

The Procurement Survival Guide:

Taking on the
Automation Revolution

Contents

Introduction	02
Methodology	03
Key findings	04
Executive summary	05
Part One: A Digital Culture	06
Part Two: Goals	09
Part Three: Challenges	13
Part Four: Evolution of Tech	17
About Mintec	20
About WBR Insights	20

Introduction

The procurement industry is reaching a digitalization tipping point. Automation is transforming the nature of the supply chain to create an intrinsically connected process. And while the benefits of digitalization have been widely agreed upon, the process is going to be a long-term project with many moving parts.

Methodology

In Q4 of 2019, Mintec commissioned WBR Insights to survey 200 CPOs, Heads of Procurement, Senior Buyers and those of a similar standing. Half of the respondents worked in CPG (Consumer Packaged Goods), and the rest were from organizations under the following verticals: Travel, Retail, Aerospace and Defence, Telecoms, Tech/electronics, Automotive, and Chemical.

The survey was conducted by appointment over the telephone. The results were compiled and are presented here with analysis and commentary.

Respondent Profile

Region

Belgium	2%	Ireland	3%	Spain	5%
Denmark	3%	Italy	5%	Sweden	4%
Finland	1%	Luxembourg	1%	Switzerland	5%
France	10%	Netherlands	3%	United Kingdom	16%
Germany	15%	Norway	2%	USA	25%

Industry

FMCG/CPG	50%	Retail	6%
Aerospace & Defence	7%	Tech/electronics	6%
Chemical	7%	Telecoms	6%
Automotive	6%	Travel	6%
Finance	6%		

Role

Category Manager	10%
CPO	75%
Head of Procurement Excellence	15%

Key Findings



The top concern for procurement professionals is making buying decisions without the necessary insight

35% have lost out on a business opportunity, lost revenue or incurred increased cost due to lack of insight into prices or costs



The average organization thinks it is further along than its peers in its strategic procurement maturity



When it comes to updating market prices information, **38%** have automated systems, while **47%** are using self-service portals, and **17%** are manual



76% find it difficult to compare suppliers' price data with independent market data

The most important elements of a digital procurement platform for our respondents are price forecasts, buyer negotiation aids and analysis/market insights



Executive Summary

by Spencer Wicks, CEO

Digitalization is rapidly transforming the global economy and no sector, including procurement, has been unaffected.

The opportunity cost of not changing and adapting is immense, so it's no surprise that procurement leaders in many of the most successful companies have embraced innovation through new technology and data.

For the past few years, CPOs have been affected by increasing expectation on procurement to deliver increased value to the business by responding to new business and consumer trends that can drive efficiency as well as revenue. Therefore, the pressure to become more efficient with resources and to better manage their costs has become paramount.

This disruption by technology has now become common and is contributing to an increasingly data-centric environment. Procurement may have been a late adopter, but senior leaders have embraced the opportunities technology provides. Many are now some way through implementing digital strategies and recognizing the benefits they deliver.

Across the supply chain, producers through to retailers are looking to leverage innovation using technology and data, with the hope of creating a more complete picture of their spend and facilitating a quick response to significant events in an increasingly competitive environment.

“ CPOs have been affected by increasing expectation on procurement to deliver increased value to the business by responding to new business and consumer trends that can drive efficiency as well as revenue ”

While the drivers for such strategies could appear obvious, namely to cut costs through increased efficiencies, the true drivers are possibly more complex. Changing business and consumer trends have increased the scope and expectations placed on procurement.

Although cost control may be at the heart of procurement, it may no longer be the priority. Issues such as sustainability, supply chain resilience, as well as managing the sheer number of products and raw materials required, are challenging the way procurement works with suppliers.

These complexities put an increased strain on the time available for procurement professionals to manage what is becoming an increasingly diverse workload, where cost management is only one objective and where more data is also no longer seen as the solution.

Large amounts of often fragmented data create challenges which frequently limit the ability of an organization to leverage insights in a reliable and timely manner. These issues make access to data which is integrated, actionable and widely available, a key factor in any digital strategy.

