



# Why is Procurement Vital?



In manufacturing companies, procurement spend is anywhere between 45% to 85% of total revenue.



Their bottom line varies between 7% to 20% of the total revenue.



Means every 1% savings in procurement cost has the potential to improve bottom line by 5% to 10%

Customer needs are changing more dynamically than ever before....

The role of procurement is very crucial to cope with....



# What impacts the efficiency of Procurement Function?



Vendor Discovery & Onboarding



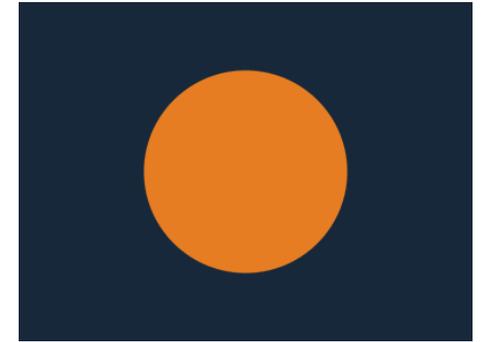
Risk Management



Requirement Management



Negotiations



Contract Management



Supplier Relationship Management



Supplier Evaluation



Transparency



Security



Competent Human Resources

# Let us look at how these functions are managed?

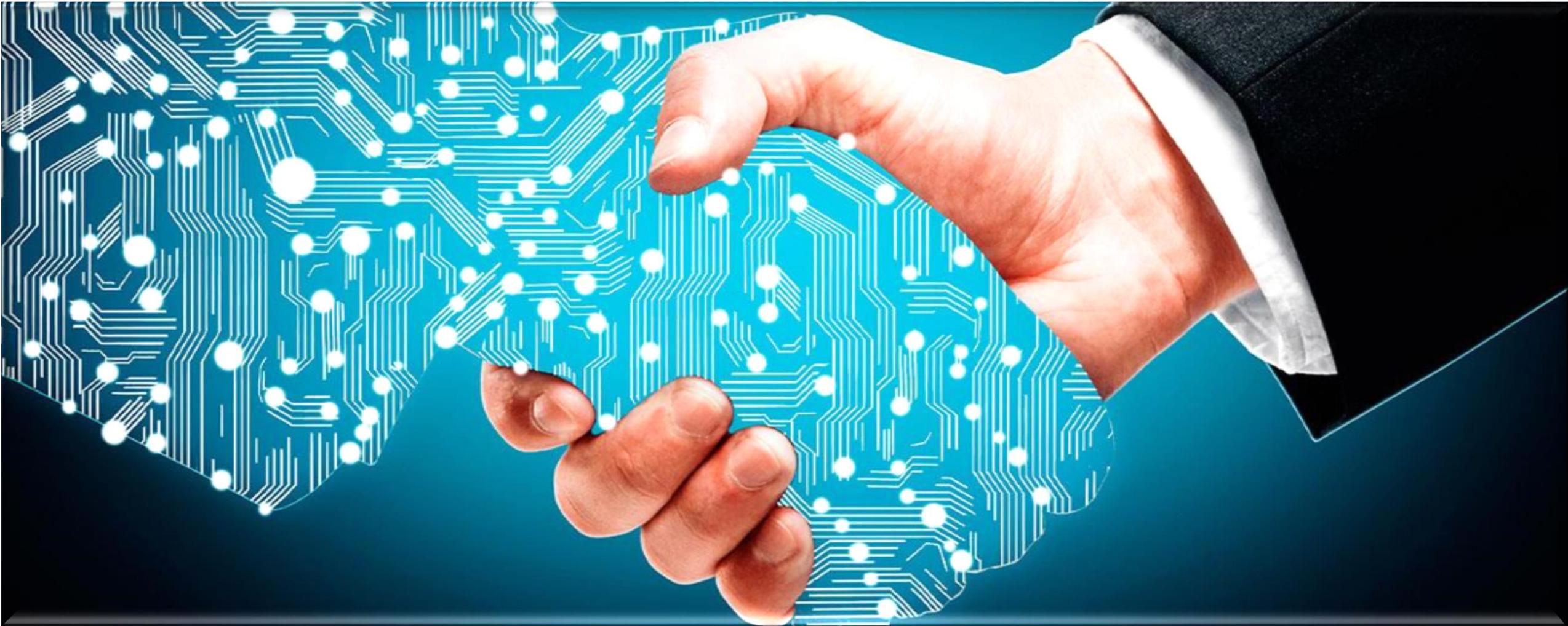
## Traditional Procurement

- Huge Time spent on transactional activities.
- Human intervention on all data points.
- Individual perception based judgements.
- Decisions on gut feel.
- Large pool of resources to collect data.
- Excel driven analytics.
- Large pool of documents management.
- Multiple storage points of data.
- Extensive Internal Coordination.

