse auctions with contracted suppliers.



## Reduced Workload through Automation

Every spot buying tool should ideally not only optimize the process, but also be able to eliminate the need of it. Notably, the tool should be able to identify and prevent repetitive requisitions for the same product or service or requests where a product or service is offered within an existing catalog. The user interface should guide casual users through predefined value thresholds and a list of preferred suppliers. Within the spot buying tool, the distribution process should be fully automated for maximum efficiency. Previous successful spot buy requests should be represented in the catalog by being automatically added after the original request is approved. Similarly, where an existing contracted supplier and product or service is identified by the system, contract rates should be enforced by the tool.

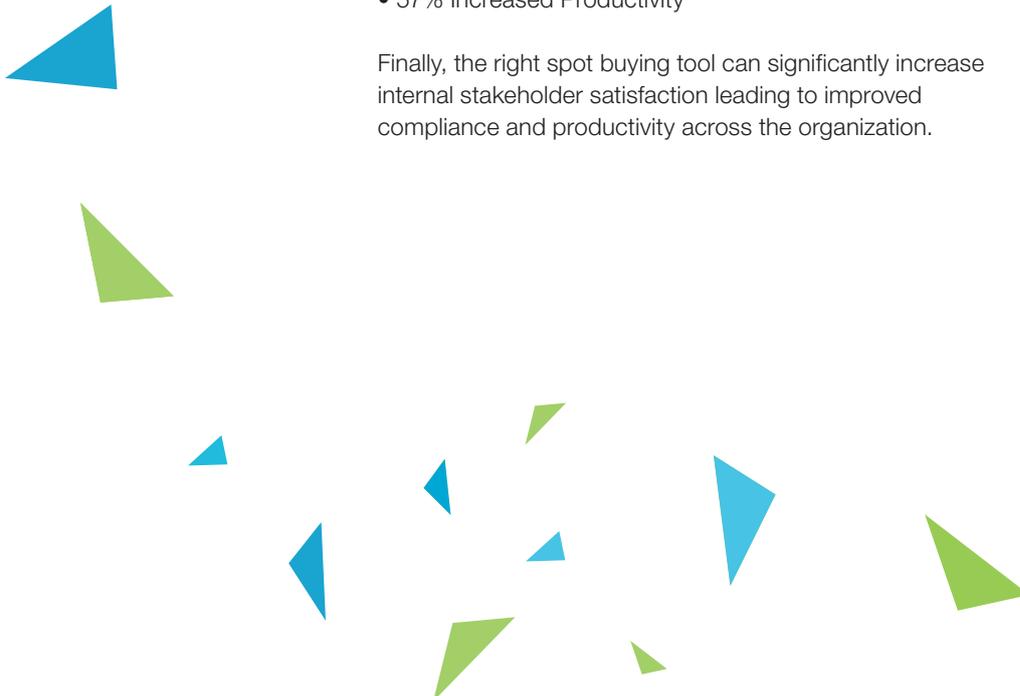
## Clear and Quantifiable Benefits

A spot buying tool guarantees significant cost benefits when taking into account that close to half of all indirect spend is tactical in nature. Using a spot buying tool, an organization can efficiently manage ad hoc spend, and increase cost savings through competitive prices under time pressure. Furthermore, lead times can be improved, disruptions to business operations can be reduced, manual errors in invoicing can be avoided, productivity of professional buyers can be increased, and overall spend visibility maximized.

The following spot buy results were achieved by our customers:

- 31% Lower Cost per PO Line
- 14% Reduced Purchasing Cost
- 57% Increased Productivity

Finally, the right spot buying tool can significantly increase internal stakeholder satisfaction leading to improved compliance and productivity across the organization.





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I help our clients increase productivity, manage spend effectively and save on procurement expenditure by optimizing their Purchase-to-Pay processes via Cloud procurement technology.

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## IBX Business Network

The IBX Business Network connects over 340 large buying organizations to 550,000 suppliers and provides services in more than 140 geographies. A Cloud-based, ERP- independent, closed-loop eProcurement platform, the IBX Business Network optimizes end-user experience, enables superior spend management while lowering total cost of operations.

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