

A hand is shown in the lower right, reaching out towards a stream of colorful, glowing data lines that flow from the top right towards the center. The background is a gradient of blue and purple with scattered light points.

A new era of generative AI for everyone

Inspiring smarter buying:

How generative AI will
reinvent **sourcing and
procurement**



For Chief Procurement Officers (CPOs), the arrival of generative AI marks a major leap forward in the value their teams can deliver to the business—paving the way to faster, more accurate decision-making, higher resilience, increased sustainability and lower operating costs.

[Generative AI](#) is outpacing any other technology innovation in its potential reach and impact (Figure 1).

Executives around the world agree: according to Accenture’s 2023 Technology Vision, 95% of respondents said that advances in generative AI signify a new era of enterprise intelligence.

The evolution in analytics, machine learning, and AI

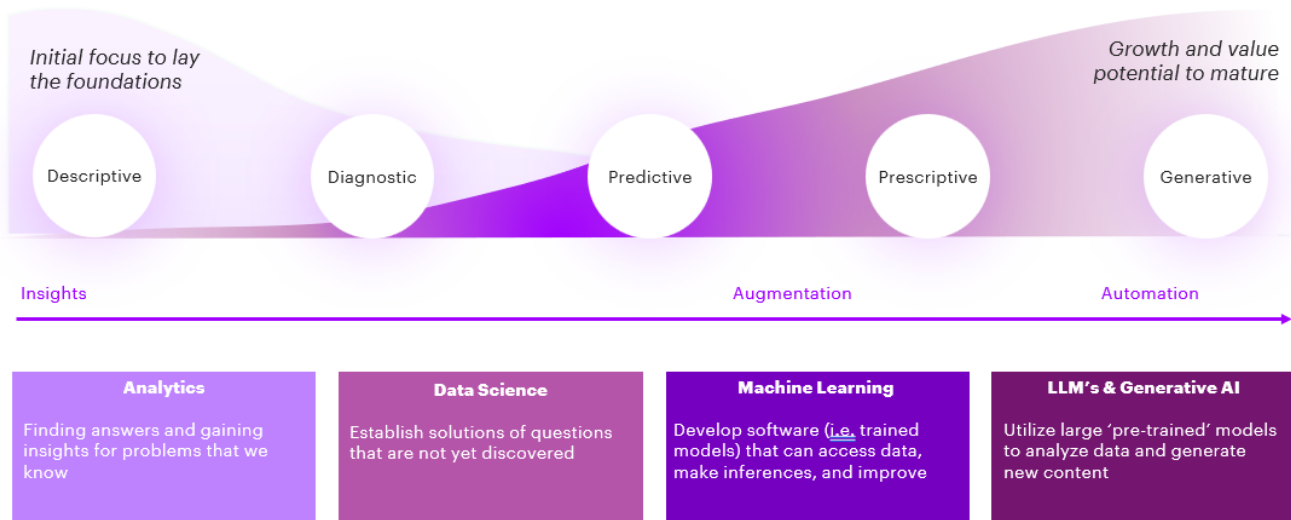


Figure 1: Accenture 2023

This is why generative AI was identified as one of the [four technology trends driving the next phase of business transformation](#).

Companies that integrate this technology into a strong digital core can boost innovation and [accelerate progress to new performance frontiers](#). However, as humans working with AI “virtual colleagues” become the norm, generative AI also raises many questions—not least around responsible use of this technology and how best to adopt it at scale for maximum value. So what does this mean for procurement?



Generative AI: Procurement’s new co-pilot

Like most areas of the business, procurement stands to benefit hugely from generative AI. That’s because one type, large language models (LLMs), don’t just analyze information and answer questions, they can also provide insights and create content.

Once integrated into the rapidly evolving digital procurement landscape, generative AI applications can transform a wide range of procurement capabilities (Figure 2). They’ll do this by augmenting teams on routine tasks and, by acting as a co-pilot to category leaders, providing strategic value-add through inspiration on-demand.

Instead of needing to undertake time-consuming research that risks falling rapidly out of date, that could mean, for example, being able to get immediate answers to questions like “what is my risk exposure buying raw materials in Indonesia?” or “which palm-oil suppliers are net-zero and carry a less than 14-day lead-time?”

