Report On

Improving Procurement Process Efficiency and Optimization Strategies of Shopfront Limited (ShopUp)

By

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20382014

A report submitted to the BRAC Institute of Governance and Development (BIGD) in partial fulfillment of the requirements for the degree of ‘Masters in Procurement and Supply Management’

BRAC Institute of Governance and Development (BIGD)
BRAC University
May, 2024

Declaration

It is hereby declared that

1. The report submitted is my/our own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree or diploma at a university or other institution.
4. I/We have acknowledged all main sources of help.

Student's Full Name & Signature:

Md. Mahtab Uddin
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Supervisor's Full Name & Signature:

Rashed Morshed, FCIPS
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Letter of Transmittal

Rashed Morshed, FCIPS

Faculty

BRAC Institute of Governance and Development

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Subject: Submission of report for the course PSM 665 on “Improving Procurement Process Efficiency and Optimization Strategies of Shopfront Limited”

Dear Sir,

I, Md. Mahtab Uddin, would like to inform about the submission of my practicum on "Improving Procurement Process Efficiency and Optimization Strategies of Shopfront Limited." I have completed my practicum with Shopfront Limited, Bangladesh’s leading B2B commerce platform, and have the honor of working as a procurement specialist, particularly under the supervision of the Head of Procurement. In this study, I observed the Procurement Process & Operation of the organization accordingly, provided my analysis and feedback.

I have attempted my best to finish the report with the essential data and recommended proposition in a significant compact and comprehensive manner as possible.

I trust that the report will meet the desires.

Sincerely yours,

Md. Mahtab Uddin

20382014

BIGD

BRAC University

Date: May 15, 2024

Non-Disclosure Agreement

This agreement has been made and entered into by and between Md. Rokibul Hasan, Designation: Head of Procurement at Shopfront Limited and the undersigned student at Brac University, located at 66 Mohakhali, Dhaka 1212, Bangladesh for preventing the unauthorized disclosure of confidential information as defined below.

Both parties agree to enter into a confidential relationship with respect to the disclosure of certain proprietary and confidential information.

1. "Confidential information" shall include all evidence or material that has or could have commercial value or other utility in the business in which disclosing party is engage.
2. Receiving party shall hold and maintain the confidential evidence in strictest confidence. Also carefully restrict access to confidential evidence to students, employees, other organization, contractors and third parties.
3. Receiving party shall not, without the prior written approval of disclosing party, use for receiving party's own advantage, publish, copy, or otherwise disclose to others, or permit the use by others for their benefit or to the detriment of disclosing party, any confidential information.
4. Receiving party shall return to disclosing party any and all records, notes, and other written, printed, or tangible confidential materials if disclosing party requests, it in writing.

Student's Full Name & Signature:

____

Md. Mahtab Uddin; Date: May 15, 2024

Workplace Supervisor's Full Name & Signature:

____

Md. Rokibul Hasan; Date: May 15, 2024

Acknowledgement

I would like to express my sincere gratitude to all those who have contributed to the successful completion of my practicum on "Improving Procurement Process Efficiency and Optimization Strategies of Shopfront Limited".

First and foremost, I extend my heartfelt appreciation to Mr. Rashed Morshed, FCIPS, my practicum supervisor, whose guidance, encouragement, and invaluable insights have been instrumental throughout this journey. His expertise and support have significantly enriched my understanding of procurement processes and optimization strategies.

I am deeply thankful to the management team at Shopfront Limited for granting me the opportunity to undertake this practicum and for providing me with access to the necessary resources and information essential for conducting my research.

I am also indebted to the member of Shopfront Limited Procurement department who generously shared their time and knowledge, allowing me to gain practical insights into the procurement operations of the organization.

Furthermore, I am grateful to my colleagues and peers who offered their assistance and encouragement whenever needed.

This practicum would not have been possible without the collective effort and support of all those mentioned above. Thank you for believing in me and for being an integral part of this learning experience.

Executive Summary

This practicum is an attempt to summarize and analyze the experience as a Procurement Specialist in Shopfront Limited (ShopUp) and is prepared as a requirement of the Masters in Procurement & Supply Management program of BIGD, BRAC University. This report provides my experience and insights from my tenure here in ShopUp.

The report focuses on the procurement processes and optimization strategies at Shopfront Limited (ShopUp), a leading B2B commerce company in Bangladesh dedicated to empowering from micro-entrepreneurs to large multinational companies. During my tenure as a Procurement Specialist, I observed that ShopUp's procurement department plays a crucial role in enhancing profitability and reducing operational costs. However, several challenges were identified, including the use of multiple systems (ProcureX, NetSuite, and CRT) that hinder efficiency, average supplier relationship management affected by lead times and payment terms, and limited performance metrics focused only on purchase saving reports. Additionally, inadequate data visibility delays informed decision-making, lengthy approval cycles for purchases above BDT 50,000 create process bottlenecks, and sustainability initiatives within the procurement process are minimal. Current cost control measures are also being challenged by global inflation and fluctuating commodity prices, further complicating procurement activities.

To optimize ShopUp's procurement processes, several strategic recommendations are proposed. Integrating a singular procurement software or ERP system would streamline operations, enhance efficiency, and ensure compatibility and data security. Developing a supplier segmentation strategy and fostering regular communication with key suppliers can build long-term partnerships, drive innovation, and mitigate risks. Utilizing data analytics for accurate demand forecasting and implementing Just-In-Time (JIT) inventory management will reduce excess inventory costs while ensuring product availability, particularly for nationwide distribution centers and RedX hubs. Expanding key performance indicators (KPIs) to include metrics such as cost savings, supplier performance, and process efficiency, along with conducting regular audits, will drive continuous improvement. Simplifying the post-facto approval process with CEO & Procurement Committee approval, allowing competitive sourcing waivers in specific circumstances, and creating a robust supplier dispute resolution policy along with flexible policy revision process regardless of all procurement aspect will further strengthen the procurement framework. By adopting these strategies, ShopUp can achieve significant improvements in procurement efficiency and overall performance, supporting its mission to revolutionize the e-commerce market and foster entrepreneurial success in Bangladesh.

The procurement department of ShopUp works for all its business units. Procurement is considered as a strategic function in ShopUp that serves to improve the organization's profitability and lower the 'bottom line”. This report reflects the overall procurement operational flow and practices ShopUp follows to ensure optimum growth and smooth operation. Since, ShopUp is a startup and comparatively new company, it has many limitations. There are several recommendations which I believe will help ShopUp to bring positive outcomes to the procurement process & help optimize it.

Keywords: Procurement; ShopUp; Procurement Process; Optimization:

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List of Acronyms

AMC	Annual Maintenance Contract
BC	Business Case
CPT	Cross Functional Team
SOR	Schedule of Rate
PC	Procurement Committee
LoA	Level of Authority
DoA	Delegation of Authority
PR	Purchase Requisition
PO	Purchase Order
RFQ	Request for Quotation
RFI	Request for Information
RFP	Request for Proposal
CS	Comparative Statement
TCO	Total Cost of Ownership
CP	Central Procurement
GRN	Good Receipt Note
IR	Item Receipt

Chapter 1

Introduction & Conceptual Framework

1.1 Background of the Study

In today's competitive business environment, effective procurement processes are crucial for maintaining operational efficiency and ensuring cost-effectiveness. Shopfront Limited (ShopUp), a rapidly growing company in the B2B commerce sector, recognizes the strategic importance of optimizing its procurement processes to support its expansion and enhance overall performance. As the company scales its operations, it faces several challenges, including managing supplier relationships, ensuring timely delivery of goods, and controlling procurement costs.

ShopUp's current procurement system, characterized by less flexible processes and limited integration with modern technological solutions, has resulted in some inefficiencies and operational bottlenecks. These inefficiencies may not only increase operational costs but also affect the company's ability to respond swiftly to market demands and maintain competitive pricing. As a result, there is a pressing need to review and improve the procurement process to support ShopUp's strategic goals.

The purpose of this practicum is to analyze the existing procurement processes at ShopUp, identify areas of inefficiency, and develop strategies for optimization. This study will employ a combination of qualitative research method, including interviews with key stakeholders and document analysis. By leveraging both primary and secondary data, the report aims to provide a comprehensive understanding of the current procurement landscape at ShopUp.

Furthermore, the study will explore best practices in procurement process optimization. By benchmarking against these best practices available in the industry, the study seeks to recommend actionable strategies that ShopUp can implement to enhance its procurement efficiency. These strategies will focus on streamlining processes, integrating advanced technologies, and improving supplier management to achieve cost savings and operational excellence.

In summary, this practicum aims to provide ShopUp with a detailed analysis of its procurement processes and practical recommendations for improvement. By addressing the current challenges and implementing the suggested optimization strategies, ShopUp may enhance its procurement efficiency, reduce costs, and strengthen its competitive position in the market.

1.2 Objectives of the Study

The dissertation has the following objectives:

- To understand the organizational overview of ShopUp
- To know the ShopUp's method for procurement of materials.
- To understand the procurement process of ShopUp.
- To understand the difficulty, the procurement department encountered when looking for materials.
- To understand how the procurement process will be optimized

1.3 Methodology

The research methodology for this practicum on improving procurement process efficiency and optimization strategies at Shopfront Limited (ShopUp) is structured around a mixed-methods approach, incorporating both qualitative and interview techniques. This comprehensive strategy ensures a holistic understanding of the procurement processes and identifies areas for enhancement.

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While preparing the report I have gathered and analyzed both primary and secondary data.

Primary Data: Interviews, Own Day to Day to activity
Purpose: To gain in-depth insights from key stakeholders involved in the procurement process.
Participants: Intra & Inter Department Colleagues & key suppliers.
Method: Semi-structured interviews conducted in person and via phone call.
Focus Areas: Current procurement practices, challenges faced, and suggestions for improvement.

