

# How Procurement Disruptors are Changing the Future of Procurement

## ProcureAbility

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SIG

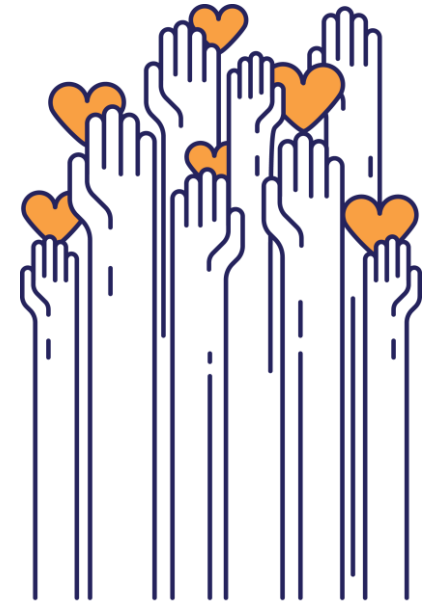
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## *Disruptors that are Changing The Future Of Procurement*

# Agenda

**Introduction**

**Factors that will Disrupt the  
Procurement Function**

**How Procurement Will  
Change As a Result**

**What this means for Procurement**



# About ProcureAbility



Exclusively Focused on Procurement  
**IT'S ALL WE DO**



**CONSULTING**  
advises on strategy and cost reduction opportunities



**TALENT & RECRUITING**  
provides permanent and temporary staffing solutions



**ANALYTICS & INTELLIGENCE**  
delivers valuable insight

# Disruptors Require Profound Change to Survive

## disrupt

[dis-ruhpt]

verb



1. to cause disorder or turmoil in
2. to destroy, usually temporarily, the normal continuance or unity of; interrupt
3. to break apart: to disrupt a connection

Historically, disruptors dramatically change how companies operate e.g.: *the industrial revolution, computers, outsourcing*

Disruptors force companies to innovate and change; those that do not are not likely to survive

We are in a period of business disruption today that is greater than in the recent past

# Why Do We Care About Disruptors?



Traditional  
Internal IT  
Departments

Traditional  
Internal Backoffice  
Functions

Companies or functions that do not anticipate disruptors and innovate to remain relevant typically die, or remain changed forever

# About Our Study

## INPUT:



Executive Interviews



Market Research



ProcureAbility Insights

## INTERPRETATION:



### The Future of Procurement

*Supply Chain Disruptors  
& How They Will  
Change Procurement*

## APPLICATION:



Better Anticipate Changes



Develop New Solutions



Plan Your Approach to Change



Add Additional Value to Your Company



# Procurement Disruptors



# Procurement Disruptors

**50+** Factors are expected to disrupt the Supply Chain function in ways not seen in the past 20 years:

- People
- Technology
- Environmental
- External
- Internal



Procurement's bright future will require change to effectively navigate these disruptions:

- New operating models
- New skillsets
- New capabilities beyond traditional sourcing & category management
- Automate to reduce tactical workloads



