Procurement Digitalisation

Practical approaches and the new role of procurement

ArcBlue
Procurement Delivering More

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Procurement Digitalisation

Practical approaches and the new role of procurement

1 **The Landscape**

2 The Escape Hatch

3 The interconnected world

4 User friendly procurement

5 Case studies

6 Where to start?

The landscape is changing....

Customer expectations

Disruptive technologies

CEO/shareholders

Changing working patterns

Supply markets

Geopolitical changes

Supply chain risks

Marketplaces

Digitalisation trends

Customer interfaces are digitised

3D printing are used for production processes

Robotics

Data is collected from multiple sources and made usable

Artificial Intelligence

Internet Of Things supporting a connected world

THE UNIVERSITY OF MELBOURNE

CIPS
Chartered Institute of Procurement & Supply

Digitalisation
in Procurement and Supply
2019

Over 95%
of the firms have adopted at least one of the Industry 4.0 technologies with Cloud Computing, Internet of Things (IoT) and Big Data being the most popular ones.

90%
of the firms are primarily motivated by decreased operational costs and increased efficiency to pursue digitalisation strategies.

Around 60%
of the firms recognise transparency, cost effectiveness and being customer centric as key gains brought by procurement and supply chain digitalisation.

Around 40%
of the firms find technical setup costs, long development times, lack of coordination and ongoing support costs to be challenges when pursuing and implementing procurement and supply chain digitalisation.
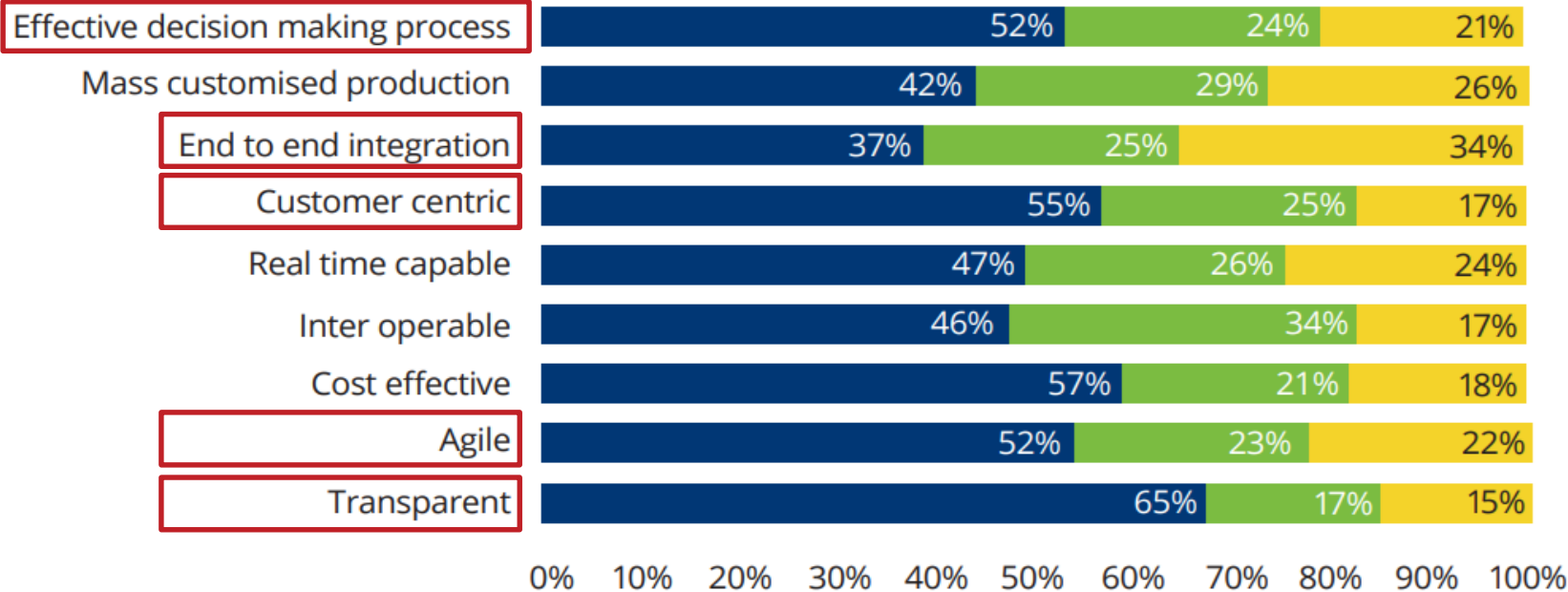
Digital supply chain benefits
Melbourne University report

