

Procurement Software Evaluation Checklist

Step 1: Document Current Process Issues

Time & Efficiency Metrics

- Time from purchase request to approved PO (by category and amount)
- Approval and tracking bottlenecks and their causes
- Monthly work hours wasted on manual processes
- Frequency of duplicate orders or missing documentation
- Problems with suppliers not being held accountable
- Badly formatted invoices causing delays
- Lack of supplier tracking and performance management
- Unexpected auto-renewals causing budget issues
- Budget performance and ROI expectations

Step 2: Identify Required Features

Core Functionality

- Three-way matching (PO, receipt, invoice) with configurable tolerances
- Automated approval workflows
- Spend analytics
- Contract lifecycle management with auto-renewal alerts
- Budget tracking with real-time visibility and threshold alerts
- Supplier management and tracking capabilities

Integration Requirements

- Integrates with ERP system
- Connects with CRM
- Works with business office systems

Nice-to-Have Features

- AI-powered invoice data extraction (OCR)
- Automatically flags badly formatted invoices
- Mobile app for approvals on-the-go

Step 3: Eliminate Based on Pricing

- Software fits within budget
- No unnecessary features driving up cost
- Pricing model is transparent (no hidden fees)
- 3-year total cost of ownership is acceptable

Step 4: Request Pilot Testing

Pilot Capabilities to Test

- Run real transactions (not demo data)
- Measure S2P or P2P completion times
- Test supplier performance tracking
- Evaluate ease-of-use for different user types
- Assess contract management features
- Review spend analytics and reporting
- Test risk management capabilities

Step 5: Calculate Potential ROI

Work Hour Savings

- Calculate work hours saved on manual process
- Estimate risk avoidance savings (compliance, security, and downtime)
- Assess impact of operations efficiency
- Check cash flow improvement

Independent Assessment

- Don't rely solely on vendor ROI calculators
- Use internal work knowledge for realistic projections
- Document assumptions for CFO presentation
- Calculate payback period (target: 12-18 months)
- Project 3-year ROI (target: 300-400%)

$$\text{Procurement ROI} = \frac{\text{Cost Savings} + \text{Risk Avoidance} + \text{Efficiency Gains} + \text{Cash Flow Improvement}}{\text{Total Investment Cost}} \times 100$$