Snapshot of participants, assessment criteria, and key takeaways



**25+** Procurement Executives Interviewed

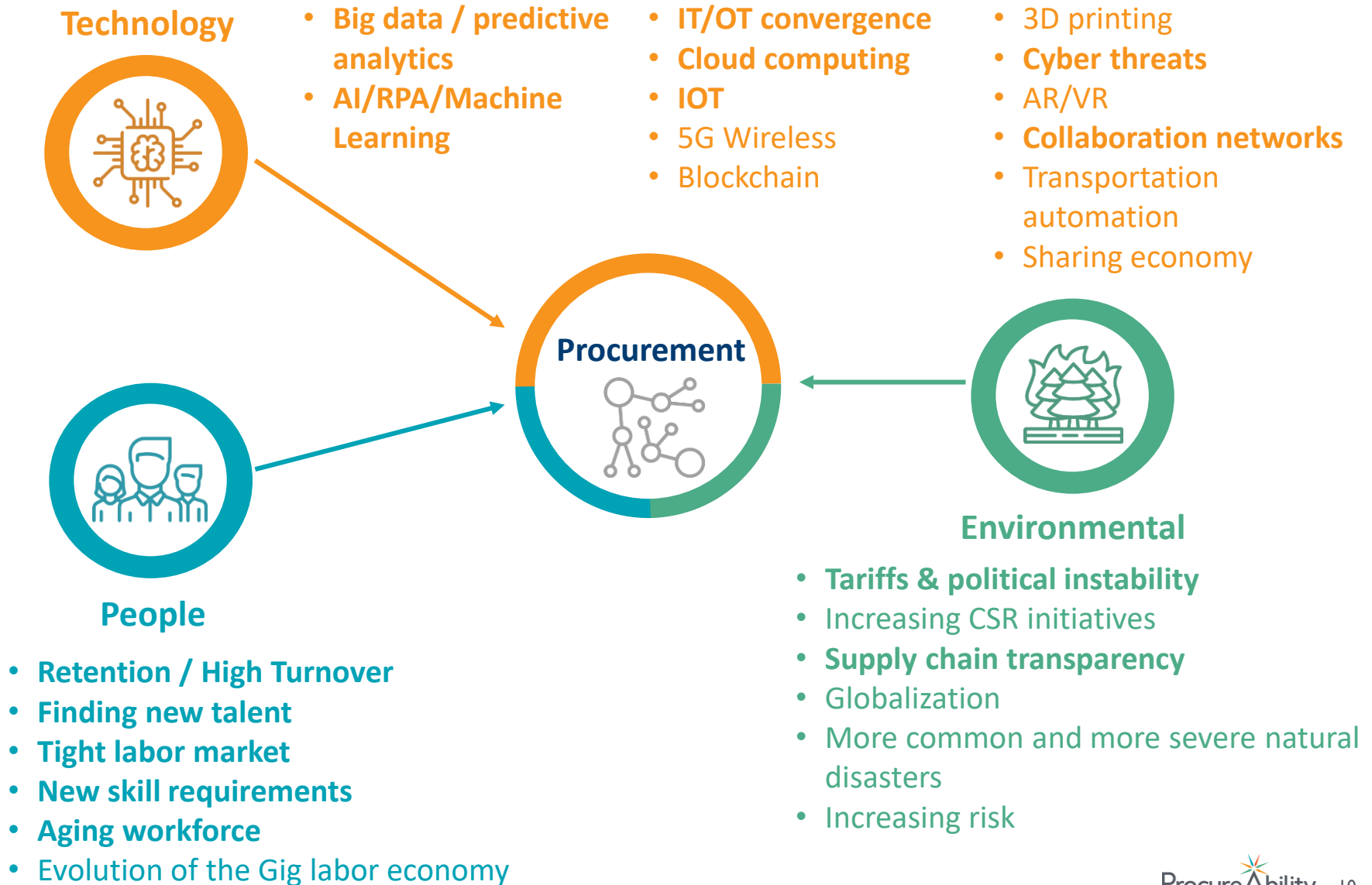
- *Cross Industry*
- *Indirect & Direct Focus*
- *Director/CPO/VP Levels*

**28+** Benchmarking Studies Assessed

**37+** Industry Analysis and Whitepapers Reviewed

**80+** ProcureAbility Consultants Surveyed

# Procurement Disruptors



# People Related Disruptors

## Globalization & Virtualization

- Virtual workforce is common

## Competitive Talent Market

- 11% more job openings than unemployed people (BLS)
- 46% of U.S. employers report difficulty filling roles (ManPower Group)
- Unemployment rate below 4% for 5 consecutive months for the first time since the 1969 (BLS)
- High tech companies attract top talent

## Automation

- World class procurement operates at 20+% lower labor cost with almost 30% fewer staff
- 80% of our respondents listed digital procurement as a priority, but less than 5% have highly automated processes



## New Skills Required

- Advanced analytics
- Increased knowledge of IT systems as they permeate key procurement processes
- Understanding of technical product design