Digital Supply Chain Outcomes

■ Yes ■ Neutral ■ No

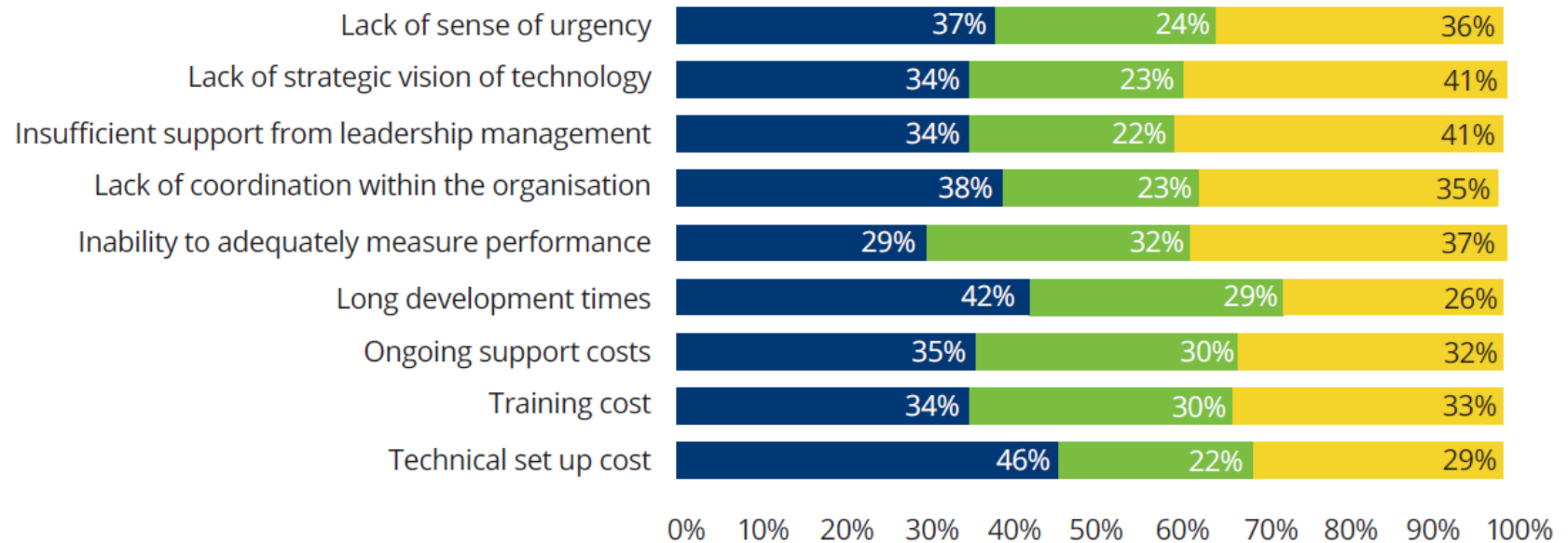|	Yes	Neutral	No
Effective decision making process	52%	24%	21%
Mass customised production	42%	29%	26%
End to end integration	37%	25%	34%
Customer centric	55%	25%	17%
Real time capable	47%	26%	24%
Inter operable	46%	34%	17%
Cost effective	57%	21%	18%
Agile	52%	23%	22%
Transparent	65%	17%	15%

So why haven't
we started ?

We are still finding it difficult ….

Inhibitors to Digital Supply Chain

■ Yes ■ Neutral ■ No

	Yes	Neutral	No
Lack of sense of urgency	37%	24%	36%
Lack of strategic vision of technology	34%	23%	41%
Insufficient support from leadership management	34%	22%	41%
Lack of coordination within the organisation	38%	23%	35%
Inability to adequately measure performance	29%	32%	37%
Long development times	42%	29%	26%
Ongoing support costs	35%	30%	32%
Training cost	34%	30%	33%
Technical set up cost	46%	22%	29%