Secondary Data: Document Analysis
Purpose: To review available documentation & data related to company structure, procurement policies and procedures.
Sources: Procurement records, internal and external policies & publications, news, interviews etc.
Focus Areas: Historical data on procurement performance, cost analysis, and compliance with industry standards.

1.4 Limitations of the study

The report on improving procurement process efficiency and optimization strategies at Shopfront Limited (ShopUp) is likely to have several limitations, including:

Confidentiality: One of the significant challenges in preparing this report was maintaining confidentiality, as ShopUp is cautious about disclosing internal information.

Lack of Data Availability: Limited research exists in similar industries, resulting in a gap between actual data and available information. Additionally, collecting data manually was a time-consuming process.

Time Constraint: Understanding ShopUp's extensive and unique business model within a three-month period was challenging.

Limited Time and Resources: The scope and depth of the report may be affected by the limited time and resources available during the study.

Response Bias: The study's results may be affected by response bias, particularly concerning self-reported data from stakeholders.

Chapter 2

Literature Review

2.1 Introduction

Shopfront limited, also known as ShopUp, is Bangladesh's leading full-stack business to business commerce platform for business having small as well as large scale operation. The main goal of this organization is to use technology for easy access to business-to-business sourcing and providing last mile logistics, digital credit and business management solutions to small businesses as well as large multinational companies. ShopUp brings the small and medium traders under one roof providing connection among manufacturer, wholesaler, retailer and buyer in an efficient way.

2.2 Organization Overview of Shopfront Limited (ShopUp)

Shopfront limited (ShopUp) is Bangladesh's leading full-stack business to business commerce platform for small as well as large multinational businesses. The main goal of this company is to use technology for easy access to business-to-business sourcing and providing last mile logistics, digital credit and business management solutions to small businesses. ShopUp brings the small and medium traders under one roof providing connection among manufacturer, wholesaler, retailer and buyer in an efficient way.

Name of the Company: Shopfront Limited (ShopUp)
Company Type: Private Limited
Industry Type: B2B Commerce
Year of Establishment: 2016
Number of Employees: 1000+
Website: https://www.shopup.org/

Historical Background:
Established in 2016 by Afeef Zubair Zaman, Siffat Sarwar, and Ataur Rahim Chowdhury, ShopUp quickly made its mark in the e-commerce sector. Providing B2B sourcing, digital credit, last-mile logistics, and business management solutions, ShopUp became a pivotal player for small businesses. In 2020, the company secured Bangladesh's largest series A investment of $25 million and expanded its reach by acquiring Indian E-commerce platform 'Voonik' and establishing an office in Bengaluru. Following a successful $75 million Series B investment in 2021, ShopUp has evolved into the country's premier full-stack business, catering to diverse B2B needs. Recognized for its innovative approach, ShopUp was honored as the 'Best Startup of the Year 2019 Bangladesh. Moreover, apart from many other wins' major wins for the year 2023 are,

- 10 Lakh metric tons of food and essentials ordered on ShopUp's platform and delivered
- These food & essentials reached 3.1 Crore people throughout the nation
- 7000+ people directly or indirectly involved with ShopUp throughout the nation

Moreover, from several sources, it's been circulated that ShopUp is going to create 700 distribution hubs across Bangladesh by the year 2025.

Mission and Vision of ShopUp: The company's future objectives are expressed in the mission and vision statements, which define a clear direction for the new brand and serve as a foundation for all of the company's strategy execution.

Mission:

Below are missions of ShopUp that defined the formation of all sorts of future ambitions:

- Assist small and medium-scale entrepreneurs in their growth journey.
- Offer convenient and swift services through technological innovations.
- Facilitate seamless connections among manufacturers, wholesalers, and retailers
- Act as the prime distribution hub catering regardless of multinational organizations and small enterprises.
- Empower youth and women, thereby making a substantial impact on the economy

Vision:

ShopUp was created with the aim of revolutionizing the e-commerce sector and helping merchants in establishing a more streamlined presence. Recognizing the vital role of small businesses in the economy, ShopUp not only supports small business owners in expanding their ventures but also generates substantial revenue. Their initiatives are dignified to positively influence Bangladesh's progress. While ShopUp may not have publicly stated goal, it fosters an internal vision that fosters employee engagement. While ShopUp holds intrinsic value and a commitment to assisting micro-entrepreneurs in overcoming various challenges, its primary goal is clear: to achieve "Unicorn" status.

Values of ShopUp:

All employees of ShopUp put a greater importance towards the organization's shared values including:

- Merchant First
- Pace over perfection
- Act Like an Owner
- Demand Highest Standard
- Do More with Less

Organogram:

ShopUp brings together many departments and teams while maintaining a hierarchy. The CEO of Shopup is the person in charge of the company's management. The people and organizational mapping of ShopUp CEO's office as follows:

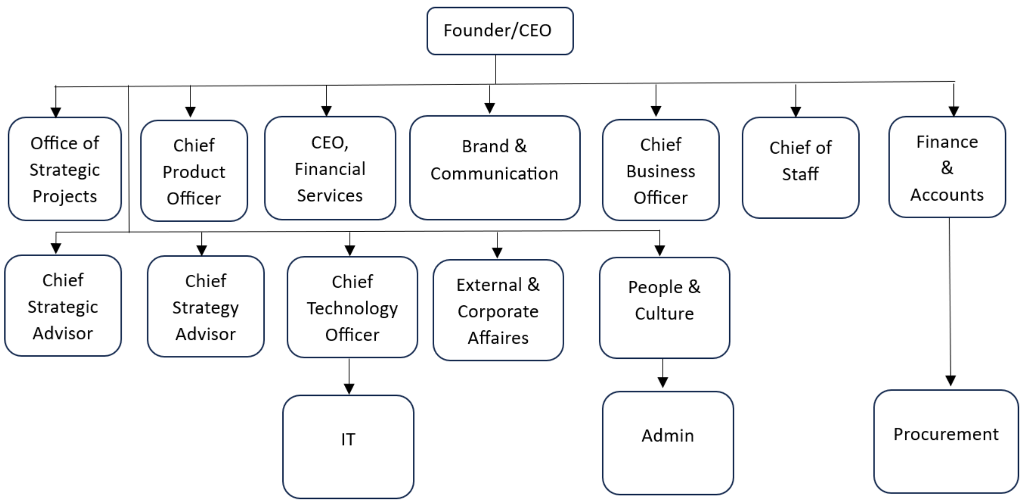

Figure 1: People and Organizational Mapping- CEO's Office

Business Units of Shopfront (ShopUp) Ltd:

Mokam:

Website: https://mokam.com.bd/retail/bn

Mokam launched in December 2019 as a B2B e-commerce platform and swiftly emerged as Bangladesh's leading platform in under two years, boasting 4.5 million small retailers. In 2021, it was honored as the country's top B2B e-commerce platform at the inaugural Bangladesh Retail Awards. Presently, Mokam stands as the largest B2B commerce platform in Bangladesh, facilitating a seamless network for quality food and household essentials.

Figure 2: Logo of Mokam

Functionality:

Mokam works to solve the problems of the local retail shops which are locally known as "Mudi Dokan" by ensuring availability of products, proper pricing and efficient delivery support. Also, Mokam gives the advantage to buy products on credit which helps the shoppers to run smoothly and expand their businesses.

Figure 3: Services of Mokam

There are sales representatives (SR) who work for order collection, also this one-stop platform that can be accessed via mobile app where all products are available for retailers. After ordering the products, the retailers will receive the products within 24 hours. Mokam has agreements with different producers and manufactures and has the best distribution system to ensure fast delivery with less money.

Mokam is segmented with different subdivisions to operate smoothly. Which are:

- Mokam Commodity
- Mokam CPG (Consumer Packaged Goods)
- Mokam Animal Ecosystem

To make sure that the distribution & operation run smoothly, another business unit of ShopUp, called Unicorn Distribution Limited (UDL) works.

Unicorn Distribution Limited:

Unicorn Distribution Limited (UDL) stands as the leading technology-driven retailer distribution firm in the country. UDL's overarching vision revolves around establishing an efficient distribution platform bridging manufacturers and retailers. Leveraging platforms like SR or Mokam app, Unicorn aims to enhance sales by promptly delivering products as per retailers' orders. Additionally, it functions as a third-party distribution service for renowned brands such as Unilever, Marico, Coke, and Pusti. UDL operates 427 warehouses, referred to as distribution houses (DB houses), across the nation, with this number continuously expanding.

Figure 4: Logo of Unicorn Distribution Limited

RedX Logistics Service Limited:

Website: https://redx.com.bd/

RedX is one of the largest tech-based logistics companies with 250+ delivery points in 487 Upazilas across 64 districts in Bangladesh offering end-to-end logistics & delivery services. Currently RedX operates with 1 CMH (Central Mother Hub), 99 hubs and 12 OPS zone.

Figure 5: Logo of RedX Logistics Limited

It is a new company but still managed to grab the market through its extraordinary strategies and service performance. There are 1786 delivery agents and 660 pickup agents working in first and last mile hubs. The company was recently voted the best logistics company in Covid-19 by the Bangladesh- India Business Council for offering the best services.

