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The must-have procurement technology use cases for 2023
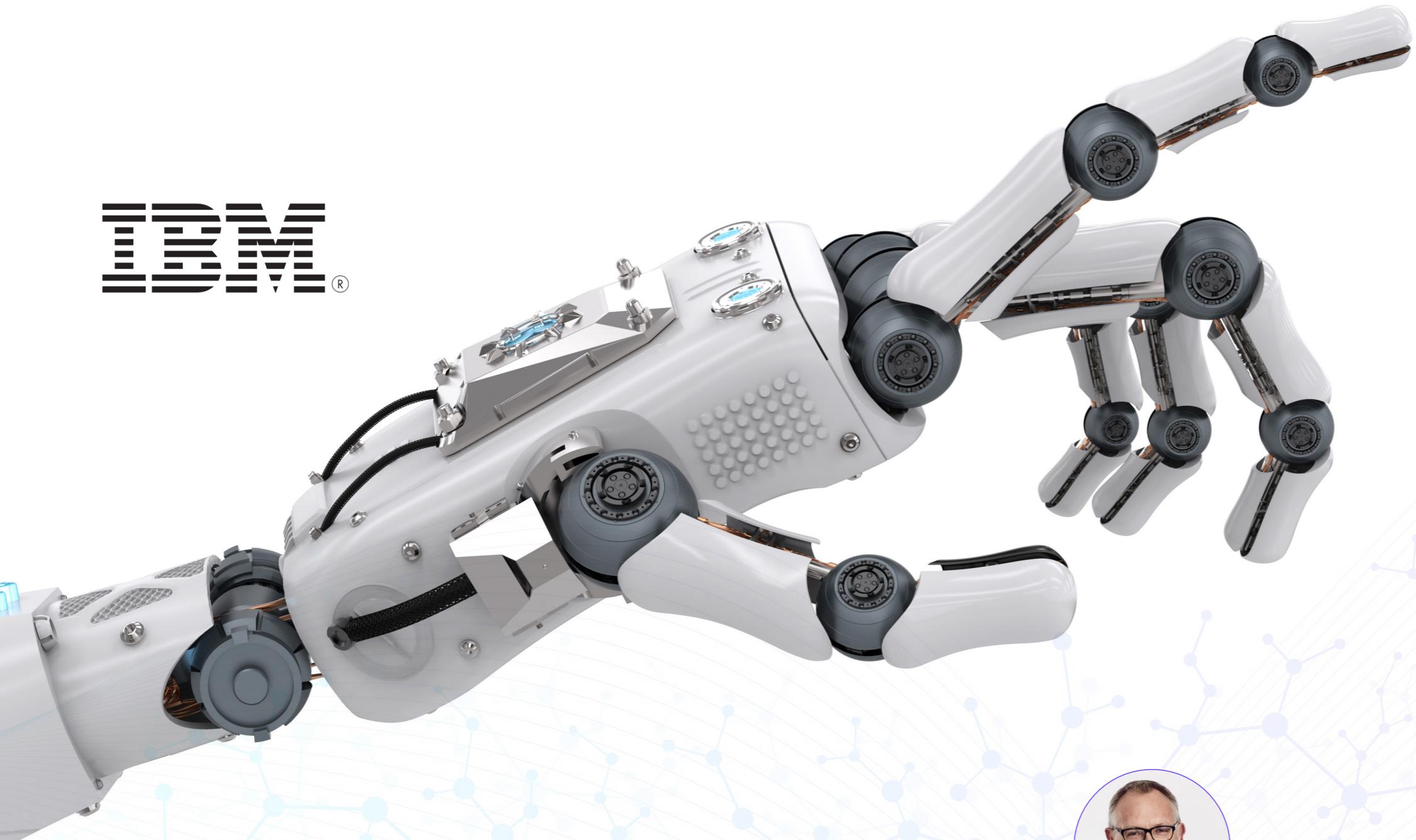
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Given the tumultuous state of world economics and the wide range of rapidly maturing procurement startup technologies available, where 'Best of All' systems are now available for almost any need, I am reflecting on the must-have procurement technology use cases (spend analytics, supplier risk, tail spend etc.) that procurement teams will need to focus on over the next 12 months.

The challenges facing procurement leaders are clearly building and evolving and any CPOs preparing plans will be very busy for 2023, which will see CPOs very busy assessing a number of contributory concerns and influences. They will assess how the company strategy is impacted and how procurement can help identify those critical areas of differentiated capability that will need urgent investment.

In last year's 2021 ProcureTech 100 Yearbook, we explained how to use a capability model and identify pain points in user journeys within the end-to-end procurement cycle. By eliminating and automating these pain points, you free up time for more strategic tasks and drive an increase in talent engagement.

