How is digital procurement redefining businesses today for a world of tomorrow?
“Technology will act as a pain reliever across the procurement value chain, while at the same time making traditional procurement operating models irrelevant”

Liz Bryant
EY Asia-Pacific Advisory Procurement Leader
Partner — EY
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Will digital help us do less or be more?
Today's industries continue to be challenged by a continually shifting landscape of emerging technologies, shrinking product life cycles, globalization and regulatory and compliance requirements. These challenges translate into a number of operational pain points experienced by organizations across the procurement value chain, which are exacerbated by a lack of automation, visibility and integration of processes.

Established and emerging technologies — such as robotics, analytics, blockchain can be leveraged to act as pain relievers.

With the proliferation of technology, the traditional procurement models are set to evolve into a collaborative model where market or supplier information will be shared in real-time, making the traditional models irrelevant.

Beyond the hype of emerging technologies there are a number of practical applications and clear solution areas where organizations can leverage technology today:

► **Smart Procure-To-Pay (P2P):** automation across the entire procure-to-pay functionality — e.g., use of Robotic Process Automation (RPA) to replace highly repetitive tasks without major structural reform.

► **Automated procurement:** integration of procurement performance management to Cloud, Artificial Intelligence (AI) and RPA technologies to drive efficiencies and contracting excellence.

► **Smart contracting:** integration of the EY contract management platform with Cloud and advanced analytics solutions to allow proactive administration and management of supplier and customer contracts, increase adoption and improve compliance within the organization across all interfaces (mobile, web and desktop).

► **Business-To-Business (B2B) marketplaces:** effective management of entire portfolio through any channel, including offering customized prices and agreements for preferred vendors or customers, use of advanced analytics enabled with automated operations to improve customer service, reduce costs, eliminate errors and provide real-time data to sales teams.

To get started on their digital procurement journey, organizations need to understand their maturity against the digital procurement maturity model and map their own journey over the next 3–5 years, starting with strengthening foundations, transitions to digital operations and ultimately achieving digital maturity.

EY has an experienced teams of digital procurement leaders who support our clients every day on their own journeys.

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Liz Bryant
Partner
EY
Industry challenges and digital procurement opportunities
Industry continues to be challenged by emerging technologies, globalization and regulatory or compliance requirements

**Shrinking product life cycles**
- Organizations need to be responsive to sudden changes in demand
- Expanding product ranges
- Time to market contracting
- Emerging technologies offer game-changing opportunities

**Accelerating pace of globalization and complexity**
- Drive to best cost countries and strategies against rising commodity prices
- Extreme competition and deep cost reduction
- Pressure to rationalize operations and reduce cost
- Need to optimize procurement costs at the lowest line level

**Increasing regulatory, environmental and ethical requirements**
- Focus on social and environmental issues
- Ability to adopt new tax structures seamlessly and with minimal disruption
- Focus on environmental sustainability due to resource scarcity
- Increase in protectionist trade polices and requirements

**Increasing transparency and visibility requirements**
- Consumers, regulators and the press demanding transparency
- Social media amplifying the degree of scrutiny on procurement organizations
- Adoption of real-time social technologies
- Adoption of social mindset and operating model
The challenges translate into a number of operational pain points across the procurement value chain, driven by a lack of automation, visibility and integration of processes.
Established and emerging technologies — such as robotics, analytics and blockchain — can be leveraged to act as pain relievers

- **Automated go-to-market** and bid process with minimal human interaction
- **Contract expiry** based on buying patterns **without** spend analysis

**Sourcing**

- **A Cloud based online platform** enabling real-time visibility
- **Automation of vendor creation list and auto-creating requisitions**
- **Cloud based repository** for vendor relationship management
- **Reducing human involvement by integrating blockchain and crypto-currency features**

**Requisition**

- **Approvals through advanced analytics and blockchain**
- **Blockchain enabled smart contracting technology** to increase transparency
- **Automated requisition system**
- **Continuous real-time contract monitoring**
- **AI based automatic allocation of work** to optimize resources

**Approvals**

- **Real time updates of goods received using Internet of Things (IoT) to improve process cycle time**
- **RPA enabled detection system** to compare goods receipt to POS to reduce manual work in completing 3 way match with supplier invoices
- **Automated evaluation process** for faster approvals
- **Advanced analytics** to measure quality