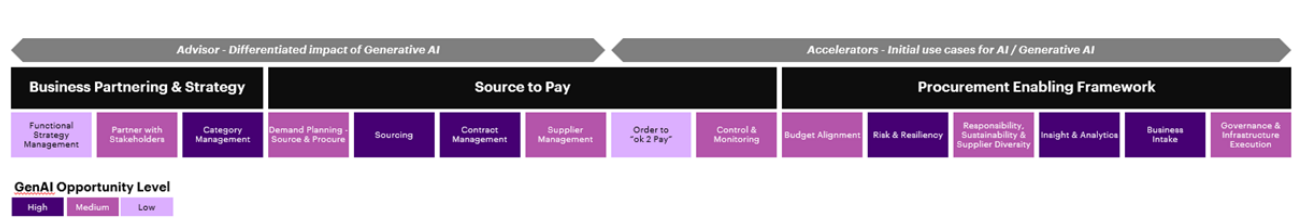


Figure 2: Accenture 2023

Delivering next-level sourcing and procurement operations

To bring to life generative AI’s power, consider four use cases where procurement can reap benefits in the near term:

1. Buying experiences – hyper-personalized and efficient

Procurement organizations have worked hard to improve the overall purchasing experience, making it easier for business users to buy what they need to do their jobs – and to do so responsibly. Generative AI takes all this to the next level—augmenting category managers, facilitating decision-making and helping procurement to collect business-wide insights.

- Generative AI can transform each purchase request into a conversation, using internal and external data to guide business users to the right channels for their specific needs (i.e., preferred suppliers, prices, terms and conditions)—all pre-vetted for compliance and policy.
- By executing all tasks through conversational commands (rather than traditional point-and-click interactions), generative AI can deliver huge efficiency gains across complex buying requests that might previously have taken hours to complete.
- What’s more, by guiding users to preferred suppliers, the technology can substantially enhance contract compliance by making responsible buying a default behavior.



2. Supplier management – accelerated and simplified

Managing suppliers is often complex and time consuming. Generative AI can have a significant impact across the entire supplier management lifecycle by accelerating and simplifying processes.

- A generative AI chatbot could be used to centralize communications dealing with supplier onboarding and provisioning access, as well as answering questions around the engagement. This would reduce onboarding roadblocks and help suppliers understand the company's business needs so they can deliver value faster.
- In supplier performance management, generative AI can identify supplier issues and craft resolutions for subsequent supplier meetings.
- Generative AI can also help to identify areas of continuous improvement.

3. Category management and strategic sourcing – smarter and enhanced

Generative AI can help procurement strengthen stakeholder and supplier relationships and ultimately help procurement become a cross-functional leader for the business. There are already plenty of AI tools that help define category plans and sourcing strategies.

- The technology can “turbocharge” category insights dashboards by absorbing the work category managers devote to market intelligence.
- Generative AI can collect, analyze, and contextualize data from multiple internal procurement systems and platforms, as well as external insights.
- It can also provide real- or near-real-time market intelligence and innovation trends for a category's key scopes and identify opportunities for the category manager to optimize value. Generative AI achieves this by helping teams tailor their analysis for key stakeholders. For example, answering a request to generate a report of expiring contracts for a specific business unit.

4. Risk management – transformed

Generative AI can proactively monitor for risks in real time and propose mitigation plans.

- Say procurement wanted to purchase a commodity from a preferred supplier in a specific region. Generative AI might identify rising tensions in that region and recommend that upcoming supplies be secured in a different location where the company is already working with suitable alternative vendors.
- LLMs also could be used to evaluate contract language across multiple suppliers and identify key risks, as well as opportunities for efficiencies, renegotiation and rationalization.

Getting started with generative AI

Generative AI is a revolutionary development. And because the technology is already here, procurement leaders should start thinking now about how to use it as effectively as possible. As they do so, they need to pay close attention to six essentials:



- Ensure a business-driven mindset toward adoption: identify, build and scale key use-cases.
- Take a people-first approach: build talent pipelines of procurement specialists and data scientists with the skills to take foundation models, adapt them and integrate them into applications.
- Focus on data integrity: partner with leadership to review the data landscape and privacy protections, determine how they align to enterprise priorities and make sure procurement teams have access to the right data.
- Invest in a sustainable technology foundation that can support the high demands of generative AI: make sure the right architecture and governance are in place and closely monitor cost and energy consumption.
- Drive ecosystem innovation: partner with a strategic managed service provider that can enable wider access to specialized talent, industry expertise and leading automation platforms and identify eProcurement partners and other specialized solutions.
- Make sure there's a robust Responsible AI foundation in place: implement relevant security and governance policies to underpin rapid adoption of generative AI in procurement, including controls for assessing potential risks from new use-cases at the design stage.

And finally, remember procurement leaders don't just need to scale generative AI technologies. To realize maximum benefit, they should also invest in developing the analytics skills and capabilities of their people. It's time to get started.

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