Operations in Source to Pay (S2P) Cycle

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Abstract - *It is becoming more critical than ever for inefficient procurement systems to devise initiatives and map out a strategic approach through which intelligent procurement processes can be incorporated, in order to reach better performance and reduce sourcing costs. Having a clear understanding of the streamlined procurement process would result in increased stakeholder engagement and improved supplier management, thus increased productivity.*

The different departments in a company must ensure that they work in unison and are clear about the organizational goals as accomplishing one purpose using different methods could make tasks challenging. Integrating the various departments and synchronizing their functions while preserving the organization's services, leads to increased visibility and flexible relationships between supplier and management.

*Key Words***:** Sourcing, Procurement Industry, Supply Chain, Turnaround Time (TAT), Services, Suppliers, Customer Satisfaction

INTRODUCTION

As procurement plays a significant effect on an organization's bottom line, the procurement challenges and difficulties must be identified and overcome. While developing a solid procurement strategy, the future implications of each step and procedure must be well thought out. Risk mitigation, inaccurate data, and supplier management issues are a few challenges that can directly impact the bottom line of an organization.

A resilient supply chain refers to the system which is dynamic and robust as in that it'll be equipped with alternative strategies and methodologies in cases of various disruptions. A resilient system is highly organized and will have plans to cope in cases of crisis and problems. A 3-stage review method should be followed in order to create and build a resilient yet robust supply chain:

- Planning the review
- Conducting the review
- Reporting and dissemination

Procurement is viewed from a broader perspective than just implementing, evaluating, and controlling purchase decisions. The scope of procurement also encompasses the management of both suppliers and resources. For this very reason; procurement has an edge in volatile markets. With procurement functions managing both internal (such as suppliers' capacity, logistics data, pricing and discounts, and new products information), and external (product or service cost, time frames of delivery, product quality, and general supply decisions, such as supplier selection and supplier relationship) functions, eventually making the decision making by the managers easier due to the cross functioning of procurement and other functions as mentioned.

In summary, procurement has been proven to be an important function, responsible for increased competitiveness even within an unstable or volatile environment.

Beyond building reliance and robust systems, companies should also focus on developing different new and alternative systems rather than channelling the entire resource means into developing a single-method plan; this allows the system to have more options and reduces the chances for reliability on a single factor. One such example is to develop virtual warehouses on specifically developed platforms which will allow the companies to share data on their inventories and stock. Though it might be complicated to set up it can be achieved through a useful approach towards technical support.

### Steps in P2P Cycle of ProcMart

1. A request is received from the client. it consists of the required items, its quantity and specifications.

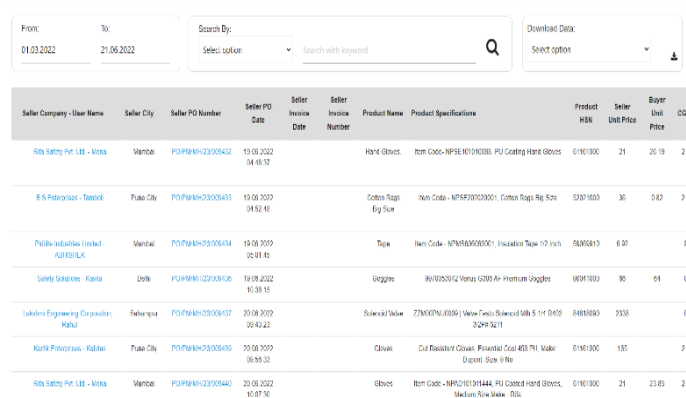A mail acknowledgement is sent to the client against the request

Sub :Servo Voltage Stabilizer & service Quotation

Sr.No.	Description	HSN Code	Qty
1	Neel stabilizer 40 kva 20 AMP Varrac Coil	9032	4
2	Servomax Stabilizer 40 kva Recondition	9032	1
3	Servomax Stabilizer Display PCB	9032	2
4	Servomax Stabilizer 20 kva 15 Amp Varrc Coil	9032	1
5	Servomax Stabilizer 2k11 Mother Board	9032	1
6	Servomax Stabilizer 2k8 PCB	9032	3
6	Stabilizer Service Charge	9032	28

2. The requirements is then posted in the company software under the clients name and other information.
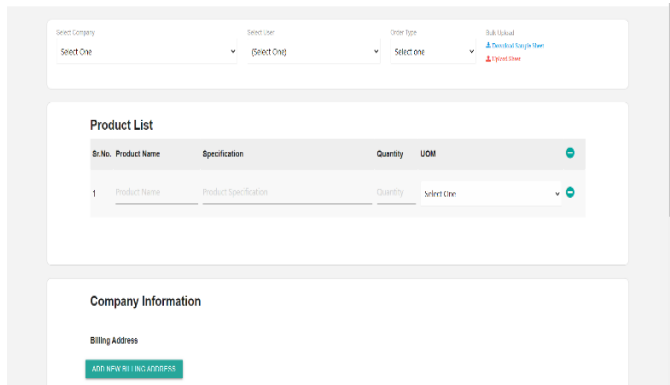
The sellers for the required items are identified from the company database or from the Internet (IndiaMart)

3.The RFQ is sent to relevant sellers at least 3 quotations are collected for price comparison and minimum lead time.