**Goods receipt or service entry**

- **Auto-create POs from requisitions**
- **Analytical reporting** to ensure real-time data, fast business decisions and user adoption
- **Cloud-based systems** ensuring real-time updated PO history
- **Using blockchain enabled cross-indexing system for original contracts or RFx responses**
- **Automated PO closing**

**PO processing**

- **Centralized document repository**
- **Automated vendor evaluation** based on defined KPIs
- **Automated re-ordering** to improve demand forecasting and order fulfilment
- **Automated notice of the RFx** reducing processing time

**RFx processing**

- **Returns are automatically routed** for approvals
- **Blockchain integration ensuring process compliance**
- **Real time tracking** of goods across multiple POs using **advanced analytics** and AI

**Returns and Replacement**

- **Approved invoices auto-matched** based on contract terms
- **Tracking invoice compliance using blockchain and AI**
- **Automated generation of accruals** at period-end
- **Crypto-currency** on blockchain platform for instant and secured vendor payments
- **Automated open PO closure**

**Invoicing**

- **System connectivity between contract terms and supplier relationship reports**
- **Automated reminders** to prompt regular critical supplier relationship management

**Supplier management**
With the proliferation of technology, the traditional procurement models will evolve into a collaborative model where market or supplier information will be shared in real-time.

### Traditional Procurement Models

**Decentralized**
- Separate procurement function within each Business Unit (BU)
- Sourcing at the BU level independent of others

**Center-Led Decentralized**
- Central procurement function for organization-wide policies and key third-party contracts
- Procurement function within each BU to manage its own set of suppliers

**Centralized**
- Central procurement function for all third-party contracts
- Procurement staff specializing in specific procurement tasks to support all BUs

**Center-led**
- Central procurement function for all third-party contracts
- Procurement business partners or support staff within the central function aligned with BUs

### Digital Procurement Model

**Collaborative**
- Sourcing at BU level based on up-to-date information on market or suppliers
- Policies, business rules and controls — established either centrally or by individual BU — built into technologies
“Accelerated adoption of emerging technologies occurs when return on investment outweighs labour arbitrage and labour complexities”

Will Duckworth
Asia Pacific Digital Leader
Partner — Ernst & Young
Beyond the hype of emerging technologies there are a number of practical applications

<table>
<thead>
<tr>
<th>The myths</th>
<th>The reality</th>
<th>Real world examples</th>
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<tbody>
<tr>
<td>“All products will be delivered through drones.”</td>
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<td>Interim technology solution, till true digital transformation</td>
<td>Updating multiple systems across different entities where integration is poor</td>
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<td>Potential alternative to process or system standardization</td>
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<td>Extends optical character recognition to cognitive reading</td>
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<td>Benefits through tailored customization</td>
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The reality

Cognitive computing involves machine learning, with higher complexity tasks requiring longer learning periods. Relatively simple tasks can still deliver real value. Future procurement applications could include evaluation and award for simple quotations.

The myths

“AI can be deployed today to make procurement decisions.”

The technology to leverage blockchain is still emerging. Blockchain platforms do not need to be open to public services. Enables automated processing of transactions where requisite conditions exist. Blockchain is a proven and commercial technology for defined purposes, however it is still an emerging technology in Procurement.

Real world examples

A big-box retailer is using drones for building inspections. A global miner is using drones to check ore stockpiles. “Click to chat” customer service writing highly personalised customer emails. Blockchain consignment contract release value on electronic Proof of Delivery (PoD). PoD triggers transaction for vendor managed inventory. Blockchain warrantee contracts where an IoT enabled asset self-diagnoses issue and pays contractor upon repair confirmation. Replacing manual data entry of paper-based transactions such as purchase requisitions. Updating multiple systems across different entities where integration is poor.