To deliver on this increasingly common remit, **CPOs are finding that the potential efficiencies achieved via digital transformation projects are both attractive and cost-effective.** But how can projects that create and implement digital strategies be realized without significant new resources?

Working with a wide range of global and national brands of varying sizes and complexities, Mintec has identified that the ability to complement individual digital strategies with an off-the-shelf solution enables organizations to scale activities to achieve repeatable results faster.

For procurement, having access to a set of common tools across the function ensures that individuals use standardized business processes that maximize efficiency. This action enables the function to respond faster to changing market conditions and have more confident negotiations with suppliers.

While analytic tools enhance the process, **access to data and insight is also a cornerstone to a digital transformation strategy.** Although organizations have access to data, a reoccurring theme is the application of that data. Whether it's data processing and formatting or modelling and analyzing, making data-driven insights more readily accessible to users helps to reduce time and effort. Subsequently, analysts' time is more focused and insights are deeper and more powerful.

This report examines the key factors affecting the success of your procurement strategy and highlights the ROI you can demonstrate by introducing digital technologies.

What's more, our research helps identify significant challenges facing procurement and gives you a clear indication of potential barriers to implementing digital procurement strategies.

Part One: A Digital Culture

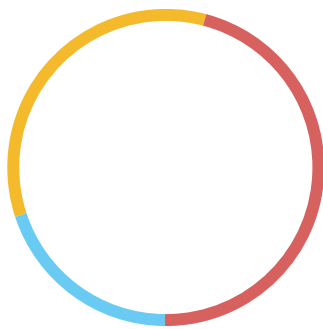
The Digital Race

While the task of digitalizing a process with so many moving parts can seem daunting and expensive, procurement is fast approaching the point where the cost of waiting to do so outweighs this in the long-term.

46% of respondents said their C-suite saw digital procurement as critical and high value, while on the flip side of that, over a fifth said it was peripheral to their strategy and of low value.

As the procurement sector edges towards a digitalized model, those who hang back risk entrenching themselves further into systems of the past, while early adopters give themselves a head start. What may appear to be the path of least resistance in the short-term could end up being the downfall of overly-cautious procurement teams. This is the era of the data-informed decision, and it's a race to see whose data analysis is the most accurate when it comes to predicting solutions which will streamline processes into their most efficient versions.

In your opinion, which of the following best characterizes how your company's C-suite views digital procurement?



- Critical to the enterprise and of high value **46%**
- Important to strategy and of medium value **34%**
- Peripheral to strategy and of low value **20%**

Reputations and New Foundations

The term 'cost-cutting' has left a bad taste in the mouths of many procurement departments which have struggled to position themselves as innovators rather than obstacles to be surmounted. However, this reputation for being a cumbersome department focused on slashing costs is far from the truth. **When asked to select their top priorities for procurement, respondents to our survey said efficiency was at the top of their list, while cost-cutting ranked much further down.**

What is your most important digital procurement priority for the coming year?



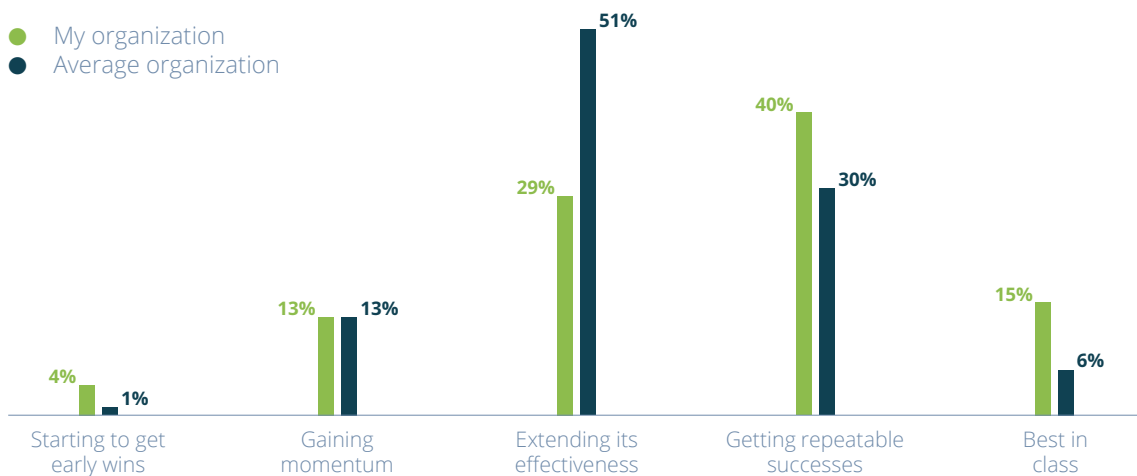
- Procurement efficiencies **29%**
- Supplier performance **27%**
- Supply risk management **22%**
- Cost savings **13%**
- Improved compliance **9%**