Figure 6: Main Services of RedX

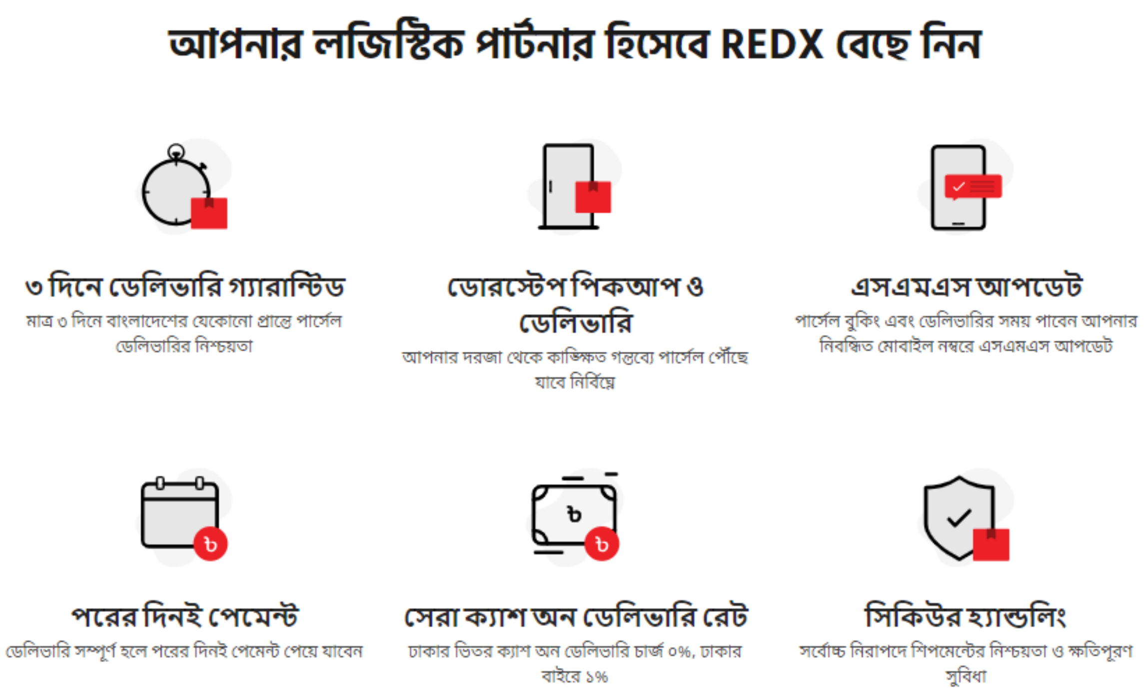

Figure 7: Main Services of RedX

- Third-Party Logistics(3PL) or B2C:

Third-party logistics is a popular term in logistics and supply chain management. It refers to an organization's use of third- party enterprises to outsource warehousing, distribution and fulfillment services. In this sector, RedX's performance has been great especially during the pandemic. The REDX network handled more than half of all 3PL deliveries throughout the pandemic by helping many entrepreneurs to flourish their businesses and to survive the pandemic.

Current 3PL Express services are-

- Digital Commerce (Large E-commerce)- e.g. Daraz, Evaly etc.
- SME (Medium and small E-commerce and F-commerce)- e.g. la-donna, Optilux BD, Genters, Apollo Mart etc.
- OSD

- Cargo Delivery Services:

RedX launched its Cargo Delivery services just a year ago but still managed to become one of the country's largest transportation companies in such a short period of time, delivering even to the most remote areas of the country. Many other companies like Sundarban Courier Service even failed to achieve this in a very short time period. Cargo first mile and last mile operations are operated by 12 zones,46 booths ,110 hubs, 15 own channel hubs and 1 mother hub.

Delivery Types:

1. Home Delivery
2. Hub Delivery
3. Office Delivery

Cargo Corporate or B2B:

- C2C offline agents
- C2C offline merchants

Cargo Corporate Operational Flow:

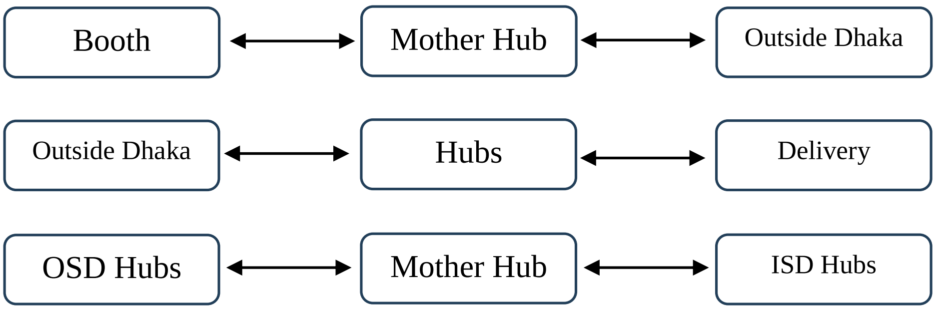

Figure 8: Cargo Corporate Operational Flow

Support & Procurement Team:

The support team of ShopUp works for all of its verticals and business units.

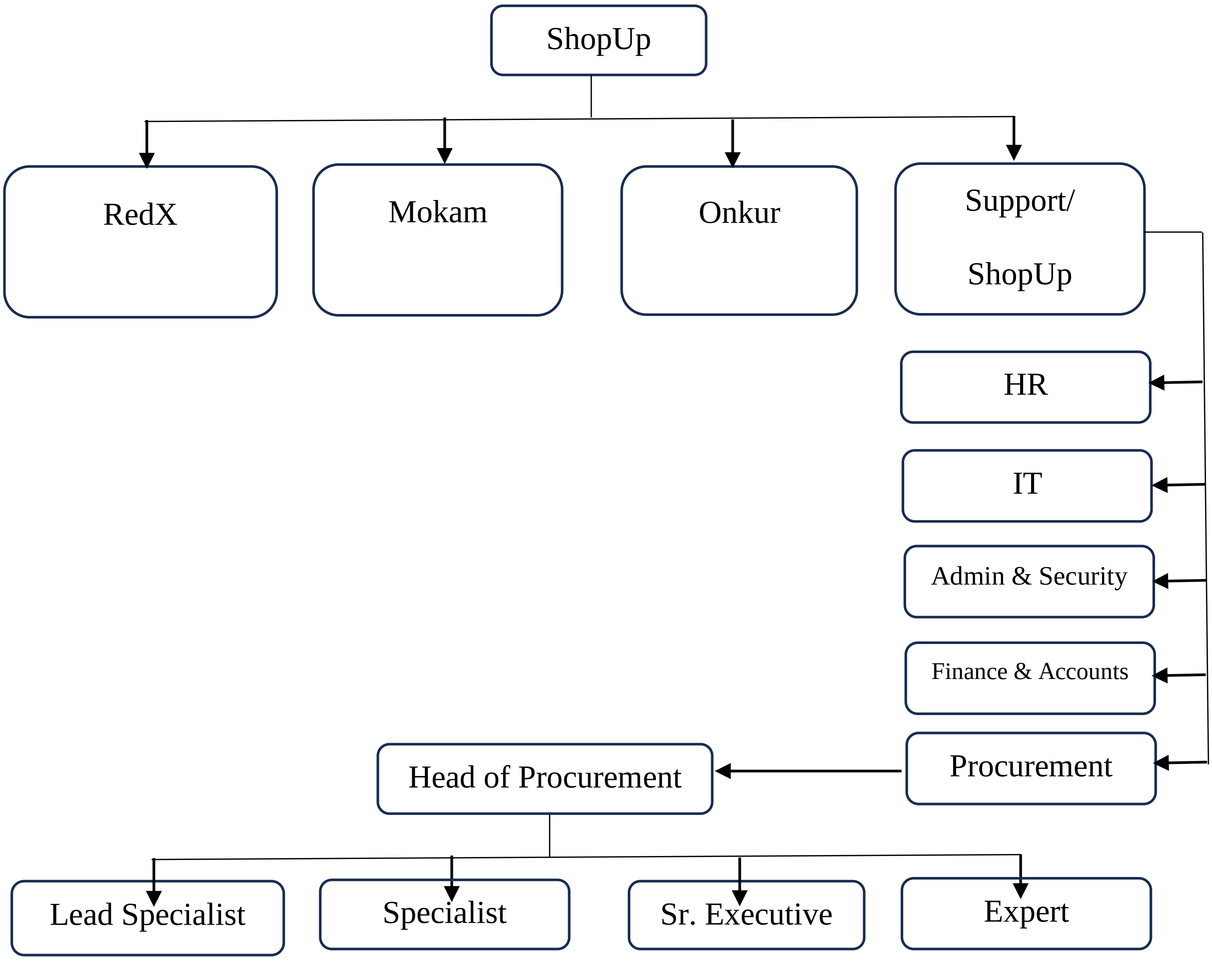

Figure 9: Different Business Units and Support, Procurement Team of ShopUp

Chapter 3

Procurement Process of Shopfront Limited

3.1 PROCUREMENT PROCESS

According to the procedure, when a need arises for procurement within the organization, the user team initiates the process by raising a Purchase Requisition (PR) in ProcureX (https://procurex.shopf.co). This requisition serves as the formal request for the required items or services.