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Exemplars have common characteristics
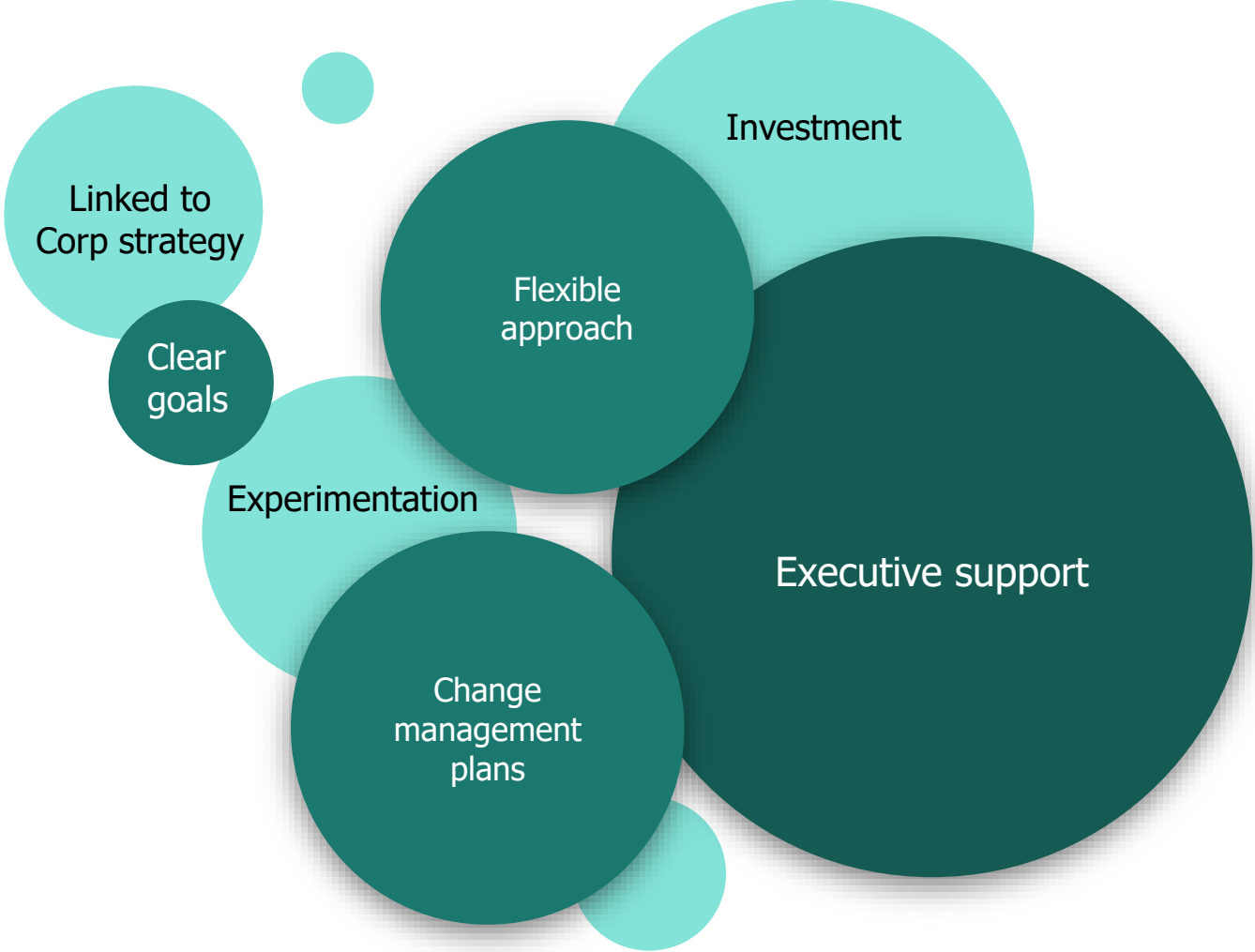
Investment

Linked to Corp strategy

Clear goals

Flexible approach

Experimentation

Executive support

Change management plans

Procurement Digitalisation

Practical approaches

1. The Landscape
2. The Escape Hatch
3. The interconnected world
4. User friendly procurement
5. Case studies
6. Where to start?

Procurement has its challenges...

The 'Police' role

Slowing things down

Dodgy savings

Unclear strategy

Low visibility

Bogged down

Time poor

Capability ?

Digitalisation: Procurements escape hatch

value

time

NEED

STRATEGY/ APPROACH

GO TO MARKET

EVALUATE & NEG

Contract Mgt/ SRM

Digitalization: Procurements Escape Hatch

Being good sharers

Data evangelists

Focus on agility and speed of change

Risk managers

Managing the eco-system

Relationship managers

Supply chain focus

Innovation

Insights and intelligence

Joining the dots

Market experts

Customer centric

Customer-Supplier centricity

Stakeholder

"Its easy to buy what I need"

Procurement

"Low value activities are digitised, allowing me to focus on innovation, insights and relationships"

Supplier

"They are easy to do business with and work collaboratively with us "