By making sure processes run as smoothly as possible, procurement departments can free up time to pursue innovations. Nowadays, efficiency is the name of the game – and it all depends on data.

Ultimately, organizations should be aiming for a procurement department that's digitalized from the foundations up in order to drive efficiency and create value for the business – and while nearly half of our respondents report that the digitalization of procurement has become central to their strategy, the journey has only just begun. Despite this, **firms tend to overestimate their digital maturity in comparison to their peers.**

The truth is that while a few industry giants have access to advanced data analytics in-house, most procurement teams are still working to instil a 'data first' culture, and hone their resources accordingly. In the meantime, there are ways to bridge this knowledge gap. To remain competitive with leading organizations, savvy procurement professionals are turning to agile third parties who have honed their resources to deliver analytics which can support a more informed decision-making process.

How would you characterize your current strategic procurement maturity?



Part Two: Goals



/Administration
/Human Resources
/Legal
/Accounting
/Finance
/Marketing
/Publicity

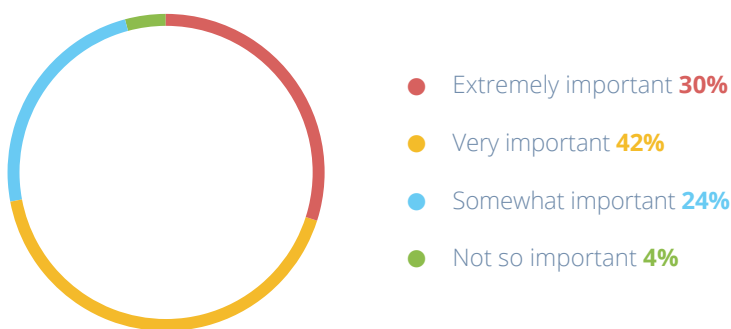
/Procurement
/Research
/Business

The Key to Success

Although procurement has made efforts to shed its cost-cutting reputation in favour of a more innovative one, **managing costs remains an integral part of its function**. Understanding raw material inputs and managing spend are essential to the role of procurement, and the pressure is higher than ever before to prove procurement's value to the business by reacting to business and consumer trends that have the potential to bring about *efficiency* as well as driving revenue.