# Typical Challenges of the Traditional Procurement!



- Maverick Buying.
- Lack of visibility of spend.
- Questionable purity of data.
- Limited risk mitigation of knowledge.
- Very little time for Strategic Thinking.
- Access to desired information in time.
- Audit Challenges.
- Highly stressful environment.
- Lack of Clarity.



Welcome to Digital Procurement!

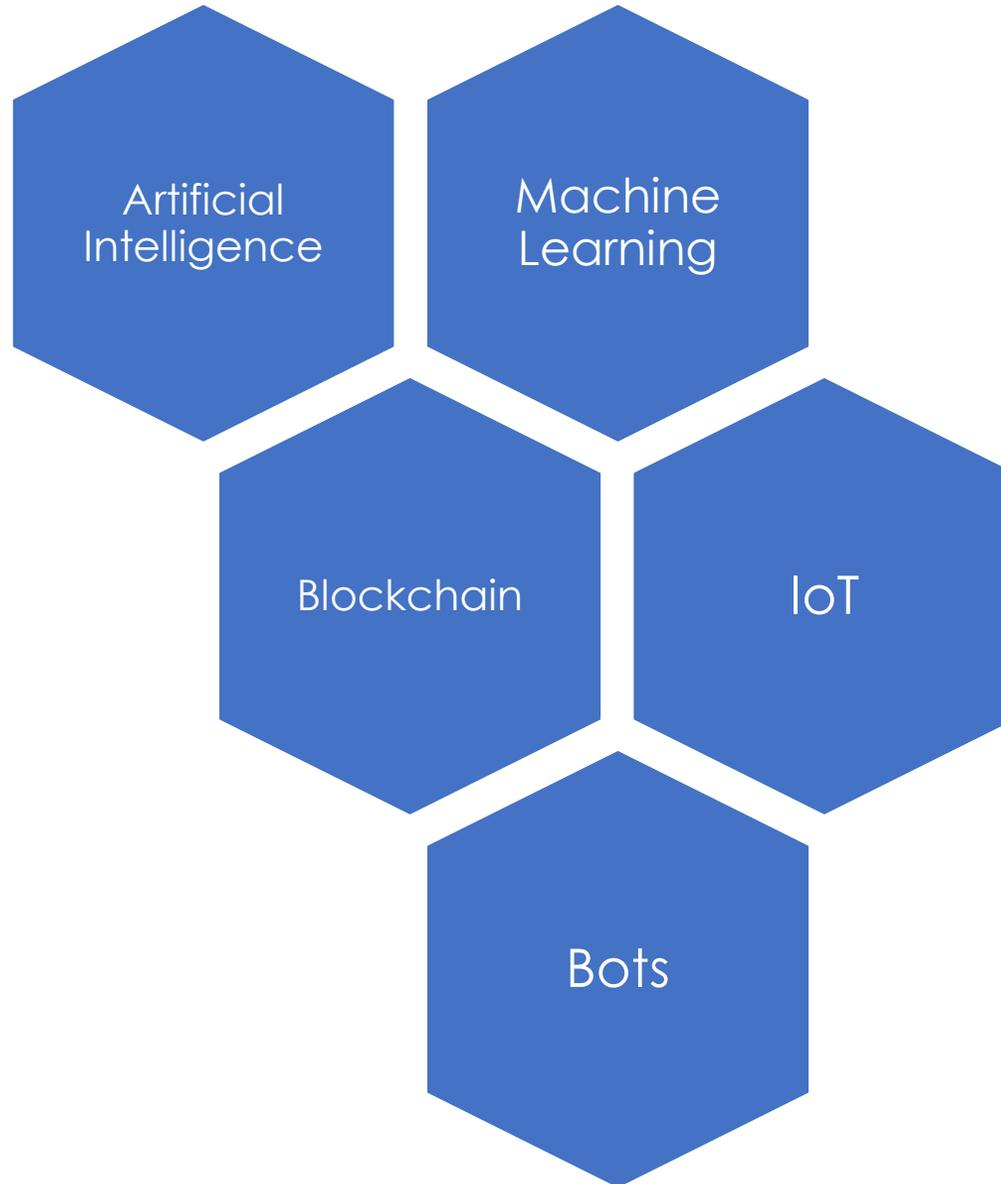
# What is the Digital Approach?