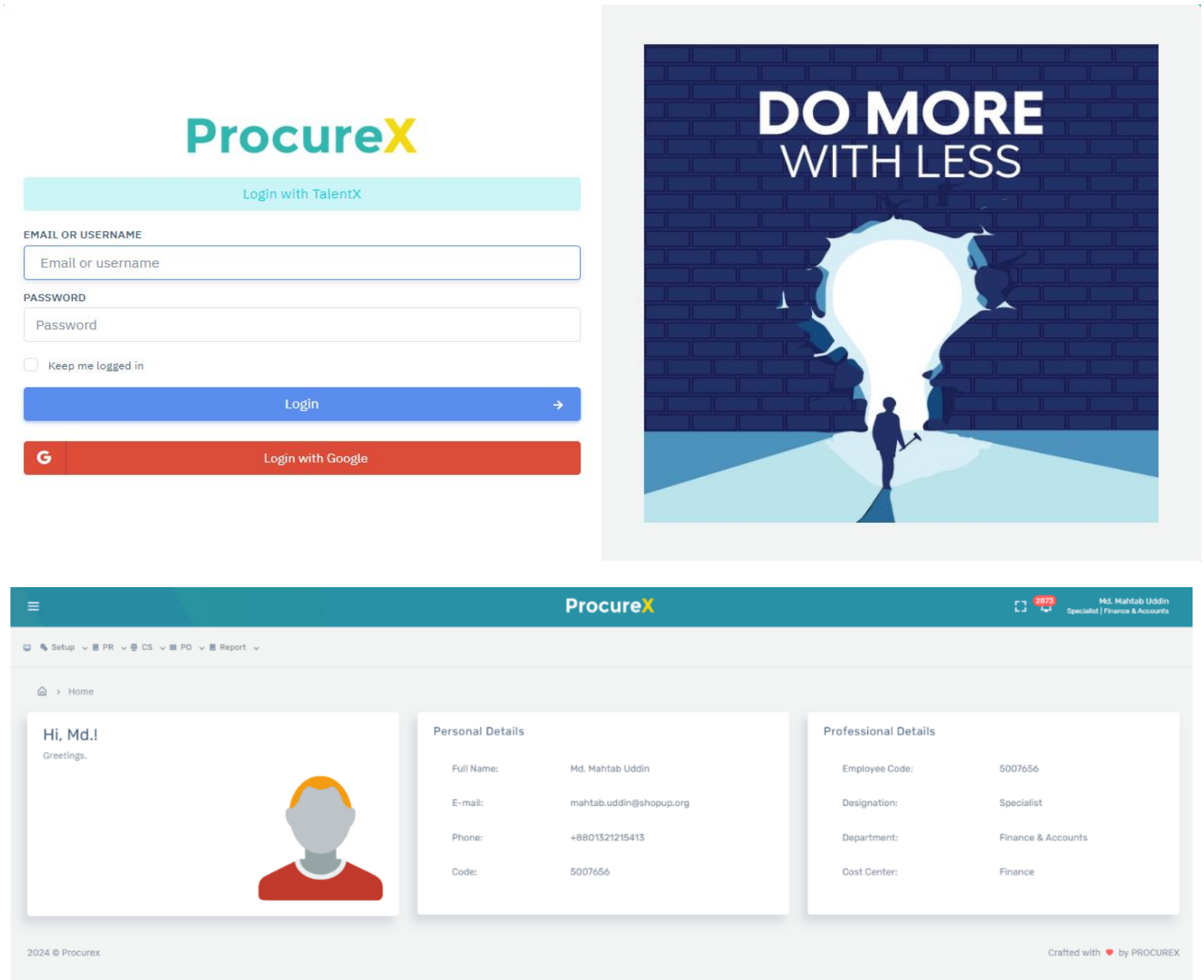

Figure 10: Login & Home Page of ProcureX

For IT-related items, the PR undergoes scrutiny by the designated IT personnel to ensure compatibility, functionality, and alignment with existing systems. If the items are readily available in stock, the IT team facilitates their provision to the requester, obtaining approval from the unit head to ensure accountability and adherence to protocols.

However, for both IT and non-IT items that require procurement, the process involves additional steps. The procurement team takes charge, verifying the prices of the items and conducting necessary checks to ensure compliance with budgetary constraints. The PR, along with essential supporting documents such as Statements of Work (SoW), Evaluation Criteria, Service Level Agreements (SLA), and Key Performance Indicators (KPIs). It is then forwarded to the finance team and the Strategic Business Unit (SBU) head for budgetary approval and final PR approval.

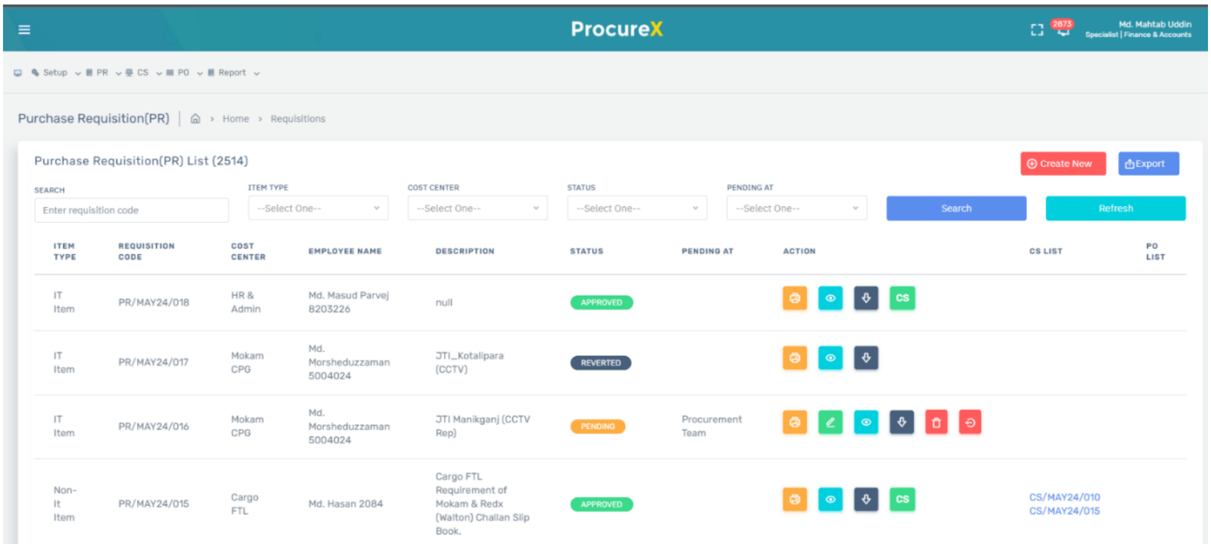

Figure 11: Purchase Requisition list Page of ProcureX

Upon receiving the approved PR and perquisite documents, the procurement team proceeds with the Request for Quotation (RFQ) process. This involves floating the RFQ, collecting proposals from potential vendors, conducting thorough technical and commercial evaluations, engaging in negotiations, and obtaining necessary approvals from both the Head of Procurement and the Procurement Committee.

As per the Levels of Authority (LoA) framework, the Head of Procurement (HoP) or the Procurement Committee oversees and approves the vendor selection process. Notably, a minimum of two members from the Procurement Committee must endorse any CS (Contracting Officer)/Procurement approval within the ProcureX platform, ensuring accountability and transparency in decision-making. This is ensures full compliance.

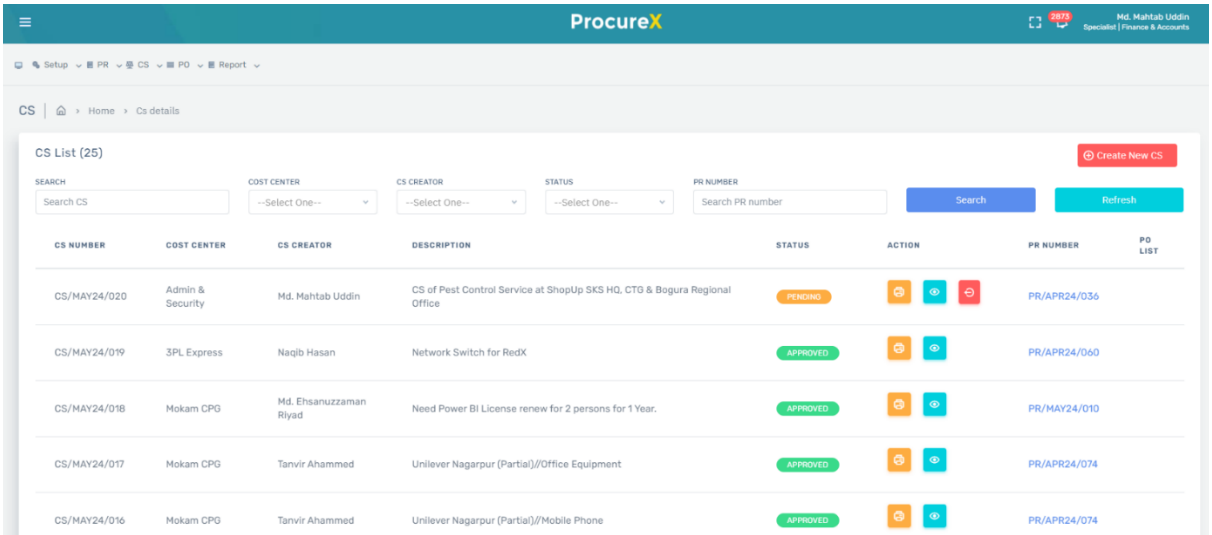

Figure 12: CS list Page of ProcureX

Once CS/procurement approval is secured, the procurement team proceeds to issue or raise a Purchase Order (PO) in NetSuite to the selected vendor. The vendor is then responsible for delivering the specified products or services within the agreed-upon timeline. Upon receipt of the delivery, the user confirms receipt by signing a delivery Challan, while the vendor submits an invoice along with supporting documentation for payment processing.