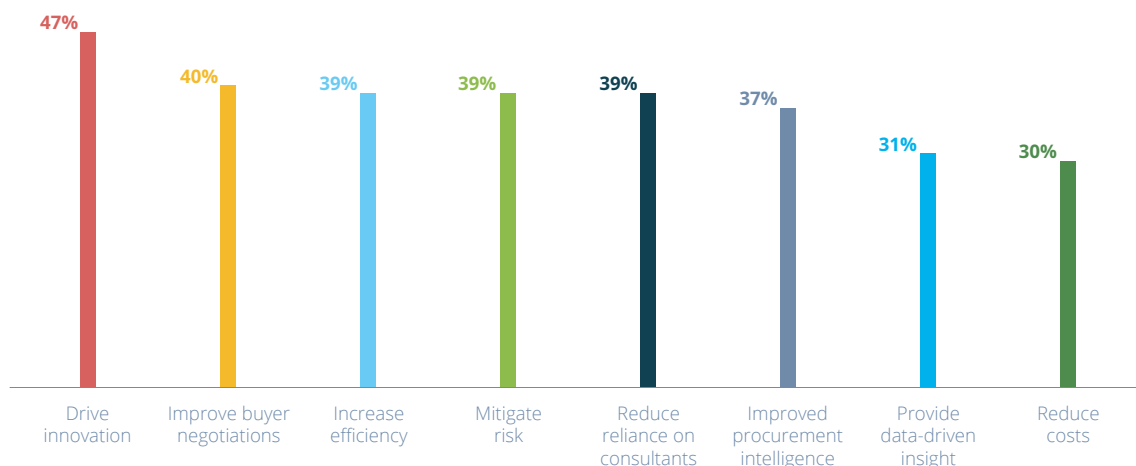
By gathering and analyzing data, procurement can make informed decisions that streamline its processes and the way that it spends. Creating a culture of data will help shift the focus beyond cost-cutting, and onto efficiency-driven ROI.

How important is it for procurement to manage supplier costs for products and raw materials?



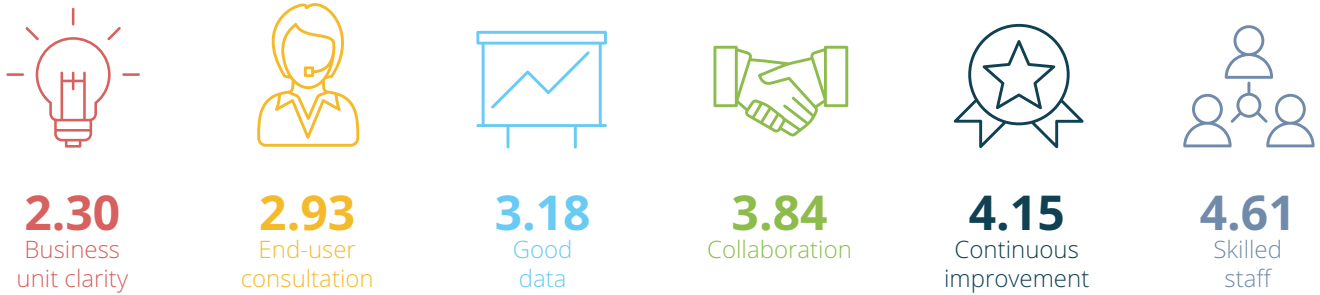
When it comes to achieving ROI through tech, **almost half of respondents said they expected to see this through a drive towards innovation**. **40% said they expected to see ROI from technology due to improved buyer negotiations**, and although plenty of procurement teams have access to data that can support negotiations, many are still struggling to utilize it. Those who focus on implementing an infrastructure that harnesses the full potential of fragmented data are well-positioned when it comes to *negotiating*, and can draw from concrete stats to make well-informed decisions.

What ROI wins do you most want to demonstrate from your investment in digital technology?



What are the key factors affecting the success of your procurement strategy?

(Please rank from 1-6 with six being the most critical success factor and one being the least)



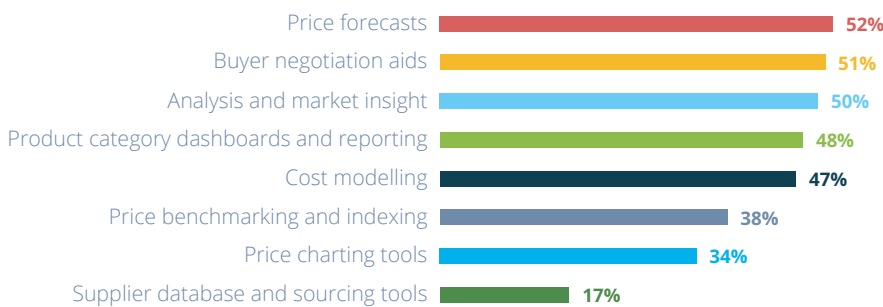
Respondents reported that the most integral element to achieving this ROI would be a skilled workforce. Implementing automation calls for a skilled professional with a clear view of how processes can be better connected. Once the goals have been identified, they can start the process of selecting tools which are easy and quick to *deploy*, and begin training staff to ensure consistency and repeatability.