- ❑ Networked environment of all stake holder for exchange of information & communication on real time
- ❑ Technology platforms offering real time visibility on desired information.
- ❑ BI tools dynamically creating relevant analytics.
- ❑ Validation of SOP built in the system.
- ❑ Central Repository of Knowledge.
- ❑ Audit trail of all transactions and decisions.
- ❑ 24\*7\*365 data access from any where in the world.
- ❑ Integration of market information points.
- ❑ Instant Visibility on Supplier Performance.

# Now, What are the challenges?

- ❑ Interpretation of massive pull of data.
- ❑ Dependence on individual judgements on information & data.
- ❑ Still humans are required to act based on data.
- ❑ Demand predictions still based on data feeds.
- ❑ Behavioural patterns missing.
- ❑ Human collaborations necessary for responding to the queries.
- ❑ Knowledge is available but interpretation of data can be different.

# Here Comes.. The Future of Procurement



The world expected to be dominated by Artificial Intelligence (AI)

## What is Artificial Intelligence?

AI is the simulation of human intelligence process by machines

- ❑ It consists of Expert Systems, Speech Recognition & Machine Vision.
- ❑ Expert System simulates behaviour of an experienced expert of a process in the organization.
- For e.g. Negotiation Strategy based on Vendor Behaviour.
- ❑ Speech Recognition is the ability of a machine or program to receive and interpret dictation or to understand and carry out spoken commands.
- For e.g. Siri in Apple , Alexa of Amazon, Bixby in Samsung or Cortona in MS
- ❑ Machine vision is the ability of a computer to see.
- For e.g. Material Inspection.

**AI Combines all these 3 forms of intelligence to decide or to suggest a decision!**

# Some Examples of Use of AI in Procurement

## Spend Classification with Machine Learning



No matter how much time is spent cleaning up and classifying long-tail spend, the complexity of millions of line items of spend goes beyond the time and resources of even the most talented Procurement teams.

## AI Chatbots Supporting Sourcing



They can interact with users across their platform and provides contextual suggestions based on real transaction and purchase order data.

## Supplier Risk Identification



AI to monitor millions of sources for new and emerging risks.

## Big Data Benchmarking



As the amount of data available within and outside of organizations continues to increase rapidly, the challenge is to process benchmark data. Benchmarking solution using machine learning to classify and interpret hundreds of billions in transaction data.

**Deloitte found that 88% people believe that automation and robotics will impact procurement within five years.**

**But, organizations need to walk before they run. It's hard to prioritize AI when data purity is questionable.**

# How do you prepare for the Future?

## Relationship Management with your Suppliers

- ✓ To drive innovation.
- ✓ To meet changing needs.

## Understanding value delivery of new innovations in context of Procurement functions

- ✓ To determine timely selection & adoption of suitable technological changes for processes and products.

## Capabilities to Manage Change

- ✓ For meeting dynamic demand situation.
- ✓ For adoption of technology.

## Innovation

- ✓ Out of the box thinking to find solutions which can bring down, Total cost of ownership and Mitigate risks.

## How to select Technology & your Technology Partner?



- ❑ Align with someone who understands your pain areas
- ❑ Prefer a partner who is aligned to your objective
- ❑ Don't fall for Perception – Go for Reality Check
- ❑ Determine sustainability of the solution partner for ever evolving future landscape
- ❑ Ensure Best Security Measures
- ❑ Evaluate Adoptability

# Please Don't Forget!



Technology is not a driver, it's an Enabler



# VENDX<sup>TM</sup>

**THE FUTURE OF PROCUREMENT**

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**Get in touch with us to know more!**

## **Contact Us:**

 <https://mavenvista.com>

 [sales@mavenvista.com](mailto:sales@mavenvista.com)

 +91-9099062080

 +91-79-26463910

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