End to end supply chain

Procurement Digitalisation

Practical approaches

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2 — The Escape Hatch

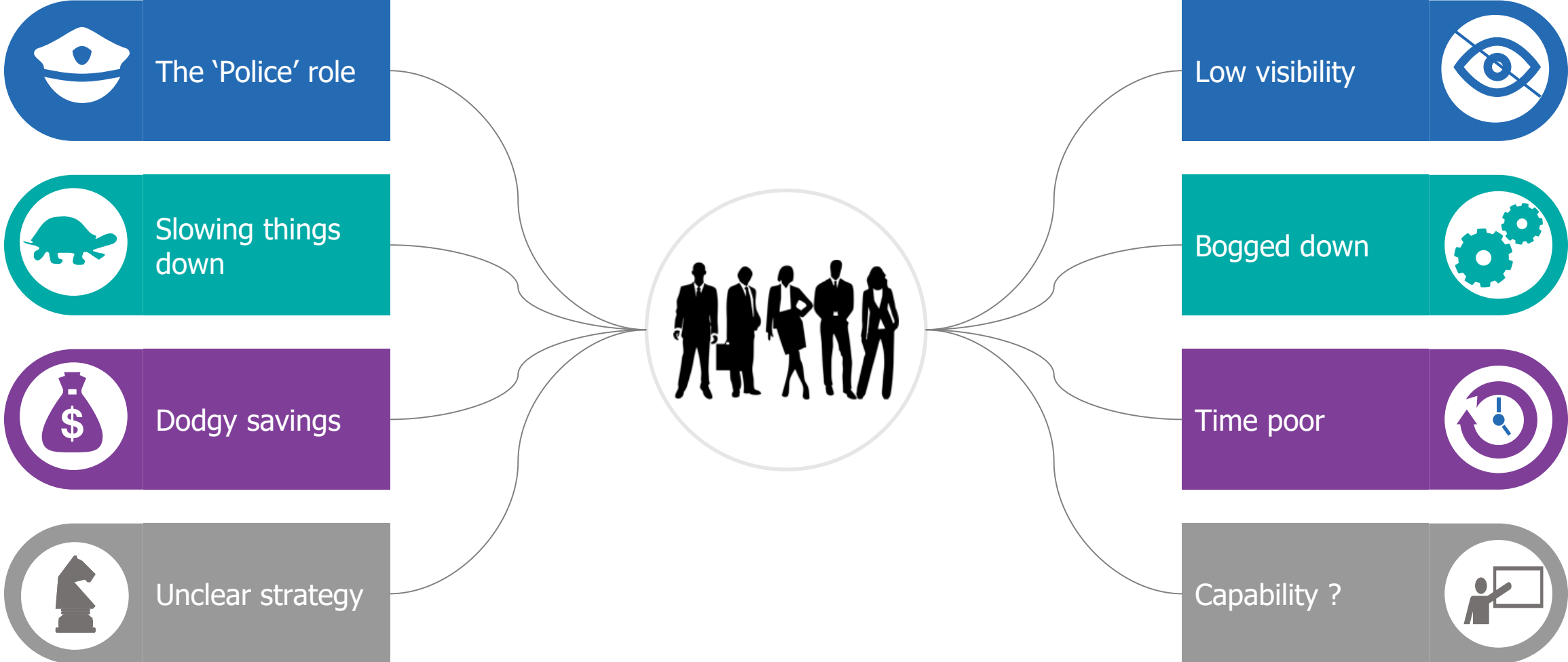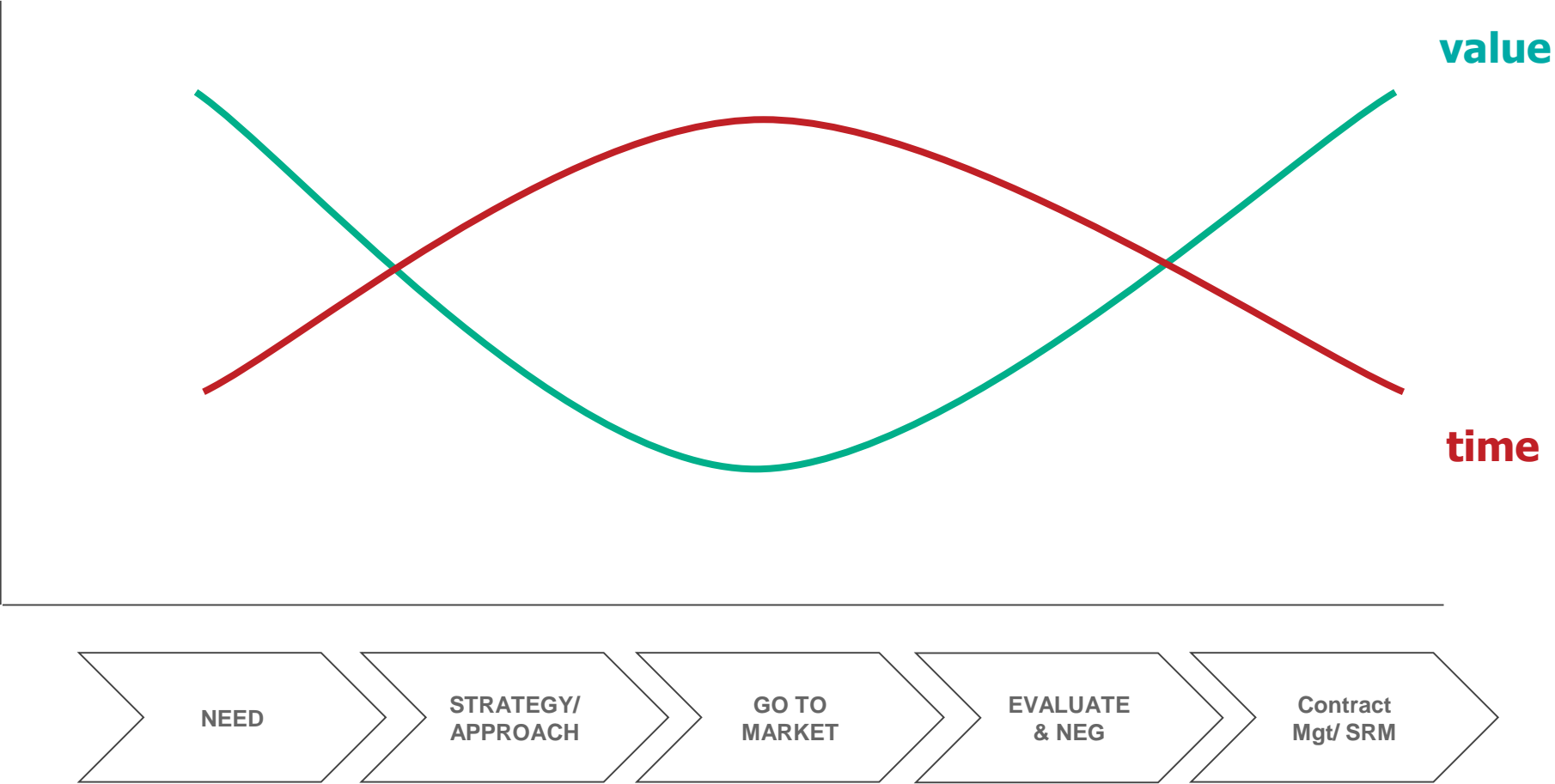3 — The interconnected world

