

ZYCUS™



CONTRACT LOCK

Making Every
Contract Count

Role of Contracts in eProcurement: An Introduction

Analysis of behavioral characteristics show that they are willing to invest a disproportionate amount of time searching for the best deals before buying an item. Unfortunately, such tenacity somehow seems to vaporize when the same person purchases anything on behalf of his organization. This effectively means that majority of a company's spend remains 'maverick' and not guided by contractual norms.

Contracts are pivotal to the procurement cause: they provide legal security, help establish rules for transactions and most importantly capture the very essence of detailed sourcing and negotiation activities.

Hence, and we cannot emphasize enough on this, it is essential to link every transaction to a contract if it exists. Failure to do so not only results in a huge difference between negotiated and actual savings, but also jeopardizes the company compliance score in a big way.

Recent and upcoming solutions provided by leading technology providers like Zycus, offer a working solution to this problem and a way to Lock the Contracts within Procure-to-Pay processes.

Contract Lock by Zycus, an add-on to the P2P Suite, helps in creating a culture of compliance by providing real-time access to contracts at the point of requisition and holistic visibility of negotiated contracts for smarter buying decisions.

Challenges faced by organizations

In most organizations, even the best laid plans to realize negotiated savings often hit the contract hurdle. The usual suspects in the list include:



Maverick Purchasing: Maverick purchasing/buying is the practice of non-contractual purchasing of goods/services. This generally takes place when there is a requirement for something and the buyer purchases independently without going through the usual procurement process. Such purchases lead to

unrealized expenses for the organization. In other words, maverick buying is one of the key hurdles that a company fails to overcome. This, in turn, becomes a challenge in achieving negotiated savings.

Maverick spends are considered unhealthy for the organization due to several reasons. Firstly, purchasing materials or services off contract can turn out to be more expensive compared to a contractual buying. Secondly, purchasing without a contract can lead to legal issues as there wouldn't be any terms and conditions on paper in case of a requirement.



Poor Visibility of Contracted Terms: In a lot of organizations, the contract terms and conditions are not clearly available when required. If a buyer wants to purchase an item which was already purchased before, he/she can access the contract terms and conditions and check for tiered pricing availability for the same item.

In case of poor visibility of the contracted terms, the buyer is unaware of the previous purchases of the materials or services and might end up paying more in most cases.



Non-PO Invoices: Non-PO Invoices are Invoices for which the POs have not been raised.

Since there is no approval workflow followed in Non-PO purchasing, the limitation of the spending is not defined. It's likely that the buyer may end up spending more than the negotiated value.

Non-PO purchases are also difficult to track sometimes as there is no PO number attached with the invoice.

The above mentioned are some of the few factors that organizations fail to realize and end up spending more than they should have been.

Building a culture of Compliance with Contract Lock



Autofill to save time: One of the features of Contract Lock is auto filling the details from the contract into the catalog. If the buyer has selected a contract for purchasing a product or a service, Contract Lock automatically fills in most of the details regarding the Business Units, goods, quantity etc. after converting the contract into a catalog, and provides easy-to-use UI to add in other details like flexible tiered pricing structure, item description etc.

Since the contracts get converted into a catalog, it saves the procurement team a lot of time and effort in enabling business transactions from their existing contracts.



Real-time access to the contracts: Contract Lock function in the P2P Suite provides easy access to contracts for the buyer at the time of requisition. Based on search parameters, contracts which have been flipped to catalogs will appear, or the user can be guided to contracted vendors for the item category.



Visibility into contracted terms: Poor visibility can result in unrealized spends, as well as lack of confidence from the requestor while requesting an item from a contract. Contract Lock is a function that focusses on mitigating this concern. It provides a holistic view of the terms and conditions of the contracts to make sure there is complete transparency while ordering the products or the services. It also provides visibility into past POs, Invoices etc. to build confidence on his buying decisions.



Non-PO Invoice capture: Purchase decisions are often last minute, which means employees sometimes buy items without raising a PO for it previously.

For such kinds of transactions, Contract Lock automatically detects and suggests contracted suppliers for the non-PO Invoices, and helps link them to existing contracts. This provides visibility into total items purchased from a contract, boosts contract utilization, and may help reduce the compliance risk.



Contract number tagging: Contract Lock automatically tags the contract number if a previous contract is used as a catalog to create a compliance between the buyer and the supplier.



Key Takeaways

From the above pointers, one can conclude that Contract Lock, along with the Procure-to-Pay suite is an innovative combination of compliance management which can help organizations run a smart procurement process.

With the real-time access and holistic view of all negotiated contracts, Contract Lock by Zycus enables users to follow a simple and structured way to process non-PO invoices. This in turn results in effective time usage and efficient buying.

Not only does it reduce maverick spends, it also provides more intelligent buying decisions for buyers, especially when it comes to off catalog purchases.



About us

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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