Creating the Path of Least Resistance

It’s easy to get lost in ambiguity when talking about implementing technology. Without breaking this amorphous topic down, it can seem like a difficult beast to tame. So what exactly is it that procurement professionals are looking for when it comes to digitalization?

The majority of CPOs we surveyed said price forecasts were one of the most important product features they considered when choosing digital procurement platforms. 51% also said that buyer negotiation aids were a critical element, and half said that analysis and market insight played a big part in their decision. These top three choices underline the trend that procurement is seeing towards data-based decision-making.

What are the most important product features when considering digital procurement platforms?



On top of these prioritized product features, we also asked respondents which factors were most important when it came to implementation. User experience came top of their list, making it clear that the priority for procurement professionals is setting up an infrastructure that makes data analysis a smooth and efficient process. By taking the friction out of aggregating fragmented data, respondents hope to free up time for ROI driving innovations.

It's also apparent that taking the friction out of the implementation itself is highly sought after by CPOs, who also ranked a seamless integration with minimal customizations high on their list.

What are the key selection factors when choosing a procurement automation solution?

Respondents were asked to select all that applied.



Part Three: Challenges



The First Hurdle

The trajectory towards digital has been set, but for many procurement teams, the process has only just begun. **When we asked respondents what the main barrier to success was, over a third said that the introduction of tech was their biggest hurdle.**

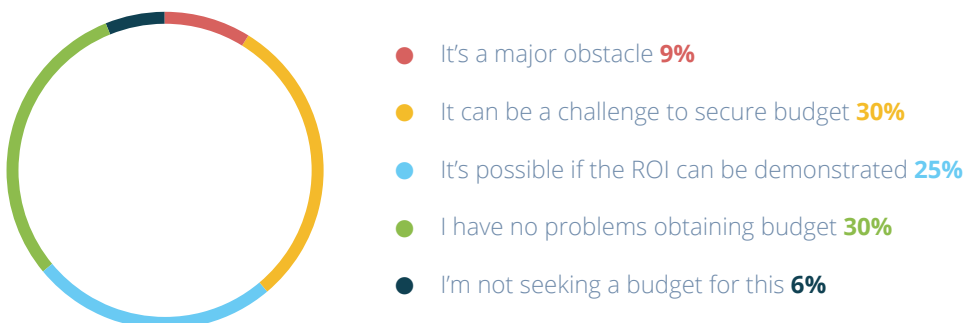
What is the most significant barrier to achieving success?



As more and more organizations begin their digital journey, we're able to build a clearer picture of the challenges that early adopters are coming up against. So what exactly is it that's slowing them down? **Well, 39% reported that they had trouble securing the budget for automation.** Investing in a future-proof technology infrastructure is a big decision, so it makes sense that the C-suite isn't taking it lightly. However an all or nothing attitude towards tech won't serve procurement well. Instead, using a third party's resources to easily integrate an off-the-shelf solution is a great way to utilize the data analytics that can help an organization remain competitive.

Respondents have already reached a consensus that technology will drive ROI through improving innovation and supporting buyer negotiations. Now they need to get the C-suite on board by showing them the benefits of implementing a technology strategy which addresses the short-term while more permanent technology infrastructure is being put in place. However, if procurement teams continue to overestimate their digital maturity in comparison to their peers, they may be blindsided by competitors with more advanced short-term strategies which provide more valuable insights.

To what extent does budget limit you in terms of implementing automated procurement processes?



Real-Time Response

According to our research, the biggest challenge facing procurement at the moment is market volatility, with a lack of confidence in supplier negotiations closely following. Supply chain strategies have always necessitated a certain amount of resilience. The industry has seen rigid structures time and again fall victim to unpredictable external factors, while those with more advanced analytics have managed to predict developments earlier on in order to circumvent potential issues and capitalize on trends.

