

# P2P overview

P2P, or Procure to Pay refers to the system that link procurement through to accounts payable. An efficient P2P system can improve your company's risk management, compliance, cost control and bottom line.

## What Is P2P?

P2P refers to fully integrated business process that covers the end-to-end activities of procuring, requesting, approving, receiving, and paying for goods and services. In a business most of these steps occur naturally, however with limited formality & control. As a result, the process is inefficient, time consuming & may not lead to value-for-money sourcing decisions.

A formalised P2P process aims to make the process as seamless as possible, so its easy to use but while maintaining the controls & visibility required by businesses.

Each of the steps in the P2P plays an important role in driving efficient sourcing outcomes-

- Sourcing- using appropriate procurement processes ensures value for money outcomes.
- Requesting (requisition)- formalises the request so that there is a paper trail.
- Approval- Ensures formal approval by the responsible manager according to the assigned delegation of authority.
- Purchase- Ensures formal approval to the supplier to proceed & creates a record of the transaction.
- Receive- formal acknowledgement in the system of receipt of the goods.
- Pay- payment of the supplier invoice.

## Procure to Pay Cycle



## **Why worry about P2P?**

As P2P is a back-end process that is unrelated to selling goods & services, it's easy to dismiss it as unimportant in the running of a business. However, when you consider that up to 80% of revenue goes out the door to suppliers for the supply of goods & services, it becomes apparent that the processes used to manage that spend are vitally important.

Unless those processes are locked down & efficient, costs can spiral out of control through excessive supplier pricing, invoice discrepancies, double invoice payment & inefficient document workflow.

## **What Are the Major Benefits of P2P?**

Fundamentally, P2P provides control & visibility so that businesses are only purchasing what they need, when they need it & that those purchases are made at market rates.

This may sound like common sense & that all businesses always do this, however the reality is far different. Employees tend to be time poor & have inbuilt biases, so can be prone to just getting 1 quote from the supplier that they know & trust. Approvals to proceed can be based on limited information, misunderstood or not obtained at all.

Then there is the efficiency side of the process. Why does every invoice really need to be sent to someone for approval when it can be automatically approved based on a 3-way match?

A good P2P process ensures that goods & services are obtained at market rates & has the necessary approvals, all within a system that is user friendly & minimises workflow.

## **What are some additional benefits of P2P?**

With a good P2P system in place, a company suddenly has more information at its disposal, which aids in expense forecasting & budget controls. As greater controls are in place financial risks are also reduced, including overpayment against invoices, double payment of invoices as well as payment for non-supplied goods.

## **How does P2P work within Pentana?**

Let's be honest here, while Pentana is an automotive-specific ERP that has a good interface with OEM's, there are lots of areas where it falls short. For P2P, Pentana has only basic functionality, so there is no ability to raise requisitions or approve in Pentana, nor is there the ability to raise complex purchase orders.

These limitations preclude a best-in-class P2P process from being put in place, however all is not lost. Within P2P, the biggest gains are made through appropriate sourcing, a formalised approval stage & raising of targeted PO's, all of which can be done while using Pentana as your primary ERP.

These changes can dramatically lower purchase costs, improve efficiency & lower risk, without the need for an expensive third-party P2P system.

## **Conclusion**

P2P is an important process that can help lower costs through improved product buying & internal approvals & process efficiencies.

Implementation of a formalised P2P process within Pentana is possible, affordable & value creating.

Spend Solutions can help you in the design, development & implementation of a formalised P2P process for your dealership group.