## Freelance Economy

- 45% of the total workforce by 2020 will be “gigging”

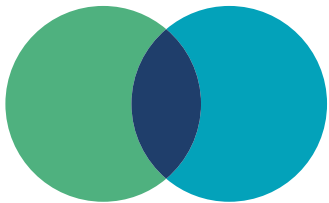
# The Gig Economy Is A Major Force Of Disruption

**55 Million** IN THE GIG ECONOMY

**35%** OF THE U.S. WORKFORCE



By 2025, some large corporations will have **NO FULL-TIME EMPLOYEES** beyond executive staff.



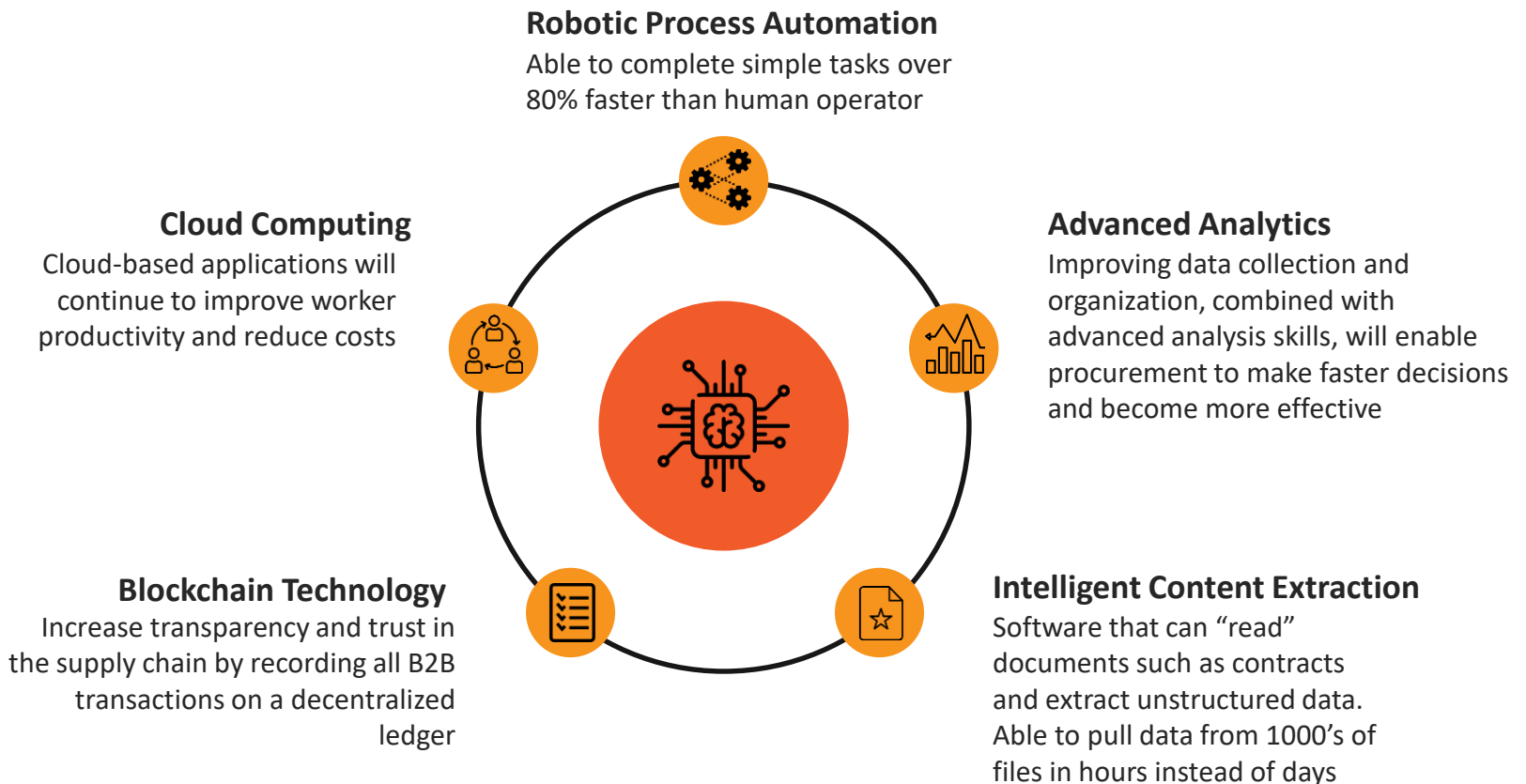
The majority of U.S. companies **BLEND** consultant and independent contractors with internal full-time employees to better **LEVERAGE TALENT** as a key business differentiator.