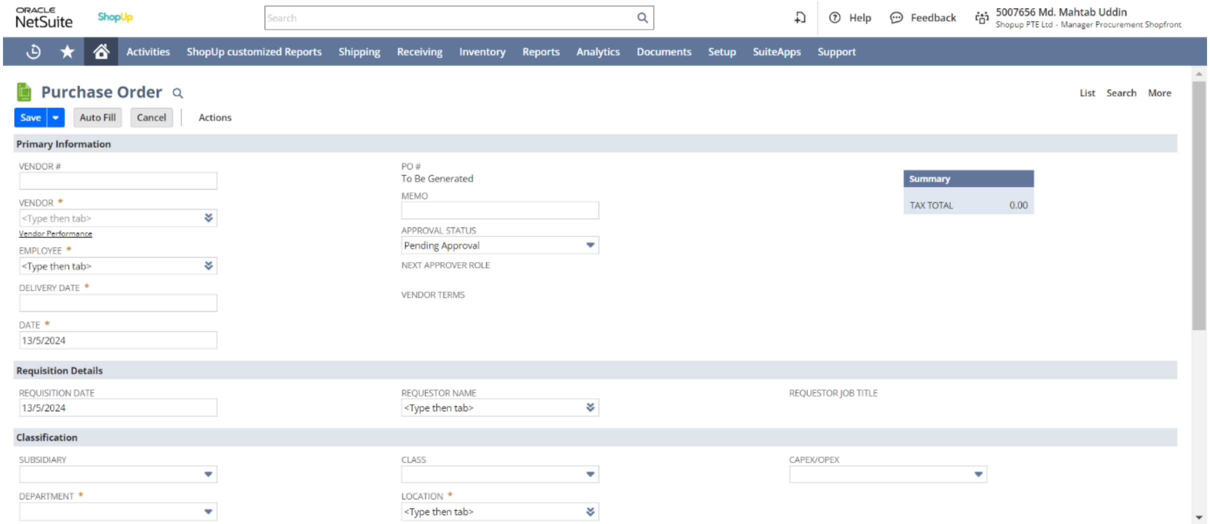

Figure 13: Purchase Order Creation Page of NetSuite

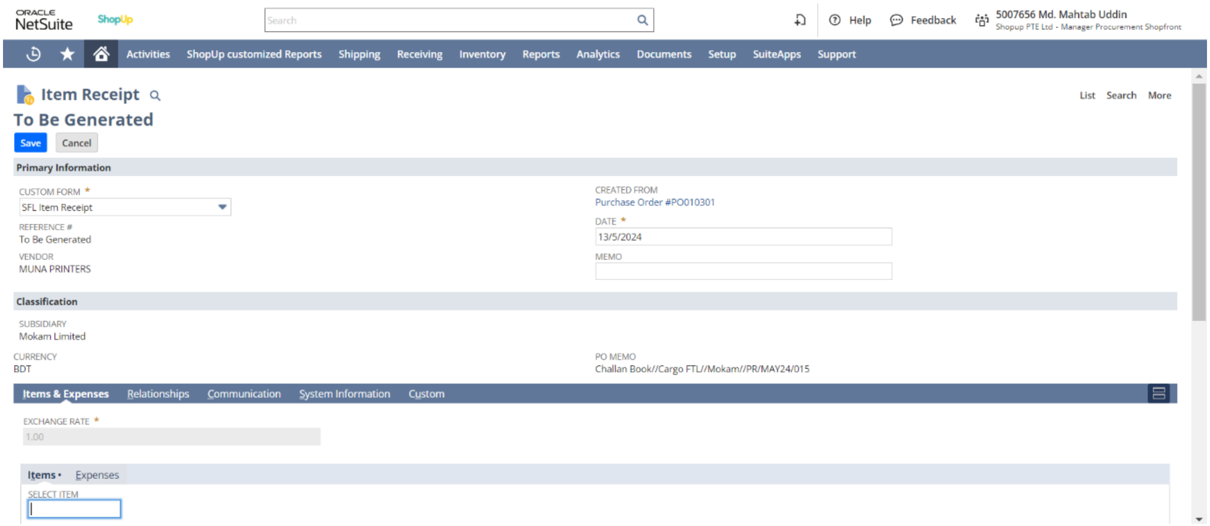

Figure 14: Item Receipt Creation Page of NetSuite

To further streamline operations and ensure compliance with technical requirements and budgetary considerations, the procurement team may opt to formalize arrangements through contractual agreements following the LoA guidelines for a predetermined period. This proactive approach aims to foster efficiency, cost-effectiveness, and operational continuity within the procurement process.

The Procurement process flow would be as follows:

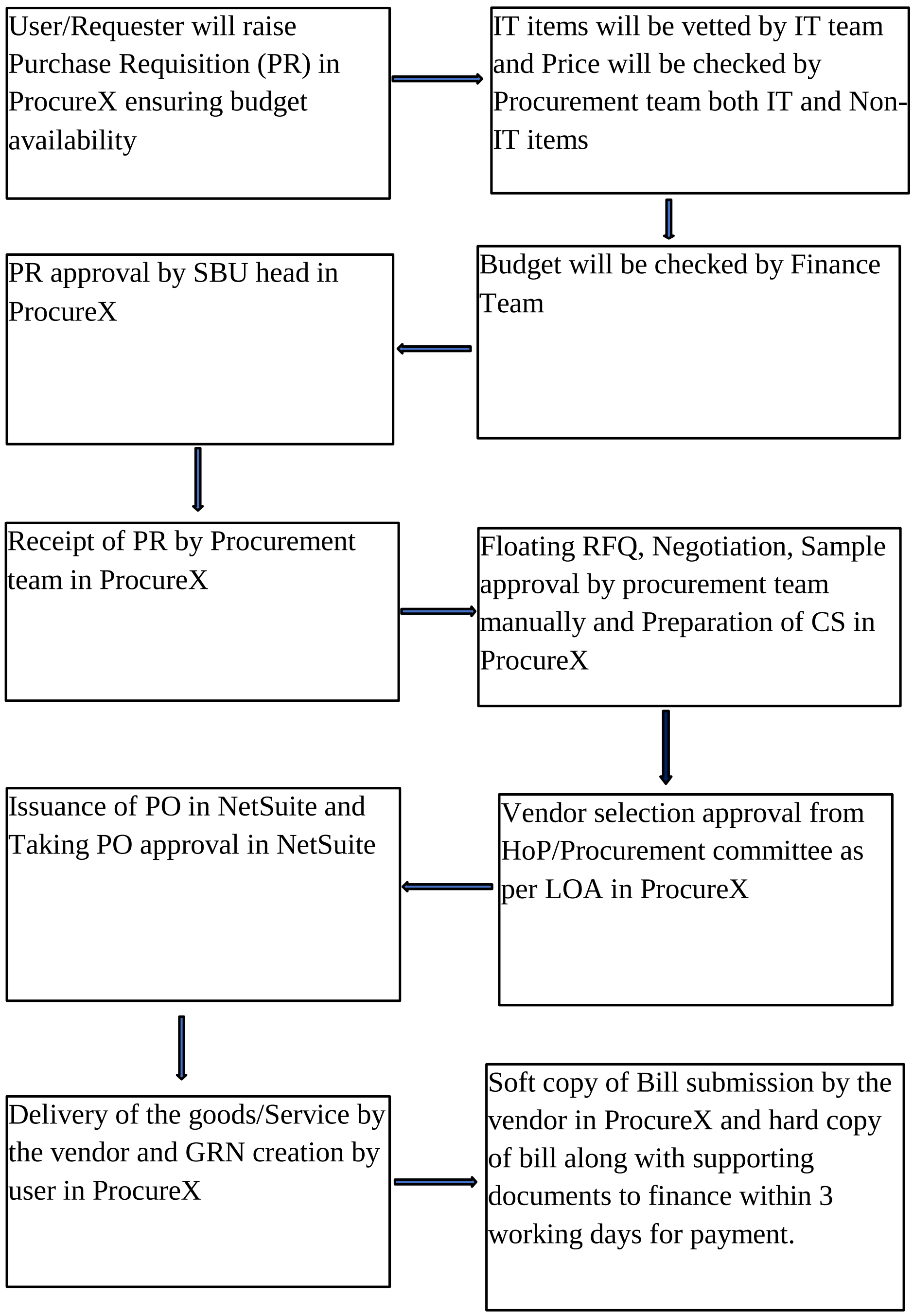

Figure 15: Procurement Process Flow

Invoice Processing:

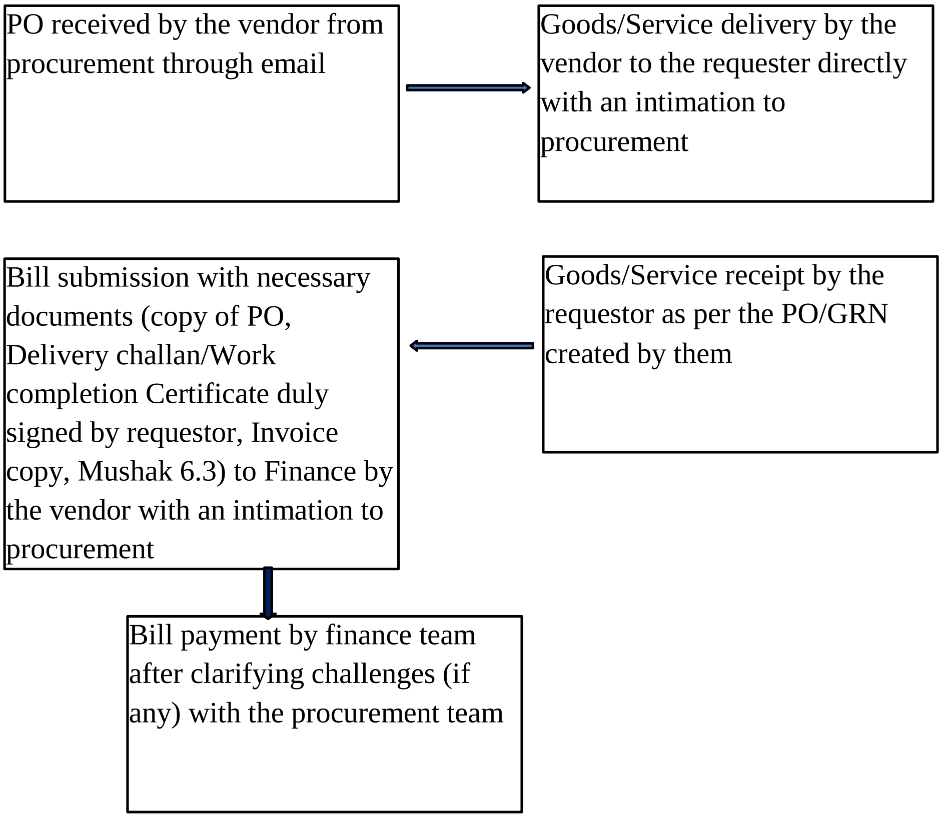

Figure 16: Invoice Process Flow

Moreover, for the final bill payment, another Entry is required in CRT (Cash Reconciliation Tool) Panel (https://fin.shopup.com.bd/), Central Expense unit.