CPOs will also need to prioritise the areas of differentiated capability needed in 2023. These combined with the pain points that have the biggest impact will identify the handful of 'Procurement Moments that Matter' that define the use

back to navigation

"In a world where 'Best of All' systems are available, where do you focus?"

cases, which will appear in the 2023 and 2024 budget cycles.

For clarity, these 'Moments that Matter' use cases are focused on technology investment areas that will sit on top of existing Source to Pay enterprise systems such as SAP, Oracle, Ariba, Coupa and ServiceNow etc. Naturally these systems will be subject to continuous improvements and evolution. This article is focused on where CPOs will invest over and above this to drive material value in her or his business.

The investment areas can be categorised into three:
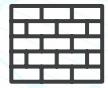
Foundational

Capabilities that are critical day to day, over and above your existing source to pay enterprise systems, that will become core procurement capabilities you cannot live without. Examples are master data management tools and tail spend management.

Evolutionary

Capabilities that are now urgent and important in 2023, and so will require immediate attention. Examples include supply risk visibility for companies in industries such as manufacturing, which inevitably have complex international supply chains that require that visibility into their Nth tier supply chain.
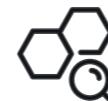
Experimental

These are new and evolving technologies that can be rapidly piloted, adjusted and scaled across the business space in procurement. Examples are category specific tools such as IT SaaS spend management and blockchain provenance solutions.

The digital solutions of the ProcureTech 100 Yearbook are already categorised from Customer Satisfaction to Sustainable Procurement making the process of assessing and shortlisting possible vendors against priority use cases, a shorter process, and as such I'll refer to these categories where relevant.

Disclaimer

Where I make reference to specific vendors, its intention is to bring each area to life, not to recommend one over another. I have referenced vendors that I have come across or those that have been highlighted in the Yearbook. I have not undertaken a detailed analysis of technologies in the same way that the ProcureTech team have.

Such a selection is not possible without a more detailed assessment of Procurement Moments that Matter and the specific requirements for your business.

Foundational Capabilities

The foundational capabilities that are core, over and above your existing source to pay enterprise systems that I think will be critical in 2023 are:

Tail Spend Management

Tail spend management (the 80% of volume that represents 20% of spend) is a perennial problem of compliance, which is an effort for procurement functions looking to make that pain go away and to free up capability in their operational procurement teams and accounts payable functions.
Holistically, we have tried pCards, aggregators, and/or outsourcing as ways to manage this, but each comes with its own

issues. The good news is that there are now technologies that can take away some, or all, of the pain of onboarding, sourcing, paying and the managing of these suppliers and their issues.
Companies that have different, but interesting approaches include:
Amazon Business Services, which delivers Amazon to the B2C market. This is a zero cost to customer models where requestors punch out from of their corporate eProcurement systems and provides a practical and hands-free approach for procurement. There are some challenges with the Amazon model as the supplier faces a costs pressure, plus there could be a risk of excess carbon packaging costs of deliveries

that are not consolidated appropriately. However, it is a scalable and low cost solution in the US and larger northern European countries.
Work will be needed in regulated industries such as Financial Services and Life Sciences to ensure compliance with supplier homologation processes, but benefits in these industries could be material when you work through this.

Paid and Candex – Paid and Candex are a tail spend management startups that look to fully automate the tail spend process; assessing and recreating your tail category vendors and workflows in a system that handles the final remittance.

Fairmarket also offers a tail spend sourcing

tool for low value services that is worth consideration for companies in the middle of the tail. This is one of the functions of Fairmarket, a product worthy of wider consideration.

Work may be needed for these tail spend solutions in regulated industries such as Financial Services and Life Sciences to ensure compliance with supplier homologation processes, but benefits could be material when you work through this.

Whichever solution is chosen, the ability to automate or out-task the tail spend vendor management and payables process will generate headroom for most companies in both procurement and accounts payables.

"Evolutionary capabilities are critical in 2023 and require urgent attention"

Master Data Management
The foundation for all good process management and any kind of analytics and reporting is great data. Companies have struggled for many years trying to solve this for poor vendors, contracts and material master data, requestor data and two workflow data management.

Tools like SAP Master Data Governance (MDG), have not always solved this, usually because the challenge is data governance and not just one of data management, and in addition, there is a backlog and IT alone will not be able to solve this problem. In addition, there tends to be a backlog of pretty awful data that needs to be cleansed alongside improvements in the governance process.

Great procurement master data is now non-negotiable and there are a number of

tools. Companies support procurement data governance workflows and will work with their existing corporate tools for data governance and data quality management and may need to consider augmenting these systems in some way with tools and AI.

For example, two leaders in the procurement data management space area are TealBook and Creactives.

TealBook builds a foundation of aggregated clean supplier data that sits outside your enterprise systems that will ensure both the consistency and quality of vendor master information.