## THE GIG ECONOMY *includes*



# Technology Related Disruptors

New technologies will enable procurement to focus on strategic activities, develop better insights, and improve stakeholder and supplier relationships



# Improved Data Availability

New technologies will enable procurement teams to deliver increased value if they have the skills to properly analyze the data



## Cloud Computing

E-procurement solutions offer real-time spend visibility. Collaboration networks will give suppliers a platform to suggest innovations.



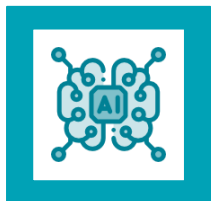
## Automatic Content Extraction

Quickly pull unstructured data from contracts, specifications and other documents



## Social Media and News Feeds

Collect consumer complaints about product quality or news about supplier financial strength



## Artificial Intelligence

Improve data usability and predict market conditions

## Potential Benefit

Improve spend profiles and increase innovation funnel

Organize data about key suppliers and product groups

Improve reaction time to consumers needs and changes in business environment

Organizations will have the data they need to make informed decisions

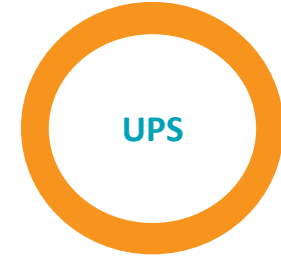
# Blockchain Technology



Requiring all suppliers of leafy vegetables to upload data to the blockchain by Fall 2019



Tradelens technology is digitizing the trade workflow and tracking shipments at each node



Filed a patent for using blockchain to plan package routes and track them globally

## Benefits of Blockchain in Procurement

Increase Trust



Smart Contracts



Streamline Payments



Improve Speed



Increase Transparency



Decrease Costs



Improve Planning



Completely Auditable



# Environmental Related Disruptors

With today's increasingly complex global supply chains, companies will need to improve risk management capabilities in order to ensure business continuity

16

- Number of weather events in 2017 in the U.S. that did over \$1 billion of damage
- Cumulative damage from these events was over \$306.2 billion



30%

- Percent that wages have increased in China since 2014
- As developing economies continue to grow, companies will need to expand global footprint



\$30 Billion



- Sum of fines and vehicle buybacks resulting from the VW emissions cheating scandal
- Companies that proactively drive CSR initiatives will be ahead of regulations instead of fighting them



\$250 Billion

- Sum of tariffs that the Trump Administration has proposed against China
- Does your organization have strategies in place to remain competitive in a complex global business environment?



