

Four key reasons to consider a Total Apparel Management Solution to improve control, visibility and cost of your PPE and work apparel.

Organisations in the infrastructure, building and construction industries are challenged by the need for parallel focus on revenue growth and cost control.

To that end, they leverage technology to eliminate inefficient processes, such as a CRM to manage revenue and an accounting or ERP solution as the back-end financial system of record. However, chances are they still rely on manual, largely spreadsheet-based processes when procuring uniforms, PPE and work apparel.

Excel-based purchasing and expenditure reports and piles of paper purchase requisitions remain the norm for many and finance and purchasing functions are barraged every month-end with questions from budget owners and managers. In 2016 it should not be this way. Yet, without integrated online systems to control and provide coordinated visibility into PPE-related expenses, they have little or no ability to actively manage spend and often are left hoping that expenditures remain within budget and in compliance with company policies – including OH&S.

Centralization and visibility are the keys to controlling and reducing these expenses which in the infrastructure, mining and construction industries arise just about everywhere people work.

For larger organisations, centralized online expense controls have been standard operating procedure for many years now. But until recently, these kinds of process efficiencies and controls have not been widely deployed in and around PPE. Now, with evolving web-based technologies, leading companies are embracing the concept of integrated online apparel management systems at an accelerating pace.

According to Internal Consulting Group, a global research and consulting firm, by the end of 2015, less than 25% of Australian organisations in infrastructure, mining and construction had implemented centralized apparel and PPE management solutions.

These numbers show that Australian companies have been thus far slow to catch on to the benefits of apparel management solutions. However, the specific impetus that leads an individual company to resolve apparel expenditure control concerns vary between companies.

The following short list of why purchasing departments should seriously consider adopting an apparel management solution has been compiled from leading technology and payment consulting and research firms, financial publications and extensive interviews with businesses that use such solutions already.

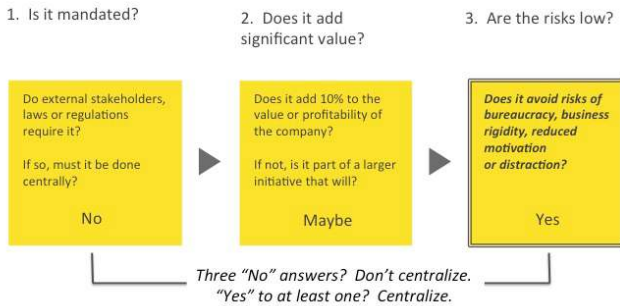


Errors cost money

De-centralized, frequently spreadsheet-driven processes increase errors. According to The Association of Work Process Improvement, when data is keyed, human error comes into play resulting in an inherent error-rate of 2–4%. The types of errors associated with manually entered data are not isolated to one part of the process. Rather these errors exist throughout the entire life of a document.

Errors occur when data is entered into spreadsheets and then passed between remote users. A PPE expense spreadsheet, for example, consolidating multiple project sites, will routinely contain inaccurate categorizations of expenses and incorrect account classifications.

Fig 1.
Factors determining centralization of PPE spend.



Source: McKinsey

Purchase requisitions are plagued by incorrect naming practices for vendors, clothing and equipment items, and prices, limiting an organization’s visibility into spending patterns and decreasing negotiation leverage with vendors. Further, spending data is often inconsistently captured because of misspellings, duplications, or the use of inconsistent data classifications. Errors can also occur in the manual reconciliation of purchase orders to invoices.

Data-entry corrections are costly. In addition, incorrect information leads to poor decision making and missed opportunities, which further exacerbates costs.

Integrated centralized solutions can reduce and often eliminate such errors, leading to cost savings throughout an organization. More accurate categorizations of expenditures can lead to increased tax deductions. Integration of an automated apparel management solution with credit card or PayPal facilitates and pre-population of statement data into expense reports, further reduces the need for manual data entry or reconciliation. Online ordering and purchasing catalogs ensure consistent naming practices and provide ongoing leverage for better vendor pricing.

Anytime processes can be taken online and centralized, the resulting data integrity becomes much more accurate and complete. These types of process improvements are especially important for modern finance and procurement operations.

Tracking orders through disparate systems or worse – chasing paper, wastes time

Decentralized purchasing processes are not only costly and prone to error, they are also frequently time-consuming. Many mid-sized organizations spend too much time creating, collecting, approving, auditing and chasing up expense documents, and not enough analyzing how to improve the value of actual dollars being spent.

Manually completing reports and reconciling deliveries takes line managers and employees focus away from their core tasks. Slow reporting processes also mean longer replacement and reimbursement cycles. Managers lose valuable time dealing with inquiries on equipment use and replacement from employees. Employee productivity is also affected when requisitions and related information needs to be transferred and explained between sites.