Creactives is focused on Material Master data and uses a series of Machine Learning rules to scan, identify and cleanse material master data to create the Material Golden Record across a company to ensure consistency and quality of

material master information.

Similarly, supplier management tools such as HCIX can be used to manage the vendor master and material data as part of a wider workflow. It is therefore critical to a look at your end-to-end system as an architecture and consider the end-to-end process, work and data flows, and align this with colleagues in supply chain, finance and IT.

Data Management features as part of Analytics, Data & Intelligence section of the 2022 ProcureTech Yearbook, and there are other interesting startups to consider. It is an area ripe for start-up evolution.

Core Procurement Analytics
If we differentiate between the routine analytics use cases for procurement (which we call core) and the more complex

analytics use cases, then the following should be core capabilities in most procurement departments:
• Spend and savings analytics
• Category supply market analyses
• Scope 3 carbon reporting
• Service level and customer satisfaction reporting in operational procurement and accounts payable
• Procurement data quality reporting

A wide range of solutions exists (some a combination of tools and services) to support these use cases set out in the Analytics, Data & Intelligence section of the Yearbook; companies such as Beroe, Sievo and Smart Cube. Microsoft has also entered this space with Suplari, a product that aims to cleanse data and that produces historical and predictive insights.

"Nth tier supply visibility is top of the agenda for any global retail or manufacturing companies"

Evolutionary Capabilities

Let's investigate the evolutionary capabilities, those that are now urgent and important in 2023, and which will require a collaboration with the wider business:

Supply Visibility and Risk Management

Top of the agenda for any global retail or manufacturing companies will be Nth tier supply visibility. The COVID era brought procurement, supply chain and sales teams together closer than ever and there is a natural ongoing collaboration between the teams to allow business to survive and thrive. The planning process used to flow downstream from sales, but now, due to supply shortages, many companies find themselves proposing to customers based on realistic supply. To do this some companies are now successfully using start-up supply visibility.

Companies that have different, but interesting approaches to this, are found within this Yearbook, where we are seeing a blurring between supplier intelligence and supply risk. Two interesting start-ups are Craft.co and Versed.ai.

Craft.co – Craft is a supply risk platform that maps your Nth tier supply chain and identifies risks, whether supply, geopolitical, weather and surfaces throughsurfaces these through a case management system for your colleagues to use.

Versed.ai – Versed is a supply visibility and risk platform that combines your data with publicly available sourced and web scraped data to identify Nth tier supplier mapping, supply risk and alternative sources of supply.

This is a rapid maturity space and the Yearbook has several examples of tools including: Avetta, Prewave, Rapidrating and Riskmethods. Each company has different offerings, for example with Avetta focused on

temps and HR, so it is important to review this category carefully and properly understand your Moments That Matter so you can test the experience features and functions and data and workflow needed in detailed tests against each solution. This allows the possible selections to be shortlisted quickly.

Legal & operational contract Lifecycle management

I stressed in the foundational section above the need for great contract data management, plus tools that make the legal contract management (for example Icertis, Evisort and Contract PodAI), which have made the integration between procurement and legal seamless, while also freeing up legal and procurement time to improve the overall quality, and turnaround time, of contracts.

In addition, tools that help to manage the contract post go live and optimise terms in the lifecycle and manage renewals are now more prevalent and relatively cheap and easy to install. The contract & legal and contract section of the Yearbook has identified several potential options. Icertes appears in the Customer Satisfaction section rather than Legal and Contract and so it is always important to read that section first.

Companies such as Certa, HCIX and Onit are looking to automate the workflow around supplier interactions, with Onit having aspirations to be an enterprise-wide workflow solution.

Sustainability & ESG reporting

In the foundational capabilities I talked about Scope 3 as part of Core Procurement Analytics and as we extend the definition of sustainability to be the wider definition of ESG, this is a more complex and broader

company topic.

Sustainability and ESG is the responsibility of everyone, not just one department, so it is critical that procurement collaborates with the wider business to extend beyond Scope 3 carbon reporting to the wider ESG measures. This is essential as the wider business consumes the contracts created by procurement, and any interventions we are planning will need to include those colleagues, and others who need help from procurement when building relationships with new third parties in this critical area.

There are many interesting startups included in the last two yearbooks. There are three companies that make the 2021 and

2022 list and so a total of 13 across the two years that fulfil a range of sustainability use cases.

The major providers like SAP, IBM and Oracle are also developing sustainability offerings with SAP releasing a sustainability ledger and sustainability control tower with its latest releases.

Services Procurement

eProcurement systems such as Ariba, Coupa and Oracle PR to PO processes do not lend themselves to the complexities of the specifying, buying, changing and consuming services. As such millions of

pounds of high value service are bought with limited control in many corporates, relying on off systems mechanisms to provide control. Encouraging minority and diversity suppliers is also hard to manage in these systems.