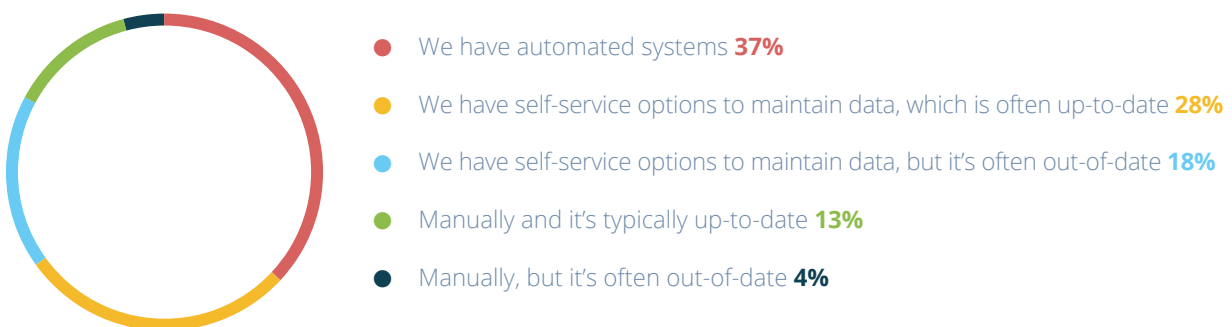
What are the biggest challenges facing procurement?

Respondents were asked to select all that applied.



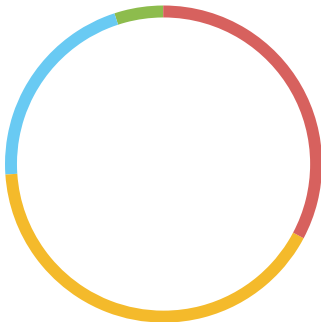
As factors such as geopolitical tensions and the climate crisis continue to cause uncertainty, it's crucial that procurement departments are responsive and keep information up-to-date in order to minimize the impact of external factors which may cause bottlenecks. However, 22% of respondents reported that they had manual or self-service systems which were often out of date. The 37% who have automated their market prices information have a head start when it comes to responding to trends.

How is your market prices information kept up to date?



The data analysis which facilitates such responsiveness is the key to beating competitors to the punch, and yet **67% said that they had difficulty utilizing data to compare their supplier's price data with independent market data**. While valuable data is often available, procurement teams are still in the process of standardizing and integrating data to unlock its value and deliver results.

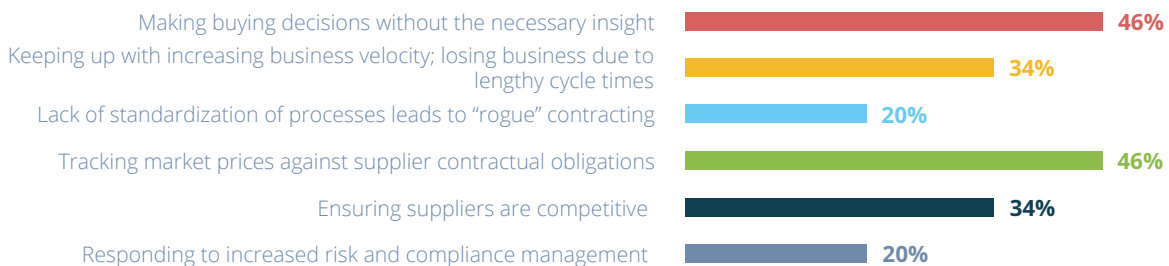
How effectively are you able to compare your supplier's price data with independent market data?



- We have a fully automated, online performance system, integrated with Sourcing **33%**
- We have consolidated performance information from across the organization, but driving business rules utilizing that data is difficult **41%**
- It's very difficult to use the data we have as it is disjointed and in different places **21%**
- It's very difficult in the absence of any data **5%**

Access to data is not the main issue, rather the ability to apply data is the main obstacle to responsive, data-driven decisions. **Making buying decisions without the necessary insight is the top concern** for our respondents – and despite being hyperaware of this, **35% still attribute lost revenue, opportunity or increased costs, to a lack of insight into prices or costs**. Off the shelf tools and data help buyers negotiate with confidence by delivering insight and price data that is aligned with buyer negotiations.