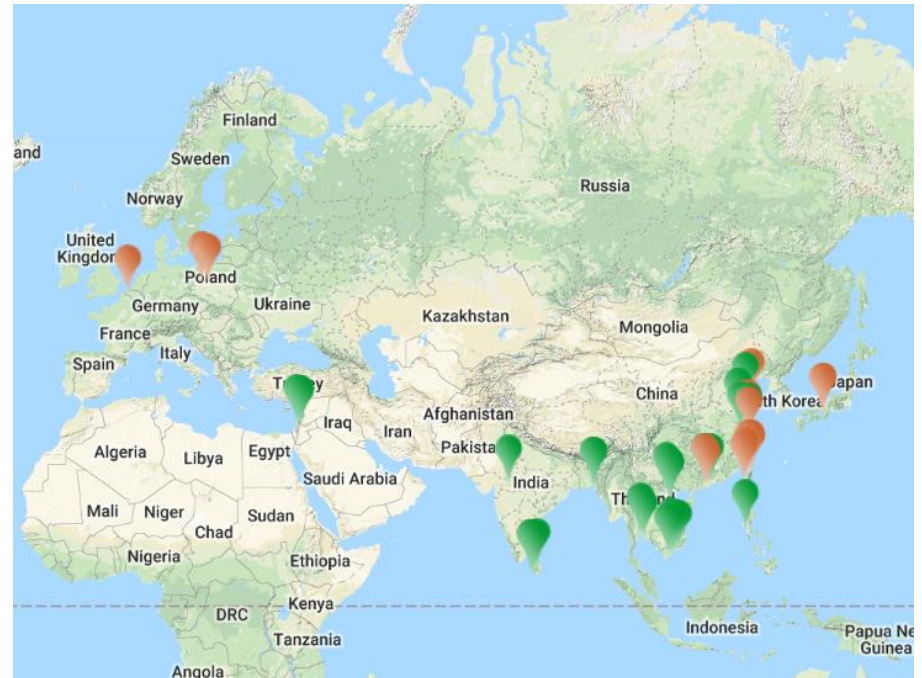
# Patagonia Footprint Chronicles

Patagonia's company philosophy and CSR initiatives improve social conditions and the environment while also improving the brand perception and employee retention

## The Footprint Chronicles

- Brings transparency to the supply chain by allowing consumers to see exactly where products are made
- While shopping, consumers are able to see a list of suppliers that make each product
- Each supplier has a paragraph describing how they are improving social or environmental performance