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There are also clear solution areas where organizations can leverage technology

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<td><strong>1. Smart Procure to Pay (P2P)</strong></td>
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<tr>
<td>► Smart P2P targets comprehensive procure-to-pay functionality</td>
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<td>► Utilizing RPA to replace highly repetitive tasks</td>
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<td><strong>2. Automated procurement</strong></td>
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<tr>
<td>► Incorporate procurement performance management platform to Cloud with AI, RPA technologies or predictive analytics</td>
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<td>► Optimize corporate spend, implement automated workflows that ensure timely payment</td>
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<td><strong>3. Smart contracting</strong></td>
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<tr>
<td>► Integration of contract management platform with Cloud and Advanced Analytics solutions</td>
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<tr>
<td>► Real-time data on the Cloud platform identifying opportunities for improvement, driving higher adoption and improved compliance</td>
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<td><strong>4. B2B marketplaces</strong></td>
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<tr>
<td>► B2B web platform managing the entire portfolio, offering customized prices and agreements for preferred vendors or customers</td>
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<tr>
<td>► Using advanced analytics and mobility enabled with automated operations</td>
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**Marketplace integration**

The offerings are an extension of an end-to-end marketplace that allows dynamic integration; influencing product design, planning, fulfilment and procurement.
Getting started on digital procurement
Organizations need to understand their maturity against the digital procurement maturity model

### Supplier relationship management
- Supplier performance management
- Contract management
- Supplier integration and development

### Internal stakeholder management
- Customer service orientation
- Process and contract compliance
- Aligned goals and objectives

### Technology and data
- Excellent deployment and use of tools
- Business processes supported by technology
- Use of automation for goods receipt and automated matching

### Performance management
- Metrics aligned to business objectives and a balanced scorecard approach
- Configurable dashboards and AI engines with pre-determined KPIs

### Operational strategy
- Total cost of ownership focus
- Procurement as a change agent
- Competitive and market awareness

### People and organization
- Effective organizational structure
- Talent and skill development
- Performance culture and management

### Category management
- Strategic planning
- Full cycle category management
- Category and strategic sourcing excellence

### Purchase to pay
- Transaction processing
- Assisted buying
- Management information
What's the right path to accelerate your growth journey?
Organizations should map their own journey over the next three to five years

EY is working with a number of clients to strengthen foundations and transition to digital operations, as well as defining their digital maturity landscape.
EY has an experienced teams of digital procurement leaders who are helping our clients generate value through the next wave of leading practices

Liz Bryant
EY Asia-Pacific Advisory Procurement Leader Partner

Will Duckworth
EY Asia-Pacific Advisory Digital Leader Partner

Kuntha Chelvanathan
EY ASEAN Advisory Director

Liz is a Partner with 17 years of procurement experience across a broad range of industries including FMCG, Financial Services, Mining, Health, Utilities and Construction. Her experience covers all facets of procurement including Strategic Sourcing, P2P, Inventory Management, Supplier/Contract Management, Outsourcing and Organization Design.

Liz is regularly sort after as an advisor for procurement cost-out programs and to provide specialized assistance to organizations undertaking major procurement events including Information and Communications Technology, outsourcing and complex service arrangements.

Will is the Asia-Pacific IT Advisory Digital and Emerging Technology Leader and is leading digital in Asia-Pacific Advisory. He brings more than 20 years of experience in technology, innovation and digital industries and has been applying his passion for creativity, technology and disruption across IBM’s Interactive Experience, digital business and other partnerships. Will’s career has been distinguished by a focus on driving emerging technology from the bleeding edge to the tipping point of mass adoption.

Kuntha is a Singapore based director with EY and has over 14 years of industry and consulting experience.

She specialises in Operations Strategy, Transformation Programmes and Implementation and has worked in Europe for over 9 years and across Asia-Pacific for 5 years. Before joining EY Kuntha was a manager in the global head quarters of Alcatel-Lucent in France, developing long-term Global procurement strategy, implementing developed strategies worldwide and delivering sustained cost savings.
EY has an experienced teams of digital procurement leaders who are helping our clients generate value through the next wave of leading practices

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Hamish is a Director in Advisory and leads our Procurement Operating Model capability within the Asia Pacific Advisory Centre based out of Hong Kong. He has over 15 years procurement experience of delivering significant financial results from large enterprise-wide procurement transformations, typically underpinned by a technology rollout. His experience spans the UK, Asia, North America, Africa and across Europe including manufacturing, FMCG, telecommunications, banking/finance, automotive, retail, transport, public sector and information technology industries.

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Scott is an Auckland-based Supply Chain & Operations Partner with over 20 years of global experience. Scott currently leads a number of large transformational programs to achieve strategic outcomes for his clients. He has extensive experience in procurement strategy, transformation and performance optimization. Scott has deep experience in improving the performance of category management, strategic and rapid sourcing, strategic supplier relationships and procurement excellence to achieve cost reduction, revenue growth and improve customer satisfaction.
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