4. E-Procurement

4.1 Difference Between Purchase and Procurement

Purchasing, simply, is the activity of acquiring goods or services to accomplish the goals of an organization.

Purchasing is purely a commercial activity covering necessary documentations to affect a trade process to result physical delivery of intended material to buyer or its appointed agent using various components of supply chain.

There are many procedures in purchasing which will vary from country to country involved in the trade as well as movement of materials.

4.1 Difference Between Purchase and Procurement

Purchasing involves followings as its major objectives

- Maintain the quality and value of a company's products
- Minimize the cash tied-up in inventory
- Maintain the flow of inputs to maintain the flow of outputs
- Strengthen the organization's competitive position.

4.1 Difference Between Purchase and Procurement

Procurement is the process of identifying the right source of supply for the right material to be delivered at right time at right cost.

Essentially, procurement involves the process of selecting vendors, establishing payment terms, strategic screening, selection and the negotiation of contracts.

4.1 Difference Between Purchase and Procurement

The Major procurement process commonly evolved are;

1. ***Identify*** **-** proper material from reliable and legal sources and enquire backup supplies.
2. ***Ascertain*** **-** check & ensure quality, supplier capacity with legal and financial reputation before buying or contracting, check contents or sub-components, related hazards, legal certificates.
3. ***Evaluate*** **-** compare materials with moving market prices.
4. ***Ensure*** **-** Compliance and conformity. *(There are many big projects delayed unduly, suspended or abandoned without materializing due to lack of procurement intelligence wisely applied to it, resulting in huge financial losses and environmental disasters)*.

4.1 Difference Between Purchase and Procurement

Procurement is, essentially, the umbrella term within which purchasing can be found. That means, purchasing is a subset of procurement.

Purchasing is a repeated process but procurement is either continuous or can be one time process also.

Simple procurement may involve nothing more than repeat purchasing.

Procurement is more of technical than commercial, which precedes purchase, which is a purely commercial activity in business.

4.1 Difference Between Purchase and Procurement

E-procurement (electronic procurement, sometimes also known as supplier exchange) is the B2B or B2C or B2G purchase and sale of supplies, work, and services through the Internet as well as other information and networking systems, such as electronic data interchange and enterprise resource planning.

The e-procurement value chain consists of indent management, e-Tendering, e-Auctioning, vendor management, catalogue management, Purchase Order Integration, Order Status, Ship Notice, e-invoicing, e-payment, and contract management.

Indent management is the workflow involved in the preparation of tenders.

4.2 Market solution: sell-side, buy-side, and market place

Buy Side:

Firms that buy securities and assets for their own or their clients' accounts are said to be on the buy side.

It is a term used in investment banking to refer to advising institutions concerned with buying investment services.

Firms on the buy side are money managers that try to create value for their clients by purchasing assets that are underpriced.

Institutional investors on the buy side include mutual funds, pension funds, hedge funds, private equity funds, insurance companies, proprietary traders and so on.

4.2 Market solution: sell-side, buy-side, and market place

Buy Side:

- **mutual funds** – *(A **mutual fund** is a type of professionally managed investment fund that pools money from many investors to purchase securities. They are sometimes referred to as "investment companies" or "registered investment companies".)*

  Siddhartha Mutual Fund – 1st in Nepal

- **pension funds** – *(A **pension fund**, also known as a **superannuation fund** in some countries, is any plan, fund, or scheme which provides retirement income.)*
- **hedge funds** – *(A **hedge fund** is an investment mechanism and a business structure that pools capital from a number of investors and invests in securities and other instruments. It is administered by a professional management firm, and often structured as a limited partnership, limited liability company, or similar vehicle.)*

4.2 Market solution: sell-side, buy-side, and market place

Buy Side:

- **private equity funds** - *A **private equity fund** is a collective investment scheme used for making investments in various equity securities according to one of the investment strategies associated with private equity.*
- **insurance companies** – ***These are companies that offers insurance which** is the equitable transfer of the risk of a loss, from one entity to another in exchange for money. and*
- **proprietary traders** - ***Proprietary trading** (also "prop trading") occurs when a trader trades stocks, bonds, currencies, commodities, their derivatives, or other financial instruments with the firm's own money, as opposed to depositors' money, so as to make a profit for itself.*

4.2 Market solution: sell-side, buy-side, and market place

Prepare brief reports on the different Funds Types with examples

Definition

Related companies & Specific Examples in context of Nepal

Comparison with other funds as appropriate

Assignment 4

4.2 Market solution: sell-side, buy-side, and market place

Buy Side:

They often use sophisticated, complicated and highly secretive strategies they believe will give them the edge over other investors.

A buy-side analyst usually works for a pension fund or mutual fund company. These individuals perform research and make recommendations to the money managers of the fund that employs them.

Buy-side analysts will determine how promising an investment seems and how well it coincides with the fund's investment strategy

4.2 Market solution: sell-side, buy-side, and market place

Sell Side:

The part of the financial industry involved with the creation, promotion, analysis and sale of securities.

Sell-side individuals and firms work to create and service stock products that will be made available to the buy side of the financial industry.

The sell side is made up of brokerage firms, investment banks and other entities that make buy/sell recommendations, upgrades, downgrades, target prices and research opinions investors can use to make investing decisions.

4.2 Market solution: sell-side, buy-side, and market place

Sell Side:

The sell side tries to get the highest price possible for each security while providing service and support in the form of analysis and ratings.

A sell-side analyst works for a brokerage or firm that manages individual accounts and makes recommendations to the clients of the firm.

Any individual or firm that purchases stock with the objective of selling it later at a profit is from the buy side.

4.2 Market solution: sell-side, buy-side, and market place

A market, or marketplace, is regular gathering of people for the purchase and sale of provisions, livestock, and other goods.

It is a place where buying and selling occurs.

In the market place, either individuals or different firms can participate in the buying and selling process for themselves or on behalf of their customers.

4.3 Integration of Product Catalog

Product catalog integration is the process of offering products from different vendor catalogs for sale on a Web site.

Another scenario that is conceptually similar concerns a company providing access to an office supply catalog on their internal Web site, allowing employees to order their own office supplies.

Integrating the product catalog allows customers to view the product details as per their choice, share products from Product Detail Pages as well as an item they just purchased from the Post Purchase Page.

A business manager can select a catalog and send it to a trading partner to be integrated into its website.

4.4 Procurement Service Provider

Procurement is defined as the process to obtain materials, supplies, contracts at the best price reasonably available through open and fair competition.

A **Procurement Service Provider**, or **PSP**, is a third party organization or consultant which is used to supplement internal procurement departments.

PSP's have their own staffing which assist in a variety of tasks for their clients. These tasks include - strategic planning, implementing best practices, supplier rationalization, supplier collaboration, strategic sourcing and negotiation.

4.4 Procurement Service Provider

The use of Procurement Service Providers is rapidly increasing due to global market conditions and the need for businesses to maintain and reduce costs without eliminating resources.

At most organizations, it is very expensive and difficult to maintain domain expertise in every category of spend. So, using a PSP avoids the burdens of procurement infrastructure for non-strategic categories.

A Procurement Service Provider can provide a rapid analysis of an organization's spend and implement changes, negotiate with suppliers, and use proven industry best practices.

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