4.The quotation consists of available items, prices, HSN code and other details about the order and payment information

Sub :Servo Voltage Stabilizer & service Quotation

Sr.No.	Description	HSN Code	Qty	Rate	Amt
1	Neel stabilizer 40 kva 20 AMP Varrac Coil	9032	4	8,500	34,000
2	Servomax Stabilizer 40 kva Recondition	9032	1	15,500	15,500
3	Servomax Stabilizer Display PCB	9032	2	5,500	11,000
4	Servomax Stabilizer 20 kva 15 Amp Varrc Coil	9032	1	7,300	7,300
5	Servomax Stabilizer 2k11 Mother Board	9032	1	9,500	9,500
6	Servomax Stabilizer 2k8 PCB	9032	3	8,000	24,000
6	Stabilizer Service Charge	9032	28	2,000	56,000

5.The received quotation from the seller is processed in the software adding all the relevant information and most importantly applying company margin on the prices for the products.

This quotation is sent to the respective client for the purchase order.
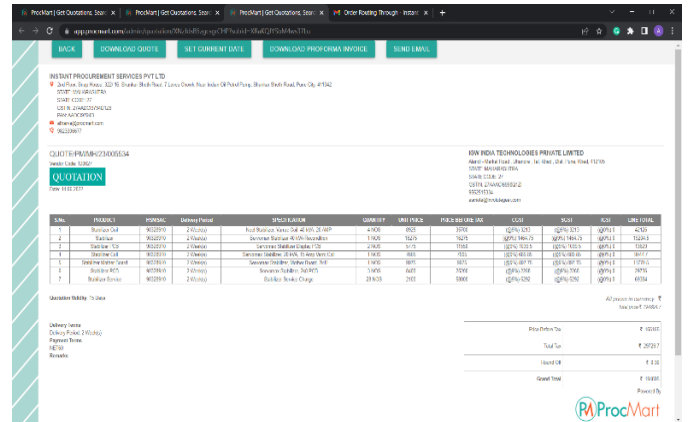
6. When the quotation is approved by the purchase department of the buyer they generate a purchase order accepting the quoted prices and delivery time.

This purchase order is punched in the software

Item.	Part Code	Part Name	Qty.	Unit	Rate (INR)	Discount	Amount
00010	3802550041	VARIAC COIL 20AMP 40 KVA STABILIZER	4.00	EA	8,925.00 CGST 9.00 % SGST 9.00 %		35,700.00 INR 3,213.00 3,213.00
	(HSN / SAC Code :9032)	NEEL 1600006971					
00020	3802550042	DISPLAY PCB SEROMAX	2.00	EA	5,775.00 CGST 9.00 % SGST 9.00 %		11,550.00 INR 1,039.50 1,039.50
	(HSN / SAC Code :9032)	STABILIZER 1600006971					
00030	3802550043	VARIAC COIL 15AMP 20 KVA SERVOMAX	2.00	EA	7,665.00 CGST 9.00 % SGST 9.00 %		15,330.00 INR 1,379.70 1,379.70
	(HSN / SAC Code :9032)	STABIL 1600006971					
00040	3802550044	MOTHER BOARD 2K11 SERVO MAX	1.00	EA	9,975.00 CGST 9.00 % SGST 9.00 %		9,975.00 INR 897.75 897.75
	(HSN / SAC Code :9032)	STABILIZER 1600006971					
00050	3802550045	PCB 2K8 SERVOMAX	3.00	EA	8,400.00 CGST 9.00 % SGST 9.00 %		25,200.00 INR 2,268.00 2,268.00
	(HSN / SAC Code :9032)	STABILIZER 1600006971					

Now a seller po is to be created and to be sent to the seller, which confirms the order at his end.
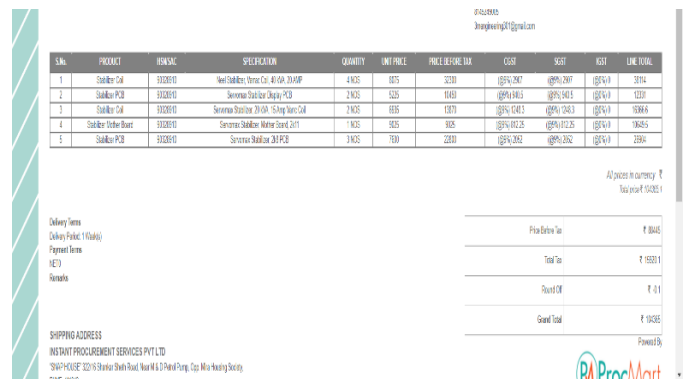
Next the seller payment is requested through the software which is to be approved by the manager and is paid to the seller according to his payment terms discussed before.