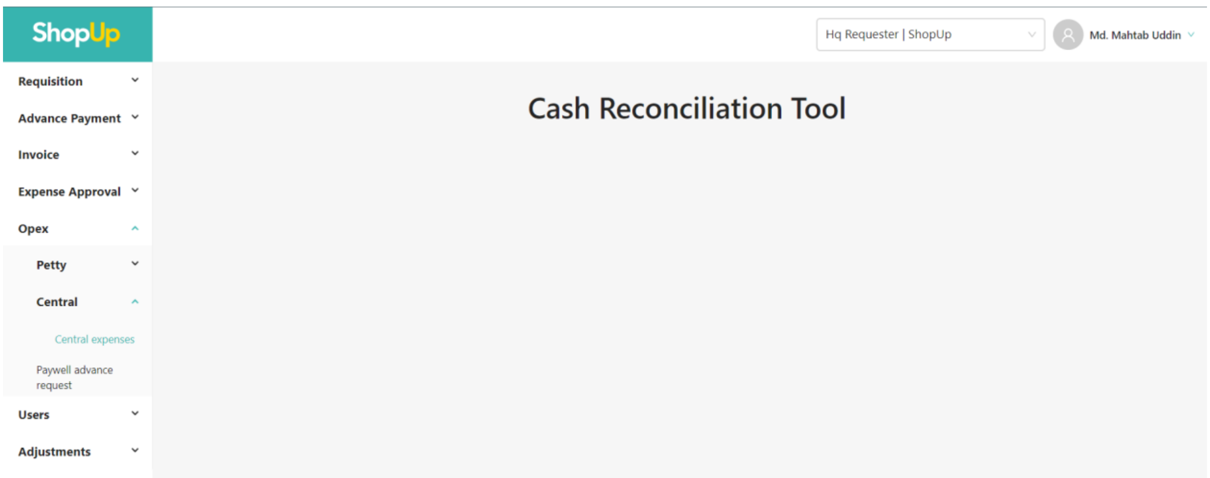

Figure 17: Home Page of CRT Panel

And upon all the approval payment will be made to the vendor.

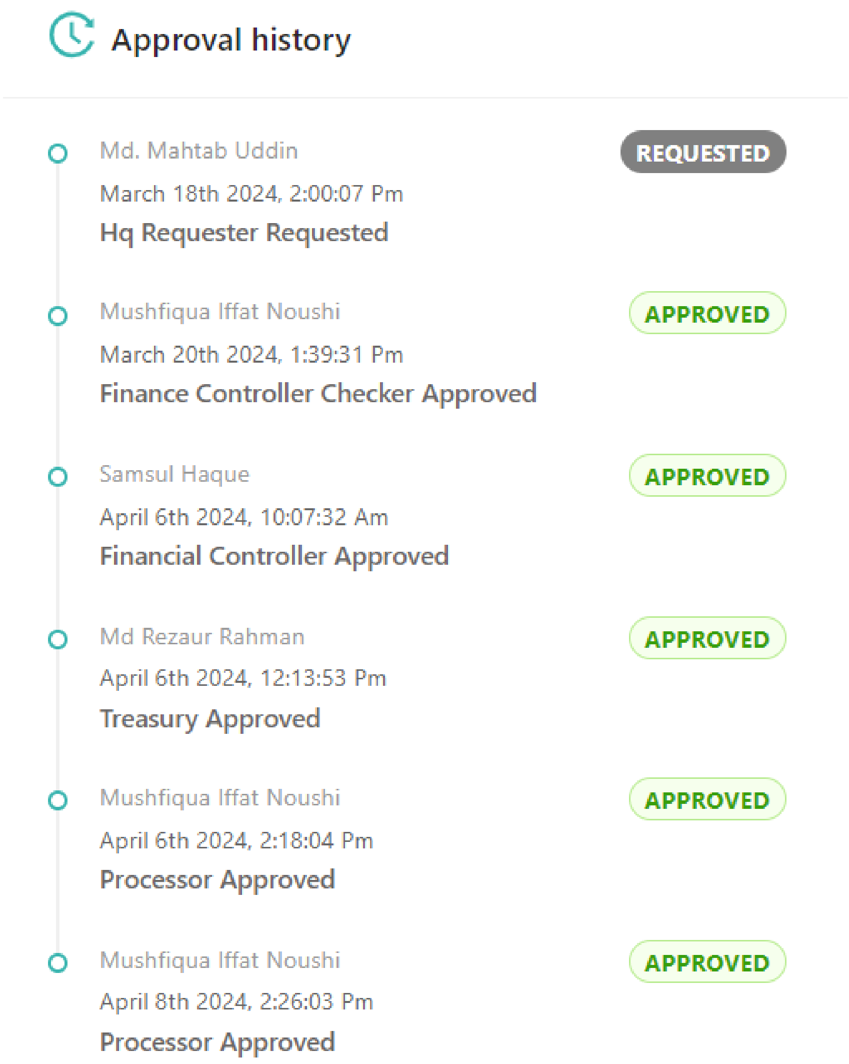

Figure 18: Approval Flow of CRT Transections

The elaborative procurement process is significant in the following aspects-

3.1.1 Requisition: Dept. / Responsible employee raise the PR in ProcureX (https://procurex.shopf.co/) along with the followings:

- Scope of work (mentioning Specification of good or service, Quality/Standard of product/service, Tentative delivery time/SLS, Background/justification of the requirement, Warranty, Penalty/Liquidated Damages, Responsibility Matrix, KPI). If any of the required item is not available in ProcureX, user will inform procurement team to upload those items information in the system.
- Business Case/Budget approval
- Technical Evaluation Criteria (if applicable)
- BoQ/ required item list, quantity, UoM

Upon receiving of any complete purchase requisition, Procurement will check that all the information is complete and accurate. if the details are inadequate, procurement will resolve the same with the requestor.

Source of Procurement: Fixed / Enlisted vendors would be the prime source of procurement along with new competent vendors available in the market. The procurement department maintains a product/service category wise list of fixed vendors who need to be pre-notified in writing of the detailed product/service specification, quality and performance parameter.

3.1.2 Method of Procurement

Quotation Method (QM): This method will be the preferred method of procurements for SFL for all types of procurement to ensure timely delivery of goods and services to meet urgency of goods and services for various special projects. Minimum lead time

Direct Purchasing Method (DPM): SFL will use DPM for procuring goods and services from one single source without going through all the requirements of a tendering process. However, this method shall, under no circumstances, be used as a means of avoiding competition or for favoring any particular Tenderer/Supplier. In case of using this method, a logical explanation will have to be attached with the vendor selection at the time of approval from the CEO for vendor selection.

Limited Tendering Method (LTM): When goods and related services, because of their specialized nature, are available from a limited number of Firms/Suppliers or there is organizational policy to standardize on specific brands to cut down on spare parts stock requirements and maintenance costs (e.g. computers. communications, automobiles etc.) LTM may be undertaken. This method may be applied for project related procurements considering that maximum procurements of the SFL are either highly specialized (such as hardware and software) or require customization to retain Corporate Brand. This will help maintain Brand uniformity of procured goods and thereby enjoy better after sales services with lower maintenance costs.

Open Tendering Method (OTM): If the budgetary amount of purchasing an item is more than 2 core BDT, time for the completion or special or customized products for SFL or a construction project of building, this method may be followed to check the competitiveness of existing Suppliers, provide opportunities to new Suppliers, comply with legal requirements, ensure fairness and confidentiality and prevent corruption and collusion. This will necessitate giving Newspaper advertisement. Before initiating the project, a sourcing schedule will be prepared.

3.1.3 Request for Quotation (RFQ

Procurement department will Request for quotation/offer (RFQ) to the fixed vendors by email. However, multiple quotation may not be required for certain branded/specialized material having exclusive dealerships, if the required product/service is not suitable with the category of fixed vendor then Procurement Department will send RFQ to other source subject to the approval of the Procurement Committee.

Lead time for RFQ:

	Methods	Lead time
1.	Quotation Method (QM)	Required 7-10 working days from receiving of a complete and final scope of work from the user/ technical department. Minimum bidding time is two (02) working days other than emergency.

2.	Limited Tender Method (LTM)	Within 10-12 working days from receiving of a complete and final scope of work from the user/ technical department. Minimum bidding time is (03) working days other than emergency.
3.	Open Tender Method (OTM):	Required 60 days from receiving of Complete and final scope of work from the user/ technical department. Minimum bidding time is 12 working days.

3.1.4 Vendor Selection

Procurement department will carefully analyze the quotations /offer (Minimum three quotations other than exception) and prepare a comparative statement for vendor selection approval. Here exception means unavailability of sufficient vendor in the market or non-participation of the vendors within given time line.

- On completion of the Financial and Technical evaluation (If needed), approval is be taken from HoP (If purchase value is less than 50K) or Procurement Committee members (If purchase value is more than 50K).
- If there is no complexity or technical issue as regards to the success of the project which is subject to the capacity of a certain vendor, the work/bid must be awarded to the vendor who shall have the highest mark (aggregation of both technical and financial grading).
- However, if the technical department is skeptical about the success of the project with the selected/recommended vendor (highest mark achiever), proper justification must be submitted in writing for the perusal and discretion of the procurement.

3.1.5 Approval of final order

Procurement committee shall consider the Comparative statement (CS) details to finally approve the order. Besides, the committee will consider the technical advice of IT department in case of any IT equipment purchase and from User team’s advice regarding any design / creative work to follow the branding guideline for non-IT teams. However, the following criteria are carefully considered so that the ultimate outcome of that particular procurement benefits the company in terms of aggregated value of Price, Quality and Service (PQS).