4 — User friendly procurement

5 — Case studies

6 — Where to start?

We don't make it easy for our stakeholders!

Forward planning

Strategy tools

Savings tracking

Market intelligence

Category Teams

Contracts

Panels

ERP

Quoting

Auctions

KPI's

Risk registers

Inductions

Analytics

Templates

Strategies

Stakeholders

Reporting

Analytics

Action plans

Reporting

Suppliers

Manuals

Policies

Suppliers

Process maps

Learning

Assessments

Suppliers

Onboarding processes

Category strategies

Projects

Surveys

- Multiple systems
- Limited cross system analytics
- Difficult to communicate
- Confused stakeholders

The IOT provides opportunities for procurement 'plug and play' systems

Category Teams

Strategies
Strategy tools
Savings tracking
Market intelligence
Learning
Category strategies
Templates
Manuals
Risk registers
Projects
Assessments
Process maps
Inductions
Reporting
Onboarding processes
Surveys
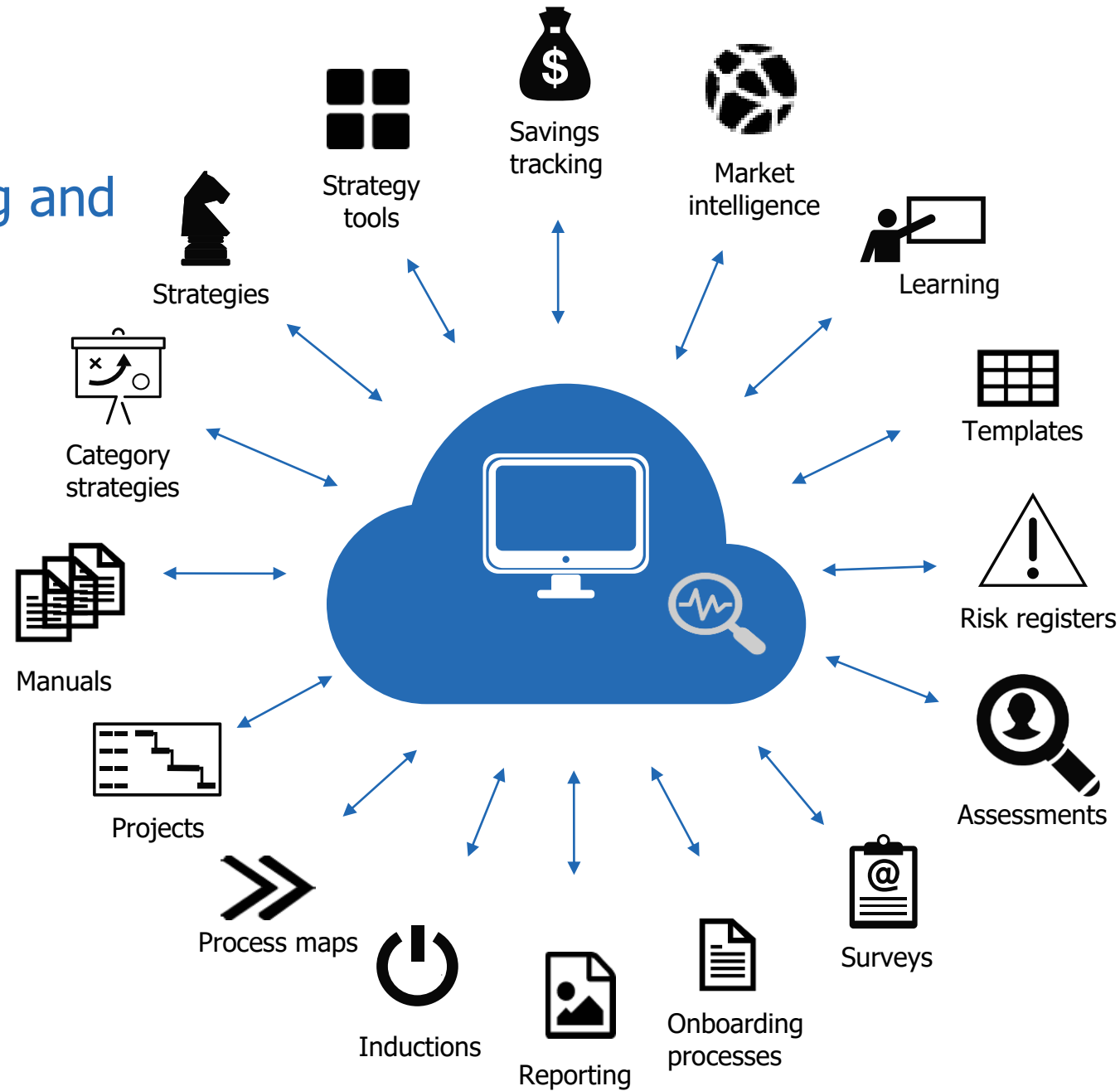
Suppliers

Procurement Digitalisation

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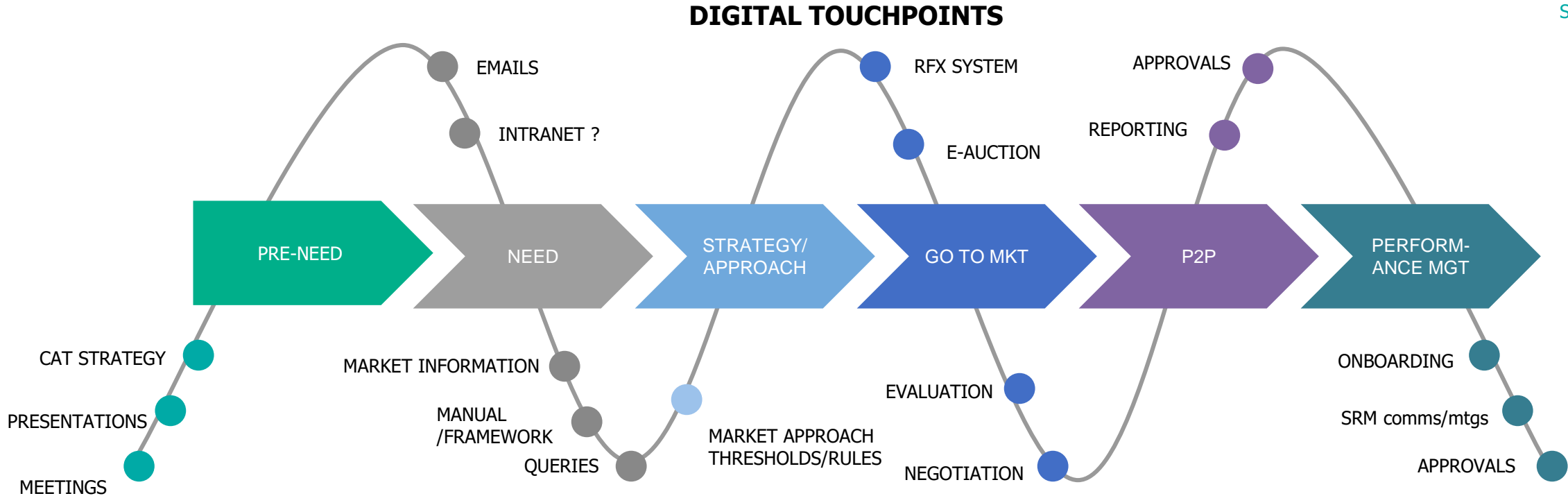
4 User friendly procurement

