Business Requirements Document Template

Project name:	:	**Optimizing Procurement Processes to Reduce Costs and Improve Supplier Performance**
Project manager	:	**Santi Iviannurmali**
Date submitted	:	**06 Juni 2024**
Document status	:	V **Draft**

1. Executive Summary

Procurement is essential to managing organizational costs and operational efficiency. This project aims to optimize procurement processes through data analysis to reduce procurement costs and enhance supplier performance. By identifying key cost drivers, evaluating supplier performance, and improving process efficiency, the organization expects to achieve substantial cost savings and better supplier relationships.

2. Project Objectives

1. **Identify Key Cost Drivers:** Analyze procurement data to determine factors that significantly impact procurement costs.
2. **Evaluate Supplier Performance:** Assess supplier performance based on delivery, quality, and cost metrics to identify areas for improvement.
3. **Analyze Spending Patterns:** Examine procurement spending to pinpoint opportunities for cost savings.
4. **Improve Process Efficiency:** Identify and address inefficiencies in the procurement process to streamline operations and reduce cycle times.

3. Project Scope

Inclusions:

- Data Collection from procurement systems, including supplier details, purchase orders, costs, delivery times, and quality ratings.
- Data Cleaning and Transformation to prepare for analysis.
- Exploratory Data Analysis (EDA) to understand data distributions and correlations.

- Supplier Performance Analysis using metrics like on-time delivery rate and defect rate.
- Cost Driver Analysis through regression models.
- Spend Analysis using Pareto principles.
- Process Efficiency Analysis to identify bottlenecks.
- Development of Dashboards for visualizing key metrics.
- Recommendations for cost reduction, supplier management, and process improvement.

Exclusions:

- Development of new procurement software or systems.
- Integration with third-party procurement tools.
- Direct negotiations with suppliers.

Boundaries:

- The analysis will be limited to data from the past three fiscal years to ensure relevance.
- Recommendations will be based on current procurement practices and supplier contracts.

4. Business Requirements

Functional Requirements:

Data Collection:

- Collect data on supplier performance, procurement costs, purchase orders, and delivery times.
- Ensure data consistency and accuracy.

Data Analysis:

- Conduct EDA to identify trends and anomalies.
- Apply statistical models to understand cost drivers and supplier performance.

Visualization:

- Develop interactive dashboards to present key metrics and insights.
- Ensure dashboards are user-friendly and provide actionable insights.

Reporting:

- Generate regular reports summarizing findings and recommendations.
- Provide detailed analysis in areas like cost savings, supplier performance, and process inefficiencies.

Non-Functional Requirements:

1. **Data Security:** Ensure data is protected against unauthorized access and breaches.
2. **Performance:** Ensure that data processing and dashboard loading times are optimized for quick access.
3. **Usability:** Dashboards and reports should be intuitive and easy to navigate for all stakeholders.

5. Key Stakeholders

Project Sponsor:

- **Chief Procurement Officer (CPO):** Oversees procurement and champions the project.

Project Manager:

- **Procurement Data Analyst Lead:** Manages the project execution and timelines.

Primary Users:

- **Procurement Team:** Uses the insights to make procurement decisions and manage suppliers.
- **Finance Team:** Reviews cost-related insights and integrates findings into financial planning.

Secondary Users:

- **IT Department:** Supports data integration and dashboard implementation.
- **Supplier Relationship Managers:** Uses performance metrics to engage with suppliers.

External Stakeholders:

- **Suppliers:** May be impacted by changes in procurement strategies or performance expectations.

6. Project Constraints

1. **Budget:** The project must be completed within a predefined budget allocated for analytics and reporting tools.
2. **Timeframe:** The project must be completed within six months, including data collection, analysis, and reporting.
3. **Data Availability:** Success depends on the availability and quality of procurement data. Incomplete or inaccurate data could limit analysis.
4. **Resource Limitations:** Limited availability of data analysts and IT support may impact the project schedule.
5. **Compliance:** The project must comply with organizational data privacy policies and relevant regulations.

7. Cost-Benefit Analysis

Costs:

1. **Software and Tools:** Acquisition or licensing of data analysis tools (e.g., Tableau, Power BI, Python libraries) – Estimated cost: $20,000.
2. **Personnel:** Time and resources for data analysts, project managers, and IT support – Estimated cost: $50,000.
3. **Training:** Training for the procurement team on new dashboards and analysis tools – Estimated cost: $10,000.

Benefits:

Cost Savings:

- **Reduction in Procurement Costs:** By identifying and addressing key cost drivers, estimated annual savings of 5% in procurement costs – Projected savings: $500,000 annually.
- **Supplier Performance Improvement:** Better supplier management and performance leading to fewer defects and delays, estimated savings on penalties and returns – Projected savings: $100,000 annually.

Operational Efficiency:

- **Process Improvements:** Streamlined procurement processes reducing cycle times and administrative workload, estimated improvement in efficiency by 20% – Projected efficiency gains: $150,000 annually.

ROI Calculation:

- **Total Cost:** $80,000
- **Total Annual Benefit:** $750,000
- **Return on Investment (ROI):** ($750,000 - $80,000) / $80,000 = 837.5%

Conclusion: The cost-benefit analysis indicates a high return on investment with substantial cost savings and efficiency improvements, justifying the project's implementation.