I. Financial Ranking;
II. Quality/Technical qualification Warranty/After Sales Service;
III. Delivery Lead-time;
IV. Payment Terms;

Approval Matrix: Suggested approval matrix is as follow:

For Purchase Requisition Approval Flow:

For IT Item, Requester > IT Team > Procurement > Finance > BU Head

For Non-IT Item, Requester > Procurement > Finance > BU Head

For Vendor Selection Approval:

Lower limit BDT	Upper limit BDT	Checked By	Approved By
0 BDT	**BDT 50,000**	**Buyer**	**Head of Procurement (HoP)**
50,001 BDT	**N/A**	**HoP**	**Procurement Committee**

For Purchase Order Approval:

Lower limit BDT	Upper limit BDT	Approved By
0 BDT	**200,000 BDT**	**HoP**
200,001 BDT	**1,000,000 BDT**	**HoP > CBO > Deputy CFO**
1,000,001 BDT	**2,000,000 BDT**	**HoP > CBO > D.CFO > CFO**
2,000,001 BDT	**No Limit**	**HoP > CBO > D.CFO > CFO > CEO**

3.1.6 Purchase Order (PO)

Procurement department will issue Purchase Order (PO) based on the Procurement Committee approval of final order.

I. Procurement department will issue PO without vendor selection approval only for works which are under agreement, Sponsorship, Newspaper add etc.

II. **Purchase Order (PO) amendment:** Amendment of Purchase order is generally discouraged. However, in case of any unavoidable situation like wrong / incomplete data or request from vendor/user, PO may be amended subject to valid justification and approval of the Procurement Head / Procurement Committee (if the amendment is not related to price, HoP will approve the amended PO. But, if the change is related to price change, approval will be as per LoA. Once, the amendment is approved and executed Procurement department will duly forward the revised PO to the vendor and file all the relevant documentation for future reference.

3.1.7 Long term Purchase Order (PO)

Procurement department may issue "LONG TERM PO" subject to the requirement from user for the frequently purchased items and sole source/fixed price items. However, the outcome of the procurement under the long-term PO must be beneficial for the company in terms of the aggregated value of Price, Quality & Service (PQS).

Several items are covered in the long-term PO, such as,

I. Stationery and grocery;
II. Newspaper advertisement;
III. Internet connectivity;
IV. Visiting card print;
V. Various service (Security service, Transport service, Cleaning Service, Hotel Rents repair and maintenance service etc.)

3.2 EMERGENCY PROCUREMENT

In an emergency it may be necessary to dispense with parts of the procurement process, so that the company can react quickly to unforeseen events. However, all emergency procurement would require post facto approval by the CEO regardless of the amount. Emergency procurement is used only in genuinely unforeseen circumstances. Poor planning or organization of a procurement does not justify using emergency process. In the context of ShopUp procurement process & policy, an emergency is defined as an event which puts:

I. Life, property or equipment at high and immediate risk; or
II. Any event causing discontinuation of business
III. Standards of public health, welfare or safety having to be reestablished without delay, such as in the case of disaster relief; or
IV. Emergency procurement is limited to cope with the particular emergency.

3.3 STRATEGIC VENDOR MANAGEMENT

3.3.1 VENDOR ENLISTMENT PROCESS

I. The procurement department enlists product/service category wise fixed vendors to get smooth services. The combine merit of Price, Quality, Standard (PQS), experiences and delivery time would need to be emphasized in this regard. Also, maximum effort is given to increase the credit limit & period as far as possible.

II. Category: The following category of Products / Services will be used for enlisted vendor. Minimum three vendors are fixed for each product or service under mentioned category.

Group - A - Advertising & Publication
Group - B – Packaging, Printing, Admin, Office Stationery & IT Products and Services
Group-C - Interior & renovation, wood & furniture Group, Electronics
Group-D - Food & Beverage
Group - E - Transport & Logistics service
Group - F - Spare parts, Accessories
Group - G - Insurance, Security service & Rent
Group - H - Gift items, Training and related Products and Services
Group – I - Consultants

III. Application & documentation: Vendor will submit application for enlistment along with the below mentioned documents and collect receive copy.

- Company legislative affairs- (as where & how applicable)
  - Mandatory Documents:
    - Company profile
    - Updated Trade license
    - TIN Certificate
    - BIN Certificate
    - Bank Account Information
    - Tax Clearance Certificate
  - Optional Documents
    - Regulatory body's authority/approval/license of home & abroad
    - Memorandum of Association
    - Articles of Association
    - Certificate of Incorporation
    - Deed/Contract
    - Existing customer profile
    - Customer testimony
    - Year of experience in supplying or providing related product or service
    - Quality control process
    - List of the professional
    - Name of all Bankers with full address
    - Names of all Partners along with Organizational set up

3.3.2 Review & selection:

The approval authority for Vendor enlistment lies with Head Procurement. In case where new vendors are accepted for enlistment through RFQ participation, the vendor selection approval serves as approval for enlistment.

3.3.3 Tenure of fixed vendor

Once a proper set of enlistment document is provided by a vendor and is enlisted, the enlistment will be valid unless management decides to delist the vendor in the interim period or vendor remains inactive for a period of three consecutive years. The enlistment document shall be updated every one year for a vendor, unless there is any change in document format prescribed by the government. Vendors are to provide necessary documents at the beginning of each year.

3.4 VENDOR EVALUATION PROCESS

3.4.1 Time & period

Procurement department will conduct vendor evaluation yearly once unless required earlier by the Procurement committee. All the fixed vendors would be evaluated who have been ordered during last 1 years' time.

3.4.2 Criteria

Weighted average of the following criteria will be included in the Prescribed Evaluation score card (Annexure-1). Head of Procurement will review the evaluation scorecard and its relevant documentation and finally approve it.

i. **Market Price checking:** The procurement department will constantly operate comparative market price checking to justify the items procured by long term PO / agreement.
ii. **User feedback:** User feedback is required annually to evaluate the quality, standard and service of the procured items.

3.4.3 Evaluation aftermath

Once HoP approves the evaluation scorecard; the Procurement department will take the following actions based on the outcome-

i. Will consider Discontinuation from Suppliers list if the score is less than 60.
ii. Communicate the weakness to the vendor for future improvement and follow up.

3.5 TYPES OF PROCUREMENT CONTRACTS:

Generally, procurement of goods and services can be performed in following contract forms:

- Contract with commercial commitment
- Contract without commercial commitment- SOR (Schedule of Rate) contract/Frame Contract
- Contract with commercial commitment plus SOR (Schedule of Rate) element
- Purchase Order

3.5.1 Contract with Financial Commitment:

This refers to the contracts that are financially binding and shall be backed by an approved Business Case and other BAU approvals as per Shopfront Policy/ LoA/SOP.

3.5.2 Contract without Financial commitment- SoR (Schedule of Rate):

Schedule of rate (SoR) refers to a contract with vendor(s) without commercial obligation. It does not commit to the Supplier(s) financially or establish any financial binding. This Contract will act as a binding contract only upon issuance of purchase order/intimation to vendor (for Non-PO) and such contract shall be signed as per Shopfront LoA. Procurement based on SoR contract shall follow the below necessary approvals:

- No BC/budget is required while signing SOR contract but Budget and other BAUs approval shall be applied at the time of issuing PO.
- SoR Approval shall be taken separately as per Shopfront LoA.
- If market rate is lower than SoR rate, then Procurement team shall negotiate with supplier for the prevailing market rate (MRP).
- Procurement team may need to renegotiate with vendor before issuing PO/intimation to vendor. If the renegotiated price is higher than SoR price, contract will be updated upon modification of SOR approval.

3.5.3 Purchase Order:

The standard Purchase Order containing necessary terms and conditions shall be considered as binding contract if PO is not backed by a formal contract already. However, Minor procurement (value less than standard procurement exempted threshold as outlined in Shopfront Procurement Procedure) shall be waived from formal contract and Purchase Orders.

3.6 SPECIALIZED CONSOLIDATED PROCUREMENT

Certain categories of procurement are specialized in their nature and require centralized management decision for procurement. In such cases CEO can decide to procure without involving the procurement department.

Delegated Purchase

For certain procurement items, specially, non-BAU procurement or special type of vendor engagement, Procurement may not have the right expertise or tactically, may not be in the right positing for sourcing. In those cases, Procurement head may propose to delegate partial or complete procurement activity to User Department / Division addressing the reasons and justifications to Shopfront Procurement Committee (if it is not already under the delegated purchase list. Shopfront Procurement Committee may recommend and forward to the Shopfront CEO for approval of such delegation. Delegated person (in place of HoP) shall be responsible for the sourcing.

Delegation of one or more Procurement activities shall not imply any exception to the procedural activities and documentation as required by the Procurement Procedure. The delegated purchaser may include one nominated Procurement personnel under “partnering model” to support and ensure procedural matters are followed.

Minor Purchase

Certain items/services (Repair & maintenance) having purchase value within BDT 5,000 will fall under minor purchase where procurement procedure can’t be followed due to the nature of requirement.

3.7 Payment Procedure

Regular Payment
Payments to Shopfront vendors must be made promptly and accurately upon confirmation that all required documentation is correctly authorized.
Payments to suppliers will only be processed under the following circumstances:

- Purchase orders and/or contracts are duly signed by the authorized approving entity as outlined in the Shopfront Letter of Authorization (LOA).
- Users must complete Goods Receipt (GR) in the system upon receipt of a valid invoice, goods received note, delivery note, or other pertinent document confirming receipt for purchase order-based procurement.
- Invoices received must accurately reflect the quantity received and be supported by appropriate documentation.

Advance Payment
It is a prudent business practice not to pay for any goods and /or services until they have been received in good order or rendered satisfactorily as per the agreement and purchase order. Accordingly, Shopfront discourages to pay advance to other parties. However, in some cases, payment of advance to supplier becomes inevitable. Shopfront will pay sufficient effort to keep it to minimum level and will obtain adequate guarantee (bank guarantee or Cheque) as applicable, against any such advance.