Services procurement solutions, led by Globality but also including companies such as Mercanis, Lhotse and Zivio have developed tools that solve this problem, and build a much better interaction between supplier and buyer with procurement overseeing and facilitating the connection. I believe that these systems will become mainstream and will feature in core technologies of many successful companies within 2-3 years.

back to navigation

Query Management and Service Management

An area that consumes a tremendous amount of time outside our strategic focus, is query management and service management: dealing with queries from business requestors, suppliers and other colleagues. This not only consumes significant amounts of time, when not managed well, but it also drives poor customer satisfaction surveys. Fixing this will free up time for colleagues, drive up engagement, and improve internal net promoter scores.

However, it is not a task for procurement alone, and collaboration will be needed with the wider Global Business Services (GBS) function and IT to combine service management tools like Service Now, with process transparency tools like Celonis, your company's chat bot and conversation tools such as Azure, Google or IBM Watson.

Whilst this may feel distant from the core function of procurement, making gains in this area will free up significant amounts of time from your operational procurement and accounts payable teams.

There are some procurement specific workflow tools that could be used to manage procurement workflow such as Onit, HCIX and Creta, and if you use these you need to be clear about how they connect into user journeys of your personas (requestors, planners, suppliers etc) and how they integrate to the legacy IT estate and workflows of your company.

Experimental Capabilities

Experimental use cases are new and evolving technologies that are not typically affecting end-to-end processes, but that can be piloted rapidly, adjusted and then quickly scaled and adopted in procurement.

Experimentation is used when applying AI to a process as it is not always possible to predict or extrapolate the effect AI will have on your processes.

When using efficiency tools like automation, if a solution works in one place then it can be applied elsewhere, its effect extrapolated. With AI more experimentation is needed to validate the effectiveness of the concept.

The good thing about using a startup is that they have done the hard work of proving the concept by experimentation and you just need to experiment to prove the value to your company, i.e. whether the application can be used with your processes, data and culture.

> "Experimentation is used when applying AI to a process as it is not always possible to predict the effect AI will have on processes"

Category Specific Tools
There are now a growing number of category specific tools that target more complex categories with high spend. These tools go deep into build specific processes and gain very detailed benchmark data that can be used to rapidly drive value. Examples include:

Cloud IT Spend
Cloud computing offers flexibility and a low cost of entry while critically empowering the business to engage in software purchases often without IT or procurement help. However, unchecked IT costs can spiral and licences can be over speced, auto-extended and may result in growing costs.
There are many tools in this category and examples include Sastrify, Spendflo, Vendr and Zylo that look to help to manage these costs. They interrogate your existing SaaS agreements and by understanding consumption, real vs benchmark prices and contract terms and extension dates, they allow you to reduce your IT costs materially. Some are so confident that they offer risk-based fee options based on savings delivered rather than traditional subscriptions alone.

Other category tools
Other examples include Brightflag and Persuit which are legal category tools, plus there is Decideware for marketing and XMED iQ, a startup digital B2B marketplace connecting hospitals and med-tech suppliers while improving sourcing and collaboration.

Category Management and Negotiation
The downstream areas of procurement and analytics are very structured in nature and so lend themselves to being systemised and augmented with AI. Many aspects of these processes are well covered by enterprise systems, package and start-up technologies. They are the science in procurement.
The more upstream areas such as category management and negotiation rely more on category knowledge and interpersonal skills so they have been much slower to develop partly as knowledge is harder to capture and harvest than process. However, these areas are now increasingly mature and are good areas to pilot in procurement:

> **In 2023 focus on 'moments that really matter' in your business and obsess about tools, data and user experience"**

> **"Experimental capabilities are new and evolving technologies that can be rapidly scaled across the business"**

Category Management tools
This is the heartland of strategic procurement, but relatively untouched by systems. There are a number of companies including Akirolabs and Cirtuo that are setting the pace in the process of category management for organisations with dispersed category teams, but some of these products are not fully mature.

Negotiation tools
Negotiating has historically sat outside procurement systems and the to-and-fros on communication are often lost. There are a number of companies including Pactum which have built negotiation tools that not only capture the to-and-fros on counter offers and communication, but also provide insight that helps companies by providing automation of some of the steps and advice on negotiation strategies.

In conclusion
So, I recommend CPOs double down on digital transformation in procurement in 2023, making room for this by automating some of the more simple and routine tasks and freeing your best talent to drive improvements across all three dimensions of foundational, evolutionary and experimentation. These investments should focus on those 'Moments that really Matter', where you will augment the critical differentiated capabilities or resolve manor user pain points.
My recommendation is to find the four or five 'moments that really matter' in your business and to focus on doing those areas incredibly well, while obsessing about the right tools, data and user experience needed for each use case. ∎