5 Case studies
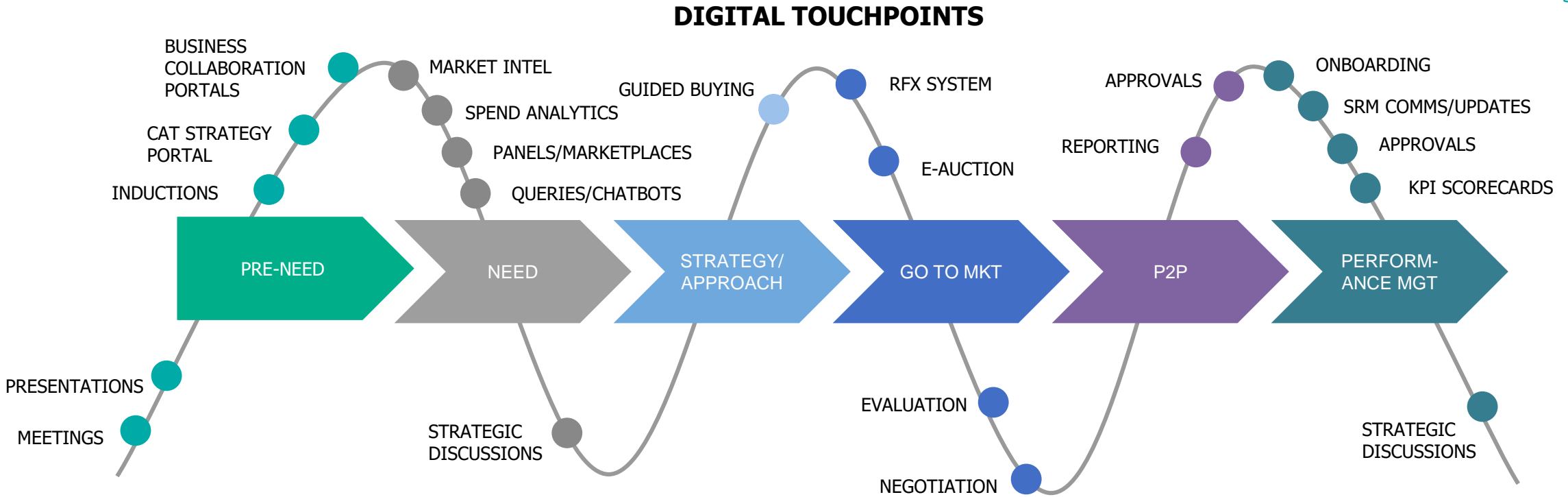
6 Where to start?

Customer Experience (Cx) AS-IS

DIGITAL TOUCHPOINTS

EMAILS

INTRANET ?

RFX SYSTEM

E-AUCTION

APPROVALS

REPORTING

PRE-NEED	NEED	STRATEGY/ APPROACH	GO TO MKT	P2P	PERFORM- ANCE MGT

CAT STRATEGY

PRESENTATIONS

MEETINGS

MARKET INFORMATION

MANUAL /FRAMEWORK

QUERIES

MARKET APPROACH THRESHOLDS/RULES

EVALUATION

NEGOTIATION

ONBOARDING

SRM comms/mtgs

APPROVALS

PHYSICAL TOUCHPOINTS

Excited!?   Confused   Confused   Relieved   Confused   Leave it to us

Customer Experience (Cx) TO-BE

STAKEHOLDER

DIGITAL TOUCHPOINTS

BUSINESS COLLABORATION PORTALS
MARKET INTEL
SPEND ANALYTICS
GUIDED BUYING
RFX SYSTEM
APPROVALS
ONBOARDING
CAT STRATEGY PORTAL
PANELS/MARKETPLACES
SRM COMMS/UPDATES
INDUCTIONS
QUERIES/CHATBOTS
E-AUCTION
REPORTING
APPROVALS
KPI SCORECARDS