Chapter 4

Practicum Challenges & Findings

4.1 Procurement Challenges:

The procurement managers are tasked with multitude of responsibilities. They always keep them constantly vigilant about monitoring & controlling the expenditures and keeping appropriate procurement policies. Yet, challenges only scratching the surface of complexities within procurement. The realm inundated with array of operation, including supplier lifecycle management, contract oversight, purchase request handling, and more. During times of crisis, procurement directors frequently finding themselves lacking necessary time addressed these typical procurement issues. Below are some prevalent challenges that affecting businesses of all sizes. Several findings are mentioned below which I witnessed while my day to day working in ShopUp.

4.1.1 Complexity and Length of Process: The procurement process in ShopUp always involves several steps, approvals and documentation requirements regardless of major & minor purchase which makes the process lengthy and complex. Each stage, from requisition to vendor selection, adds complexity, leading to potential bottlenecks and delays.

4.1.2 Vendor Management: Managing relationships with vendors presents its own set of challenges. Organizations must assess vendor capabilities, reliability, and performance to ensure quality and timely delivery of goods or services. Effective vendor management involves establishing clear expectations, conducting regular evaluations, and addressing issues proactively to maintain productive partnerships.

4.1.3 Compliance and Risk Management: Compliance with regulatory requirements and mitigation of procurement-related risks are critical for organizational integrity and continuity. ShopUp sometimes depend on single vendor for strategic items which is a severe risk as if product is not supplied on time stock out situation may arise. Moreover, it has been witnessed often that user get directly involved with supplier which generates the risk of information leak.

4.1.4 Change Management: Implementing process optimizations or technology upgrades requires effective change management strategies. Resistance to change, lack of buy-in from stakeholders, and communication gaps can hindrance successful implementation. Therefore, organizations must address concerns, seek feedback, and provide support to facilitate smooth transitions and make best use of the benefits of change initiatives.

4.1.5 Process Cycle: Frequently, goods and services are purchased with lower lead time along with pressure. As a result, the actual time required for procurement processes and lead times often exceeded initial projections and expectations. For instance, In ShopUp, sometimes users don’t want to understand the lead time process which results unnecessary pressure on vendor.

4.2 Findings:

4.2.1 Technology Adoption: ShopUp's using tech to streamline procurement be good but multiple systems only be lingering process. Like, ShopUp using 3 systems (ProcureX, NetSuite & CRT). Here single system can make the process integrated & faster at the same time.

4.2.2 Supplier Relationship Management: ShopUp's approach to managing relationships with suppliers is average due to reasons like process lead time, payment terms, MOQ etc. Therefore, strategies to build long-term partnerships, foster collaboration, and ensuring alignment with ShopUp's goals and value should be planned & executed.

4.2.3 Process Optimization: As mentioned in Technology Adoption, ShopUp is using three systems for the full Purchase to Pay process. This could be optimized & combined to a single system.

4.2.4 Performance Metrics: ShopUp's performance metrics for assessing procurement effectiveness is limited for the time being as only purchase saving reports are being made now. Therefore, key performance indicators (KPIs) used to measure cost savings, supplier performance, and process efficiency should be included.

4.2.5 Sustainability Initiatives: ShopUp’s sustainability initiatives within the procurement process is very low. They should incorporate environmental and social considerations into supplier selection criteria. reduce carbon footprint, and promote ethical sourcing practices.

4.2.6 Cost Control: ShopUp's efforts to control procurement costs while maintaining quality standards is remarkable. However, in recent times, cost optimization strategies are not working due to continuous global inflation & challenges like high fluctuations in commodity prices, unexpected expenses, and difficulties in accurately forecasting demand.

4.2.7 Data Management: Data Management is on the most important factors to take right decision & deliver with full potential. Therefore, inadequate visibility into procurement data is delaying ShopUp's ability to make informed decisions and identify areas for improvement. As they are using three systems for the P2P process, extracting & syncing data is a bit tough.

4.2.8 Process Bottlenecks: ShopUp's procurement processes includes lengthy approval cycles for above BDT. 50000 purchases on a yearly basis. Head of Procurement can solely approve purchases below BDT. 50000. Therefore, extending this limit to BDT. 200000 per year would be efficient as PC approval won’t be required to process small/minor purchases.

4.2.9 Post-Facto Approval Process: There will be always some urgent & important ad hoc purchases in every organization. ShopUp’s guideline & practice to the purchases & Post-Facto Approvals is not adequately complaint.

Chapter 5

Recommendation and Conclusion

5.1 Recommendation:

First of all, ShopUp has a good reputation in Bangladesh & international level and they are doing excellent performance in solving many local supply chain problems & facilitating youth by building the largest B2B commerce platform in the history of Bangladesh. However, every organization has challenges & opportunities to optimize the process & policy. Here, I will be discussing some of the strategies that can to adopted to optimize the procure process & policy.

5.1.1 Technology Integration:

Integrate technology solutions into existing procurement processes is challenging. Organizations have to ensure compatibility, data security, and user adoption while leveraging technology to streamline operations and enhance efficiency. Therefore, implementing a singular procurement software or ERP systems for automation of routine tasks like purchase requisitions, approvals, and supplier management would be highly efficient & optimization centric for ShopUp.

5.1.2 Budgetary Constraints:

Budgetary restraints pose significant challenges to procurement activities. So, ShopUp must ensure that purchases align with allocated funds while meeting operational needs as well. Striking this balance requires careful planning, monitoring, and strategic decision-making to optimize resource utilization.

5.1.3 Supplier Relationship Management:

Developing a supplier segmentation strategy based on criticality and strategic importance. Establishing regular communication channels with key suppliers to foster collaboration, innovation, and risk mitigation. For Instance, ShopUp should segment the supplier base into Strategic Partners (eg. Packaging supplier, Admin Related service vendors, Software Developer & maintenance vendors), Preferred Suppliers (eg. printing items supplier), Routine Suppliers (eg. IT accessories) & Transactional Suppliers (eg. Stationary & Consumables items). In addition to that workshop & online, offline meeting can be arranged on a regular basis with suppliers so that a good relationship can be maintained.

5.1.4 Demand Forecasting and Inventory Management:

ShopUp should utilize data analytics and forecasting techniques to predict demand accurately. Implementing Just-In-Time (JIT) inventory management to reduce excess inventory holding costs while ensuring product availability. For Instance, all the Redx hubs are keeping around 45 days of printing & packaging inventory which is generating huge carrying cost. Therefore, if JTI can be applied with better reorder point and process integration & optimization it will reduce inventory holding cost & decrease the chance of wastage. This would perfectly work for nationwide Distribution houses & RedX hubs and stakeholder can focus on the core activities.

5.1.5 Performance Monitoring and Continuous Improvement:

ShopUp should Implementing Procurement KPIs (eg. Price competitiveness, Procurement ROI and benefits, spend under management, cost per invoice and PO, PO cycle time, Rate of emergency purchases etc.) to monitoring procurement process performance continuously. Conducting regular audits and reviews to identify bottlenecks and areas for improvement. Fostering a culture of continuous improvement through employee training, feedback mechanisms, and recognition of best practices. Regularly reviewing KPIs to track progress and identify areas needing further improvement.

5.1.6 Post-Facto Approval Process:

For business continuity, post-facto approval may be granted, when necessary, but all approvals must be obtained afterward without exception. Such approvals should be taken from the ShopUp CEO as in most of the cases users don’t align procurement while doing such procurement which is severe noncompliance. Post-facto approval does not exempt from standard procedures and should not be pursued if it risks process integrity or exceeds authorization limits.

5.1.7 Competitive Sourcing Waiver:

Shopfront prioritizes competitive bidding in procurement. However, there may be specific circumstances such as emergency purchases or when a vendor's expertise or time constraints justify deviation. Exceptions might be included for few situations & competitive source waivers can be there, where standard bidding may be not feasible. Therefore, a progressive process can be redrafted with PC (Procurement Committee) & CEO approval maintaining high compliance.

5.1.8 Supplier Dispute Resolution:

Supplier disruptions can be a real nightmare for companies which may arise due to several dispute. As it can cause serious problems in the procurement leading to continuous supply risk & revenue loss. Handling these disruptions efficiently is crucial for businesses to maintain operations smoothly. ShopUp should create a policy regarding supplier dispute resolution & follow the process without any fail. As procurement dept. manages all BUs procurement & often faces dispute, a full process would give much control though dispute resolution terms is there in the standard contract term.

5.1.9 Policy Incorporation with Flexibility:

For a startup, incorporating flexibility into the procurement policy is crucial. The policy should include various procurement methods tailored to different financial thresholds, allowing for streamlined processes for smaller purchases and more rigorous methods for larger ones. Maintaining an up-to-date list of pre-approved vendors and allowing for alternative suppliers during disruptions ensures adaptability. Moreover, regular staff training and a feedback loop for continuous improvement will help the policy evolve with the startup's needs. This flexible approach enables better risk management, opportunity seizing, and sustainable growth.

5.2 Conclusion:

Like any other organization, an efficient procurement process is highly crucial for the success of ShopUp. By meticulously analyzing the current process and implementing the optimization strategies outlined in this practicum, Shopfront Limited can significantly streamline its procurement operations, reduce costs, and enhance overall organizational efficiency. Continuous evaluation of the procurement process is essential to identify and seize opportunities for further optimization. Encouraging a culture of innovation within the procurement team is also vital, as it supports ongoing improvement and responsiveness to new challenges.

By fostering such a culture, ShopUp can ensure that its procurement operations remain efficient and effective. Moreover, continuous monitoring and evaluation of the procurement process will ensure sustained improvement and adaptability to changing business needs. This dynamic approach will allow ShopUp to stay competitive in a rapidly evolving market and maintain high standards of operational excellence.

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Figure 19: The Rocket Ship Journey of ShopUp