Different types of payment terms:

1. Credit payment (7 to 45 days)
2. Bank transfer

3. Cash
4. Cheque

Routing Orders

A Routing Order is received from the client which consists of the Seller information itself.

The Margin on these orders are pre-discussed with the Clients and differs with every buyer.

Only the payment is done through ProcMart.

An additional discount from the seller results in more profits and margins.
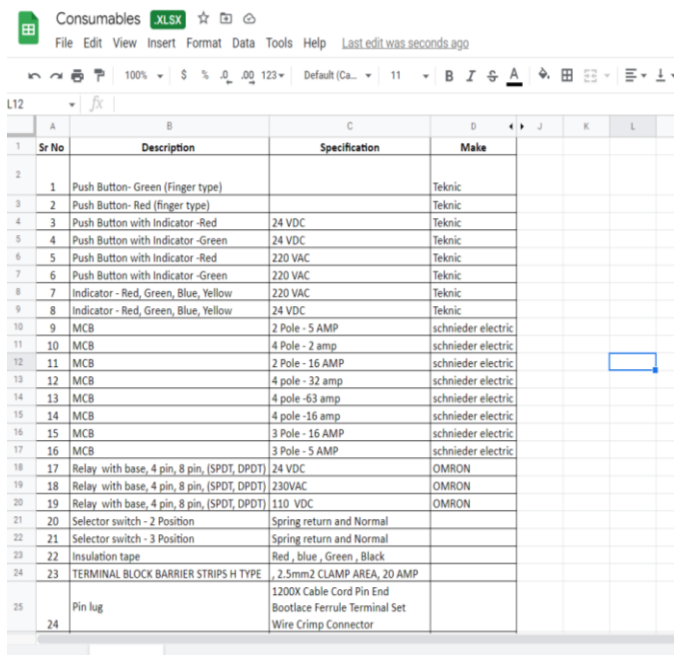
A timely follow-up is important in such orders.

Rate Contract

These items are regularly needed to the buyer hence the margins on them are fixed and standardised.

Because these are regularly shipped these are stocked in the company warehouse to avoid the delay of getting it from the vendors.

Steps Involved in Operations of Strategic Procurement:

1. Material Requirement is generated at Buyer End.

2. Requirement For Quotation (RFQ) is sent by the Buyer.

3. The Request is posted in the Company Database

4. Relevant Sellers are Identified (System / Internet)

5. The RFQ is Floated to the Sellers

6. Quotations from at least 3 Sellers to be taken

7. Compare the received Quotes to find the best with competitive pricing and the least lead time.

8. Send the Quote to the Buyer with all required Info & Company margins.

9. Receive and acknowledge the Purchase Order (PO) from Buyer

10. Punch the PO in the Company Software

11. Create a Seller Purchase Order & send to Seller

12. Follow Up with the Seller regarding the material status

13. Inward the Material at the warehouse

14. Create a Goods Received Note (GRN)

15. Process the Seller Payments according to the terms

16. Generate an Invoice for the material

17. Create an E-Way bill if required

18. Dispatch the material to the Buyer

Improvements And Suggestions

For numouros line item Orders the system was implimented with a downloadable Excel sheet where the operations manager would simply enter the enquiries and upload the sheet on.

Optimization of logistics is a step which includes procedures which satisfy customers by decreasing the Turnaround time (TAT) which is the priority for many industries as to increase and maintain their customer base is already a monumental task. Also at the same time, freight cost is a factor that has to be considered. A low cost and effective logistics setting is the goal for any industry. The storage of materials also is another factor that was considered here. Overburdening any sector of a particular supply chain leads to that sector becoming a bottleneck for the industry.

Key Performance Indicators in the Procure-to-Pay Cycle:

Although every business is different, the core KPIs used to review the procure-to-pay process largely remain the same:

- Purchase order cycle time
- Average cost to process a purchase order
- Lead time
- Electronic PO processing rate
- Invoice processing time
- Average cost to process an invoice
- Invoice exception rate
- First-time match rate
- Average invoice approval time
- Days payable outstanding
- Spend under management
- Realised savings
- Discounts captured

Conclusion

Procurement does set a benchmark in addressing adversities and transforming business models to face disruptions as seriously as seen throughout 2020-2021.

Procurement has been a pioneer in helping businesses understand crisis management and maintaining operational continuity.

Procmart has realized the potential of data-driven strategies and insights that can revolutionize business operations and decision-making processes. It has several businesses digitize their procurement processes with their competitive solutions.

In summary, procurement has been proven to be an important function, responsible for increased competitiveness even within an unstable or volatile environment.

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Acknowlegement

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