



corcentric™

Defeating Dark Purchasing

How to take back control of procurement with a digital & strategic approach

TIME FOR A DIGITAL APPROACH

There's a large discrepancy among today's business organizations between what they think they spend within the procurement function and what they actually spend. This shadowy area where items purchased cannot be easily justified by capital outlay or by material inventory is known as dark purchasing. The ubiquitous loss of revenue and control that occurs as a result of dark purchasing is a systemic challenge for companies of all sizes.

Maverick spend can account for up to 80 percent of a company's total spend¹

Companies can eradicate dark purchasing by taking steps toward control and visibility. A digital solution for the procure-to-pay process streamlines, accelerates, and exposes each task of the procurement journey, all the way through payments. E-procurement is an area that increasingly is being recognized by all internal departments of an organization as crucial to not only creating greater efficiencies in their business, but also intrinsic in maintaining good relationships with suppliers and customers.

The time is ripe for organizations to integrate their supplier networks, control spend, track cash flow, and create a healthy environment for ongoing growth. However, the continuing reliance on manual processes,

fragmentation in procurement functions, and confusion about who does what and how they do it means that businesses are forgoing tremendous opportunities to control spend and accelerate growth. For these reasons, dark purchasing is, unfortunately, a fact of life for too many organizations. This white paper will address the lurking menace that is dark purchasing: where it exists; why it flourishes; and how to defeat it.

UNDERSTANDING THE DARK AREAS IN PROCUREMENT

Indirect spend alone can make up to 20 percent of total company spend. When dark purchasing is eliminated from that spend, it can lead to savings of up to 25 percent.²

Purchasing is a necessary part of any business. But when an organization hasn't implemented a uniform method of procurement, or when that method is inadequate, the organization becomes vulnerable to leakage of revenue, inadequate tracking of both invoices and payments, delays in payments, missed opportunities for rebates and for growth, and outright theft. These are the dark areas in procurement.

Expenses related to procurement have a direct impact on a company's bottom line. The more a procurement department spends, the less capital is available for the rest of the company

to utilize. By maximizing value in every transaction, the company will save money and positively influence its bottom line. Despite the seemingly obvious value in identifying and regulating expenditures for both direct and indirect spend, many companies continue to rely on manual processes to manage the procurement cycle, especially in the steps from invoicing to payments.

THE COST OF MANUAL PROCESSES IN PROCUREMENT:



High processing costs and delays



Prone to human error



Sluggish approval cycles



Poor supplier dispute times



Late payments



Declining supplier relationships

HOW DOES DARK PURCHASING HAPPEN?

Dark purchasing occurs when expenses are incurred outside of a company's established procurement practice – often to unapproved vendors, resulting in redundant or unnecessary purchases.

CAUSES OF DARK PURCHASING:



DECENTRALIZATION

Unlike direct spend which benefits from being centralized within the procurement department itself, with controls in place that ensure accurate accruals and well-managed cash, indirect spend is often decentralized. Indirect spend is usually managed in functional areas or business units of the enterprise, raising the risk of rogue spend.



MANUAL PROCESSES

Manual processes lead to human error and limits an organization's ability to control processes. In addition, high processing costs create a cycle of revenue depletion. Part of the issue can be attributed to the fact that 55 percent of invoices are still manually keyed into the financial system.



CONFUSION AROUND PROCUREMENT

Too often, those who are directly involved in their company's procurement process either have no process in place, don't know if there is a process in place, or don't know which department manages their company's procurement process.

HOW TECHNOLOGY CAN HELP DEFEAT DARK PURCHASING

The most comprehensive automation solution will integrate with an existing system, while offering agility and scalability that is tailored to the company's current processes and potential growth.

Collaboration is the key to a successful spend management program and another benefit of a centralized digital solution. Finance, accounting, procurement, and IT teams are finding that the bigger business gets and the larger their global marketplace grows, the less likely they are to be able to keep track of it all. For many procurement leaders, cost control and supplier negotiations are the top procurement improvement goals for organizations. The best way to achieve those goals is to ensure that procurement and AP become strategic partners. The good will and trust that is cemented between vendors and customers due to everyone having access to verifiable information at any time means fewer disputes, faster payments, and greater potential for captured discounts.

SOLUTIONS TO DARK PURCHASING:



AUTOMATE

- + End-to-end procure-to-pay (P2P) automation integrates procurement teams with accounts payable to simplify buying, approvals, payments, compliance, and supplier management. Payables automation optimizes the flow of invoices through businesses and can process invoices up to 70 percent faster and an 80 percent reduction in cost to process invoices.
- + With P2P automation organizations have a better control on spend as it gives full visibility and centralizes contract management giving you better spend control and improved purchasing compliance.



CENTRALIZE

A centralized, cloud-based platform presents the opportunity to take much of the friction and work out of the traditional paper-based purchasing (from whence dark purchasing arises) by linking purchasing and accounts payable to a unified system



EDUCATE

A knowledgeable and experienced procurement department not only can streamline the purchasing process but also can identify and improve important functions like group purchasing rates, pooling strategies, and infrastructure technology. And then communicate and train the organization on procurement policies and strategies

CONCLUSION

Digitizing the procurement process for an enterprise may seem daunting, but it is the most effective way to ensure spend stays on track. When manual processes are eliminated and a digital strategy implemented, organizations are able to centralize control over all company spend, validate pricing and terms, and attain full visibility into all purchase transactions. The battle can be won:

An end-to-end P2P solution that is integrated across the enterprise is the most effective way to defeat dark purchasing and potentially save millions each year. By automating the many P2P components can optimize spend management, streamline your approval workflow, centralize contract management, strengthen supplier relationships, and improve business processes across purchasing. Ultimately, your organization can achieve frictionless purchasing, compliant spend, and streamlined payments.

REFERENCE

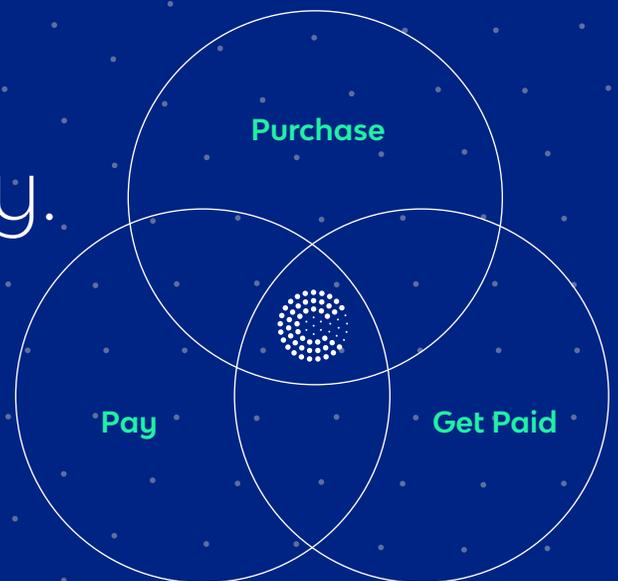
¹ [Chartered Institute of Procurement & Supply \(CIPS\). Five things you need to know to tackle maverick spend. 2016.](#)

² [CSCMP's Supply Chain Quarterly. September 16, 2016.](#)

³ [Ardent Partners. Ardent Partner's Accounts Payable Metrics That Matter in 2019.](#)

Spend smarter, optimize cash flow, and drive profitability.

Corcentric is a leading provider of procurement and finance solutions. We help companies reduce costs and improve working capital by optimizing the way they purchase, pay, and get paid.



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