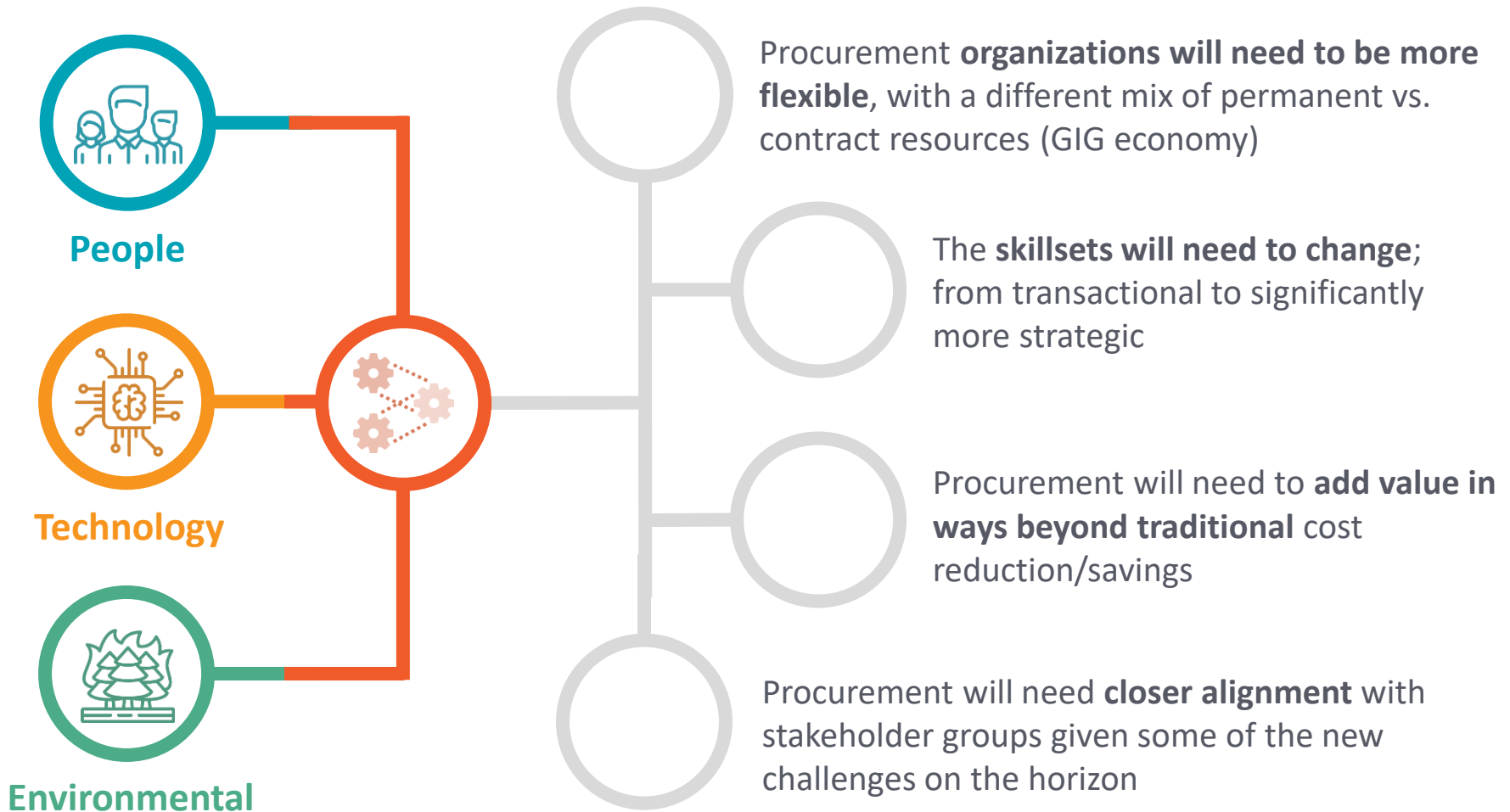
**patagonia**





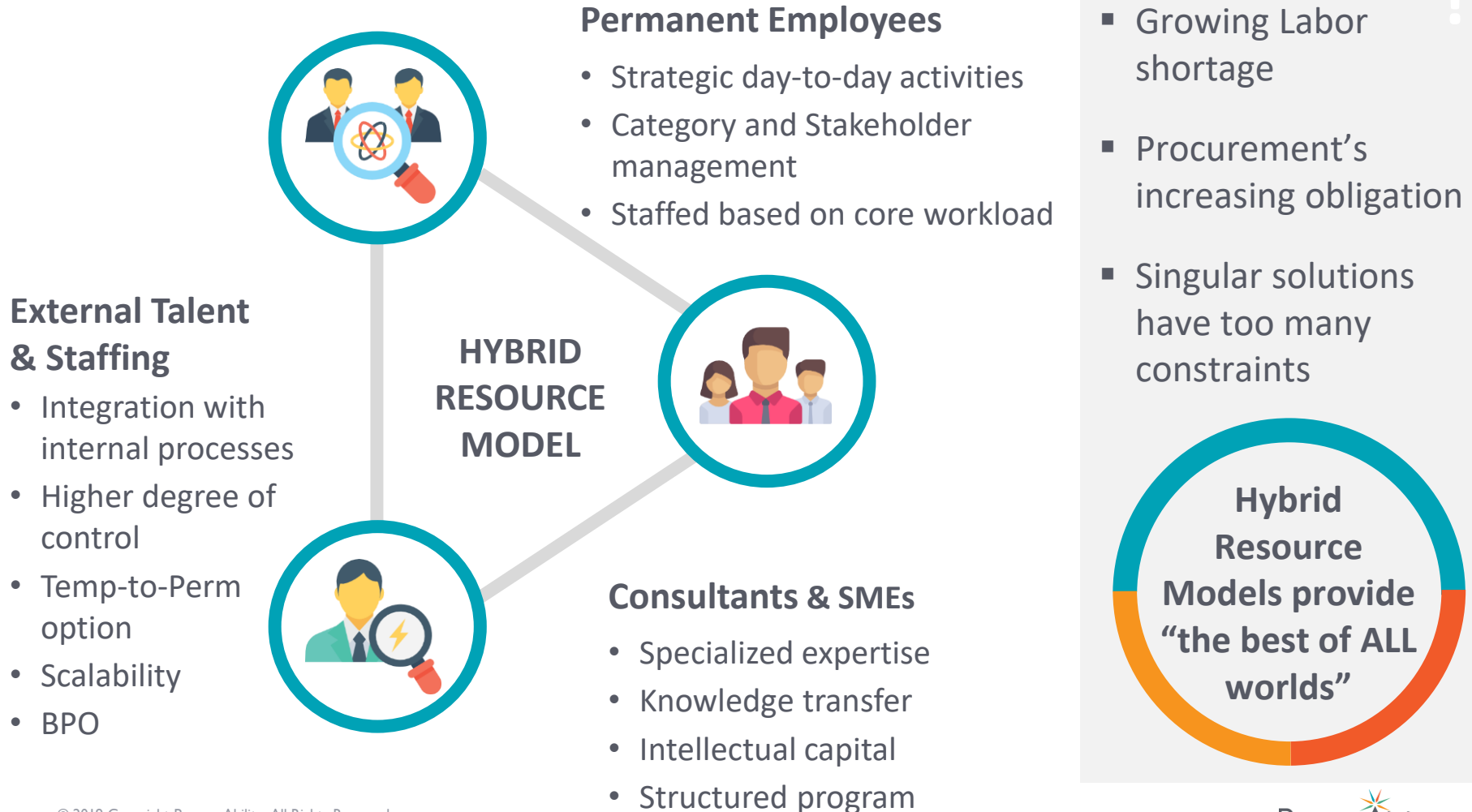
# How Procurement Will Change

# How Procurement will Change



# People Related Disruptor Solutions

Organizations are beginning to create a Hybrid Resource Model strategy using RPA & AI to minimize time consuming manual tasks



# Technology Related Disruptor Solutions

Procurement will need to expand their offerings beyond traditional sourcing and category management

## TRANSFORMATION



- Shift in the types of purchases procurement is supporting, from traditional products to cutting edge, emerging technologies (SAAS, high-tech)
- Move from outsourcing tactical tasks to automating them
- Expectation for rigorous analytics and intelligence
- Understanding of new markets and supporting category strategies
- Expertise in dealing with cyber security threats
- New skills for both customer facing and internal operational roles
- Broader application of Product Development and Value Engineering

