

When bots do the buying

# Procurement at half the cost

By Tom Papa, Amanda Kaufman and Christopher Maxwell



High performance. Delivered.

As-a-service is hitting the buyer's suite.

A global energy company recently saved \$2.5M annually by automating more than 100 procurement, finance and accounting processes, resulting in a 67 percent decrease in manual average handling time.

By seamlessly integrating automation, the company was able to dramatically speed up activities such as invoice processing, with increasing data accuracy as an added bonus.<sup>1</sup>

While automation is just one component of the larger as-a-service procurement picture, this energy company's experience highlights the benefits of automating Procurement's non-strategic activities, freeing time to shift focus from cost optimization alone to strategic ecosystem management and creating value.

Procurement teams, saddled for years with outdated systems and capabilities, can now leverage digital as-a-service models to fast-track strategic performance. As digital business services mature in the near term, subscribing to bot-enabled procurement can alleviate buyers' transactional loads, freeing them for more strategic pursuits—and funds for reinvestment in a more innovative Procurement function.

# Routine procurement tasks go remote

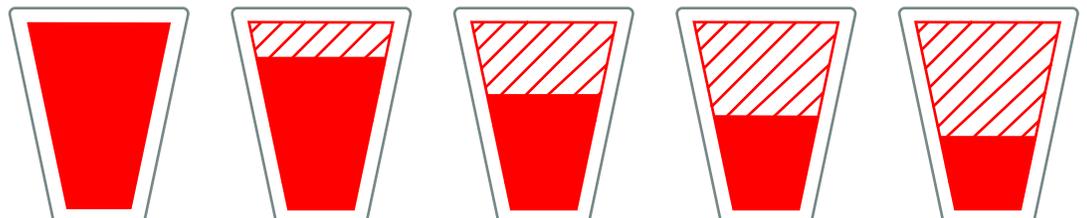
One can almost hear the cheers from ambitious procurement professionals as services companies take on their routine tasks, mainly transactional and operational procurement activities. Many of today's core procurement functions are becoming industrialized, shifting to digitally-enabled services that can be supplier-funded. Accenture Strategy sees the market moving to a source-to-pay, subscription-based service, coupled with business services that execute operational and transactional processes. More expensive, on-premise technology solutions will be replaced by these digitally powered services platforms.

The cheers stem from the fact that removing rote tasks from a Procurement team's plate frees up 40 to 60 percent capacity<sup>2</sup> for that same team to ratchet up impact—driving radical efficiencies and growth. Thanks to impacts from cloud and cognitive computing, robotic process automation (RPA), the Industrial Internet of Things (IIoT) and predictive analytics, the future cost of running Procurement will decrease by 40 to 60 percent.<sup>3</sup>

Some of the processes we see already delivering high value when automated include:

- End user support
- Spend analytics
- Catalog management
- Requisition processing
- Purchase order creation
- Invoicing
- Payment processing
- Risk management

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Although point solutions exist for each of the individual processes mentioned above, and may be tempting to implement as one-off investments in order to deliver productivity gains, an end-to-end approach is a better answer in the long run. An end-to-end model avoids data losses, reduces total cycle times, and alleviates process and data redundancies. It also requires less labor, overhead and capital to support overall. These as-a-service models are maturing rapidly for Procurement, benefiting from machine learning, and capitalizing on market conditions for innovative business models.

Simple automation in Procurement is beneficial; end-to-end self-automation and intelligence generation will be revolutionary.

## Bots do the buying

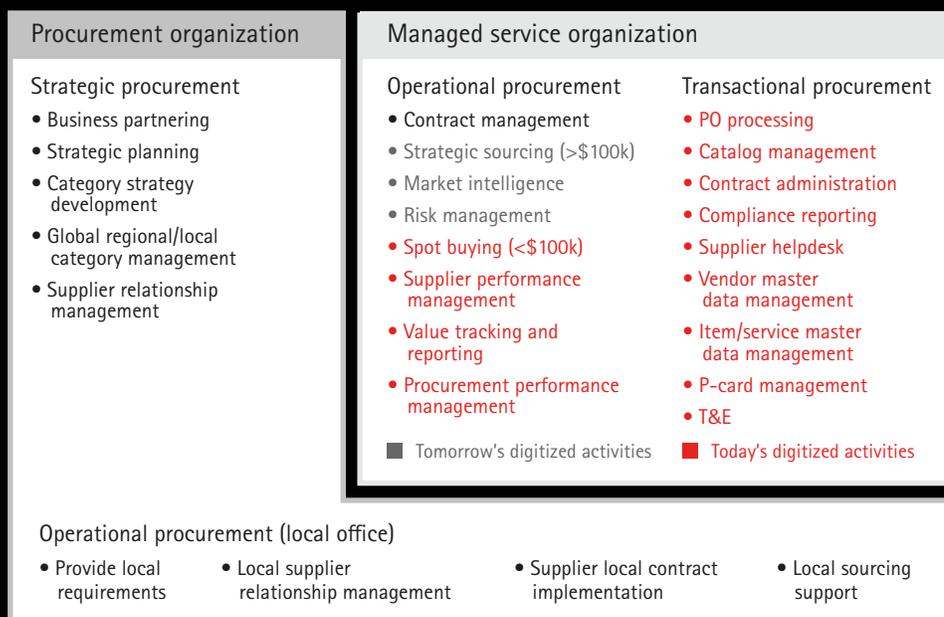
The new Procurement function, at half of its original size, will leave routine buying activities to bots. Strategic Procurement professionals will instead work with the business to drive value creation in a new model—scouting the market for suppliers that enable digital business strategies. Roughly half of the future procurement workforce will be devoted to supplier management and innovation creation activities, versus approximately 8 percent today.<sup>4</sup>

Although the majority of market intelligence is currently purchased separately, this intelligence will be provided as part of the future procurement service. The strategic procurement group will become the conduit between the business and the supply market virtual agents, to arm the business with market intelligence mined from the information ecosystem. Accenture Strategy predicts approximately 10 percent<sup>5</sup> of the future procurement workforce's time will be invested in interpreting information captured from sources like social media, predictive analytics and cognitive systems—all in an effort to enable new business strategies and manage risk more effectively.