The whole process becomes even more burdensome and costly when documents and data need to be shared among people in multiple locations. Ordering and shipping of apparel, PPE and related documents is unnecessarily costly, especially when they are ordered and shipped at the last minute at premium rates.

Many organizations are driven to centralize expense controls simply to save time. PPE reports, purchase requisitions and invoices are all automatically routed through established approval processes and are easily accessible to employees and managers at all levels. Report preparation, submission and reconciliation is expedited, allowing employees to do their jobs – safely and productively..



Compelling ROI and rapid time-to-benefit

According to a recent spotlight report by the Profit Glass Group, a research-based management consulting firm, the return on a properly implemented centralized apparel management initiative can easily exceed ten times the initial investment. The explanation for such large returns is simple: centralized, online systems afford more visibility, control and accountability over operating profitability. They do this by increasing the efficiency gained from each dollar of revenue and providing valuable insight into each dollar of spend.

“In the absence of an orderly, analytical approach to centralized management and decision making, most managers fall back on benchmarks, politics, fashion – sometimes decentralization is in vogue and sometimes it isn’t – or gut feel. One manager for PPE purchasing explained that in his experience, the lowest cost option was always centralization. Another argued the exact opposite.”

The path to positive ROI becomes even shorter when companies deploy SaaS solutions. Companies surveyed by Spendcorp in a recent SaaS Procurement Buyer's Guide achieved a return on their investment in SaaS procurement and purchase-to-pay technologies in as little as a few months, as opposed to quarters or years. Minimal up-front costs and more rapid implementations are the main reasons for the faster payback. There is no longer any need to invest in hardware, networks, software, security, backup and recovery, software upgrade or maintenance efforts, and all the other requirements of IT delivery. Further, the SaaS web-based delivery model, supported now by much more robust service-oriented architectures, enables more laser-focused deployments. Of current SaaS financial management users, 58% report that they were able to implement in two months or less, and 69% report implementation in three months or less. Moreover, 65% report they achieved ROI in six months or less.

Better information and decision making

Purchasing and finance executives make decisions that impact their companies every day; the merit of those decisions depends on the availability and integrity of relevant data and information. Gathering reliable information from decentralized business units or sites is frequently a tedious, time-consuming process that leaves less time for value adding analysis. Even if spending has been well documented, individual transactions are invariably collated and compiled in spreadsheets to cross-compare data. This approach is not only error-prone, but allows problematic spending to continue and slows corrective action from being implemented. Often by the time problems are identified it is too late for any corrective action at all.

In contrast, centralized control solutions gather business intelligence data in a centrally accessible location, enabling users throughout the company to make faster, smarter decisions. Critical data is gathered easily and organized on the fly to identify spending patterns in real-time. Complicated spending trends are filtered into meaningful data so that decision-makers can identify problematic spending that needs additional analysis or action. Further, transactional data can be aggregated into a single view, or scrutinized as individual transaction details. The results can then be presented in a useful way to drive beneficial decision-making.

When integrated business information management tools are in place, people are empowered to make better decisions and drive results within and beyond their organization.

“The value from increased visibility into range, allowances and usage is significant enough. But the insights available from the underlying data and the flow on cost savings make this approach a bit of no-brainer.”

Marc Florio
CEO
Spendcorp

Achieving more with less

In today's economic environment, whether businesses are faced with down-sizing or experiencing increased growth, the expectation is the same—accomplish more with less. This is driving organizations toward solutions that introduce efficiency, productivity, leverage technology and eliminate non value-adding processes.

As businesses grow and the volume of transactions increases, companies face additional burdens. A 2014 survey by SpendCorp, an independent organization providing purchasing and cost management business intelligence, highlighted the increased workload purchasing departments face generally, noting that all respondents reported processing more invoices, more purchase orders, more PPE/apparel related expense reports and checks in response to increased management demand for cost visibility and control.

Decentralized and frequently manual processing limits the quantity of transactions individual employees can handle. As transaction volume increases, time wasted on inefficient, poorly designed processes becomes more and more significant – even resulting in the need for increased hiring to respond to business improvement.

Centralizing expenditure control, particularly via SaaS, enables companies to process more transactions with fewer people, while substantially reducing processing costs. Expanding volumes of accounting paperwork are processed more efficiently and with a significant reduction in errors, decreasing the need to hire additional staff as transaction volume grows.

“Most purchasing managers know that they should protect their people and supply chains from serious and costly accidents and disruptions – but comparatively few take action. The dilemma: solutions to reduce risk mean little unless they are evaluated against their impact on cost efficiency.”