# The Future of Procurement Analytics

## Procurement Analytics Common Today



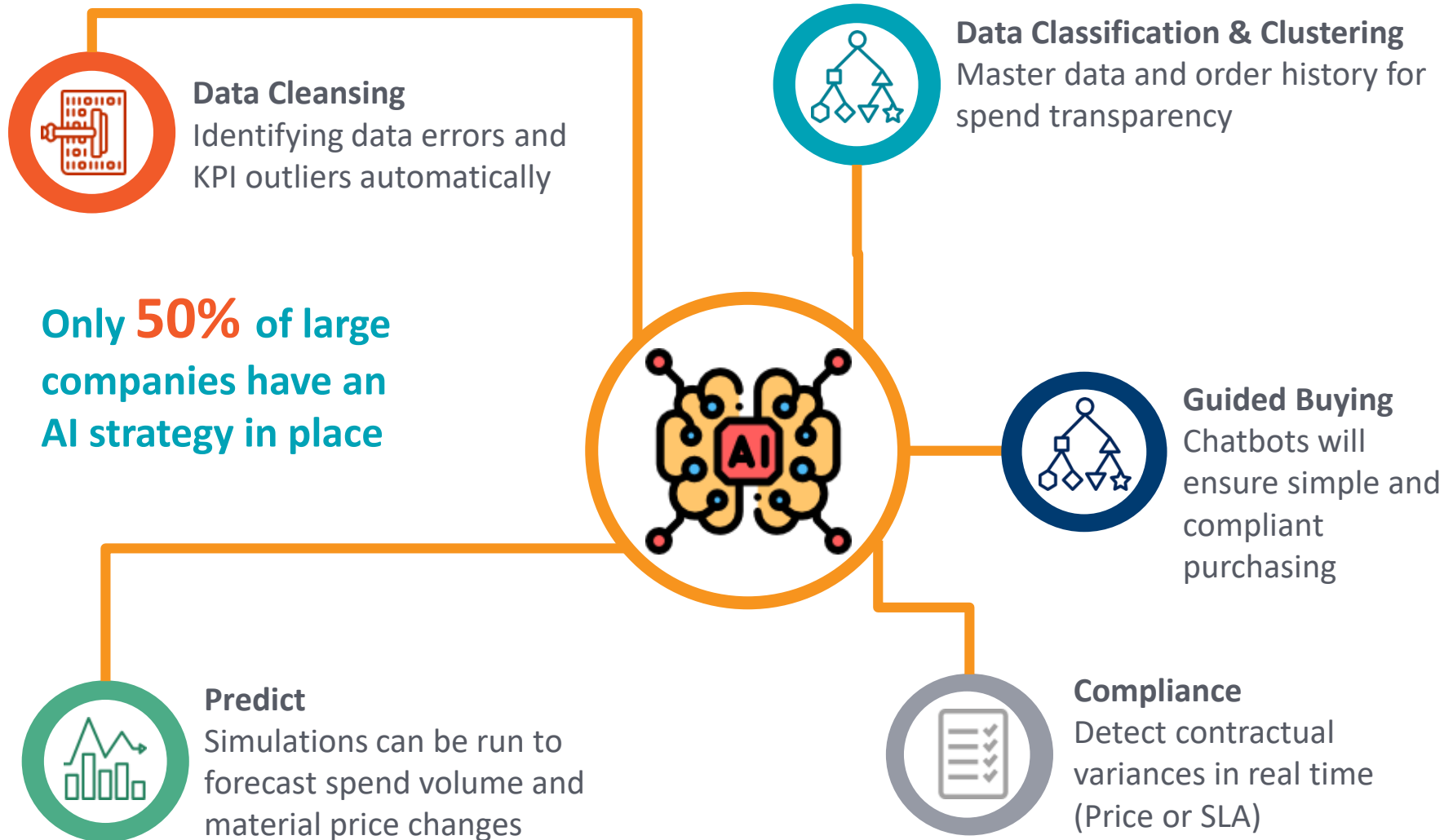
- **Spend Analytics**
  - Spend Categorization
  - Self Service Spend Analytics & Reporting
  - Periodic Updates
- **Cost Modeling & Should-Cost Analysis**
- **Market Intelligence**
- **Real Time Performance Dashboards & Scorecards**



## Future Capabilities Expected

- **Next Generation Spend Analytics**
  - Predictive Spend Analytics, including Spend Forecasting
  - Supply/Supplier Risk Forecasting
- **Price & Market Forecasting**
  - Integration of Market Data and Spend Data
- **Integration of non-standard data into Procurement analytics**
  - Social Media
  - Newsfeeds
- **Procurement Resource Analytics**
  - Resource Modeling and Forecasting

# Artificial Intelligence



# Agile Sourcing and Procurement Approaches

By applying the principles of Agile development to the selection process, we can improve speed and outcomes



**Collaborative work between teams**



**Structured process allowing for timed deliverables, speeding process throughput**



**Improved completeness and quality of documentation**



**Gate review “ownership” between functions improving outcome**

## Benefits

Up to 37% improvement on forecasted time to completion of end product

No surprise in the capacity of key people to work together

No surprise in the solution after the contract is signed

Better momentum, faster decision-making





What This Means for You

# What This Means For You

- Don't underestimate the fundamental change that will be required to survive (and thrive) this period of disruption
- Engage your organization and stakeholders to get their ideas and buy-in regarding the changes required
- Create a plan of attack that will address each area of disruption, and incorporate that into your Procurement strategy and roadmap
- Don't view these disruptors as a threat – organizations that are proactive and address these head-on will:
  - Be stronger and more competitive
  - Be seen as a more interesting place to work
  - Create a culture of innovation



Thank You



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# Session information and evaluation how-to's

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