Which of the following procurement-related challenges cause the most concern?



Have you ever lost out on a business opportunity, lost revenue or incurred increased cost due to any of the following?



41%
Failure of process



40%
Technology gaps



35%
A lack of insight into prices or costs

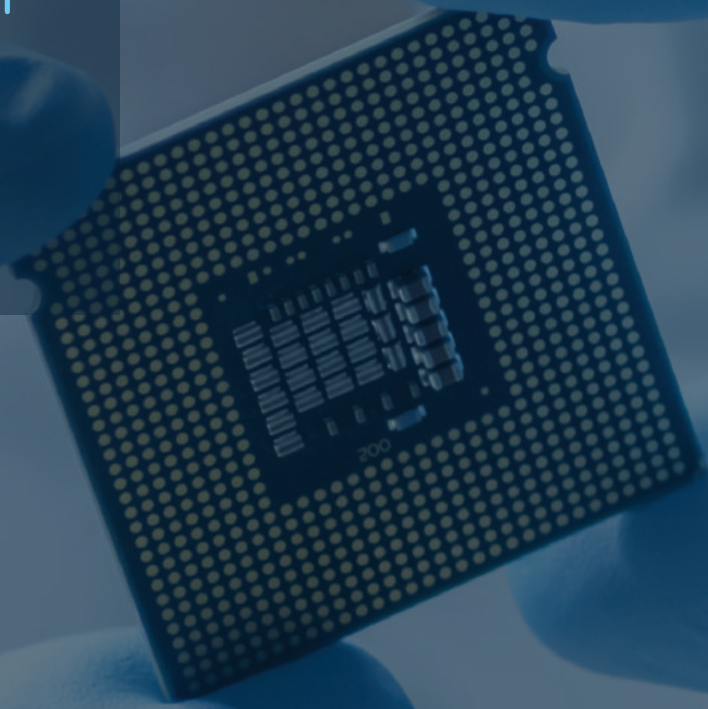


27%
A lack of data



20%
None of these

Part Four: Evolution of Tech

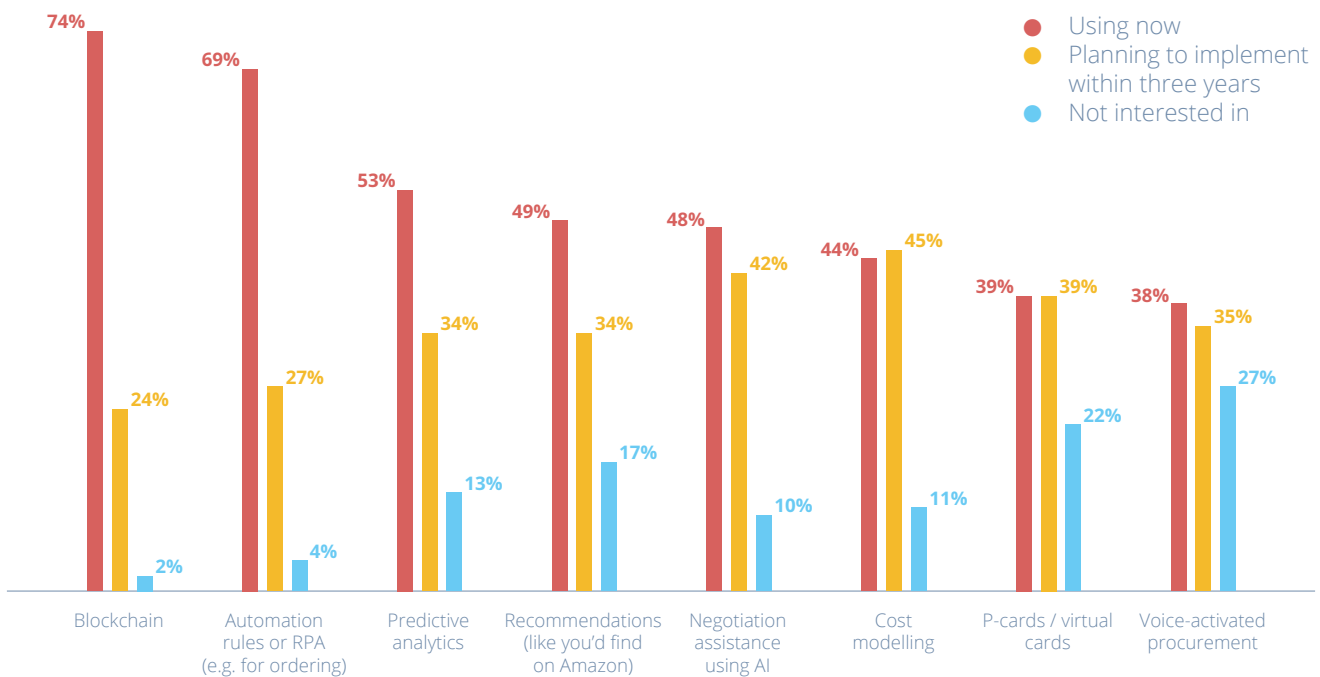


Connected Processes

The majority of respondents reported that their teams have implemented blockchain (74%), automation rules (69%) and predictive analytics (53%). Blockchain provides new levels of visibility to procurement teams by creating one ledger of transactions available to all parties that cannot be retroactively edited. The visibility blockchain offers benefits consumer and supplier alike. It has promising applications for suppliers who are committed to promoting ethical and sustainable supply chains.

Out of the respondents who said they have access to predictive analytics, only 42% say they have negotiation assistance using AI, and 52% have implemented cost modelling. It's clear that while plenty of procurement teams have the data available to make informed buying decisions and negotiations, there are still challenges to overcome when it comes to aggregating that data to gain valuable insights. Our results are promising though, with over 40% showing interest in implementing negotiation assistance and cost modelling. Our research shows a natural progression from more basic automation where procurement teams are laying the foundations, to more advanced technologies further down the line.

What type of procurement automation technology is your team using, and what do you plan to implement in the next 2-3 years?



It's clear that procurement teams are keen to capitalize on innovative technologies that can streamline their processes. Looking further into the future, **respondents selected machine learning as the technology which would have the most impact on the performance of procurement.** Ultimately, the industry is heading towards a data-first mentality, and it's encouraging to see that the priority for this industry which is so focused on efficiency, is an infrastructure which is fully connected and fuelled by data.