# The digital procurement operating model

The Digital Procurement Operating Model of the future features a strategic Procurement function focused on business partnering, strategic category management, and strategic supplier relationship management (see Figure 1). Technology enables the model, giving end-users a buying experience that makes it easy to buy and comply with company policies. An intuitive, streamlined, low-touch user experience maximizes Procurement's ability to deliver value without the user even being aware of Procurement's influence on their compliant purchases. All the user knows is that their goods and services needs are being met.

Figure 1. Digital procurement operating model



Source: Accenture Strategy

What users may not realize is that Procurement will have collaborated with their business partners to scout the marketplace for innovative, value-driven suppliers that enhance the business ability to deliver on its strategic priorities. Supplier relationship management and innovation will be the primary focus for Strategic Procurement, with digital procurement handling the operational and transactional activities that continue to be essential to delivering total procurement value. As volume through these operational and transactional processes fluctuates, the model allows for consistent service levels and dynamic cost management for the function. This cost will reduce year-over-year as bots learn and improve their efficiency.

# Time and funds are freed to fuel innovation

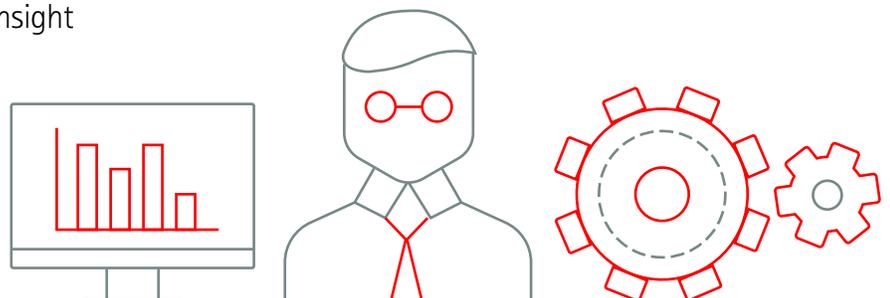
The new business model will reduce operating expenses for the Procurement function by 40 to 50 percent,<sup>6</sup> mainly attributable to reduced labor cost. But the value creation does not end there.

Companies can expect an IT cost reduction of 10 to 20 percent<sup>7</sup> when they re-architect their IT footprint, rationalizing applications as they move to an as-a-service model. They can achieve an additional 10 to 40 percent<sup>8</sup> in savings through IT-enabled business optimization such as increased automation, self-service, and the working capital reduction implicit in an as-a-service solution.

The time and money saved by this change can be reinvested in the new business model for innovation. For example, recently Accenture Strategy worked with a global life sciences company that generated savings via implementation of a digital procurement function. Procurement leadership reinvested 10 percent of the savings generated by reallocating headcount, dedicating them to strategic supplier relationship management.

Imagine a Procurement team, supported by analytics, which could better predict and mitigate risk, as well as foster innovation. This team could better position the company to enable growth through:

- Developing category strategies that enable business strategies
- Discovering new business operating models
- Driving deeper supplier relationship management with truly strategic suppliers
- Scouting for new, innovative suppliers
- Capturing intelligence and real-time market insight



# Moving to the procurement business as-a-service model

Here are pragmatic steps you can take to transform your procurement organization for the digital world:



Segment the work to be done:

- Build your retained Strategic Procurement organization focused on business partnering, category strategy development, and strategic supplier relationship management.
- Prepare to move operational and transactional activities to a Procurement as-a-service model by standardizing roles, policies, processes and eliminating non-essential activities.



Take concrete steps toward becoming leaner and more strategic, such as:

- Partner with the business and key strategic suppliers to move beyond a cost reduction focus toward enabling growth for the company.
- Begin to staff skills differently, knowing that procurement activities are becoming commoditized services in the cloud.
- Drive efficiency by championing the digital-enabled Procurement operating model, purging operational and transactional activities.



Create a buying experience that makes it easy to buy and comply, as part of the as-a-service model:

- Put the end-user at the center of all design decisions, in partnership with your as-a-service provider.
- Rationalize your digital landscape to avoid the patchwork quilt effect.
- Partner with as-a-service provider to ensure your technology needs are being met in the context of the services they provide.
- Move away from on-premise technology.

These steps will put your organization much closer to dynamic, digitally-enabled Procurement.

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- <sup>2</sup> Accenture AS Operations insights and Future of Procurement Study, 2016
- <sup>3</sup> Future of Procurement Study, 2016
- <sup>4</sup> Accenture AS Operations process insights
- <sup>5</sup> Accenture AS Operations process insights
- <sup>6</sup> Accenture Internal Benchmark
- <sup>7</sup> Accenture Internal Benchmark
- <sup>8</sup> Accenture Internal Benchmark

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