Which of the following digital technologies will have the most significant impact on improving the performance of procurement?



26%
Machine learning



20%
Mobile technology



15%
Cloud technology



14%
Data application



14%
Artificial intelligence



11%
Process automation



About Mintec

Whether food commodity prices are rising or falling, independent price information from Mintec enables the world's largest food and CPG brands to implement more efficient and sustainable procurement strategies.

We do this through our cutting-edge SaaS platform, Mintec Analytics, which delivers market prices and analysis for more than 14,000 food ingredients and associated materials. Our data and tools empower our customers to understand supplier prices better, analyze their spend and negotiate with confidence. This ensures that they are best placed to reduce costs, manage risk and increase their efficiency, helping to maximize their margins.

Contact us to find out how your business could benefit.

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About WBR Insights

We use research-based content to drive conversations, share insights and deliver results. Connect with our audience of high-level decision-makers in Europe and Asia from industries including: Retail & eCommerce, Supply Chain & Procurement, Finance, as well as many more. From whitepapers focused on your priorities, to benchmarking reports, infographics and webinars, we can help you to inform and educate your readers and reach your marketing goals at the same time.

Contact us to find out how your business could benefit from:

- Year-round access to our network of decision-makers and industry leaders
- In-depth research on current fast-moving issues and future trends
- Lead generation campaigns that fit your priorities
- Promotion of your organization as an authority in your industry.

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