| PRE-NEED | NEED | STRATEGY/ APPROACH | GO TO MKT | P2P | PERFORM- ANCE MGT |

PRESENTATIONS
MEETINGS
STRATEGIC DISCUSSIONS
EVALUATION
NEGOTIATION
STRATEGIC DISCUSSIONS

PHYSICAL TOUCHPOINTS
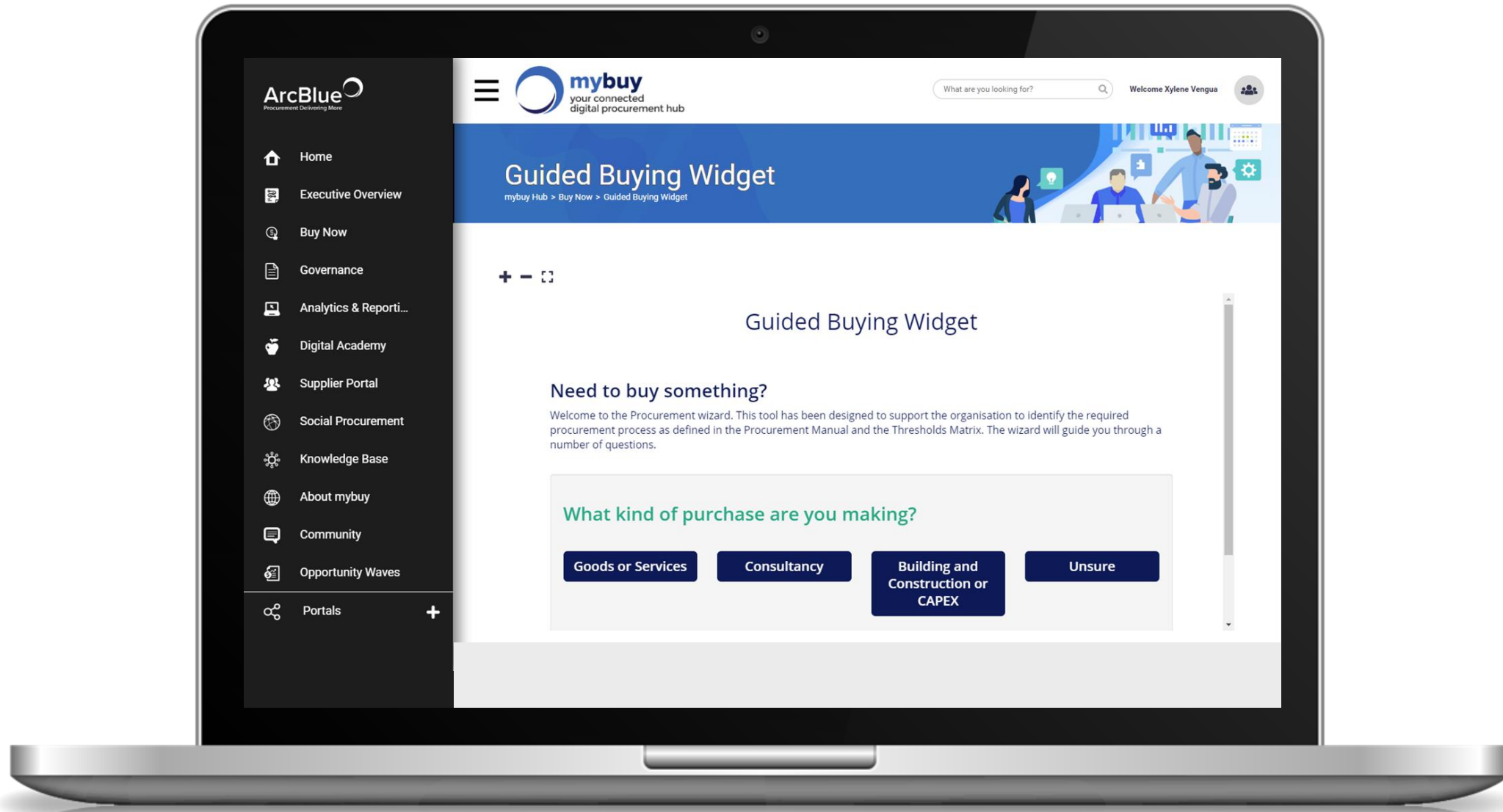
| Excited!? | Happier | Happier | Happier | Happier | WIP |

Guided buying experiences

Supplier Experience (Sx)

Lack of visibility of strategy

Don't know what's going on

Too many changes

Reporting requirements

Too many forms/admin processes

SUPPLIER

Procurement Digitalisation

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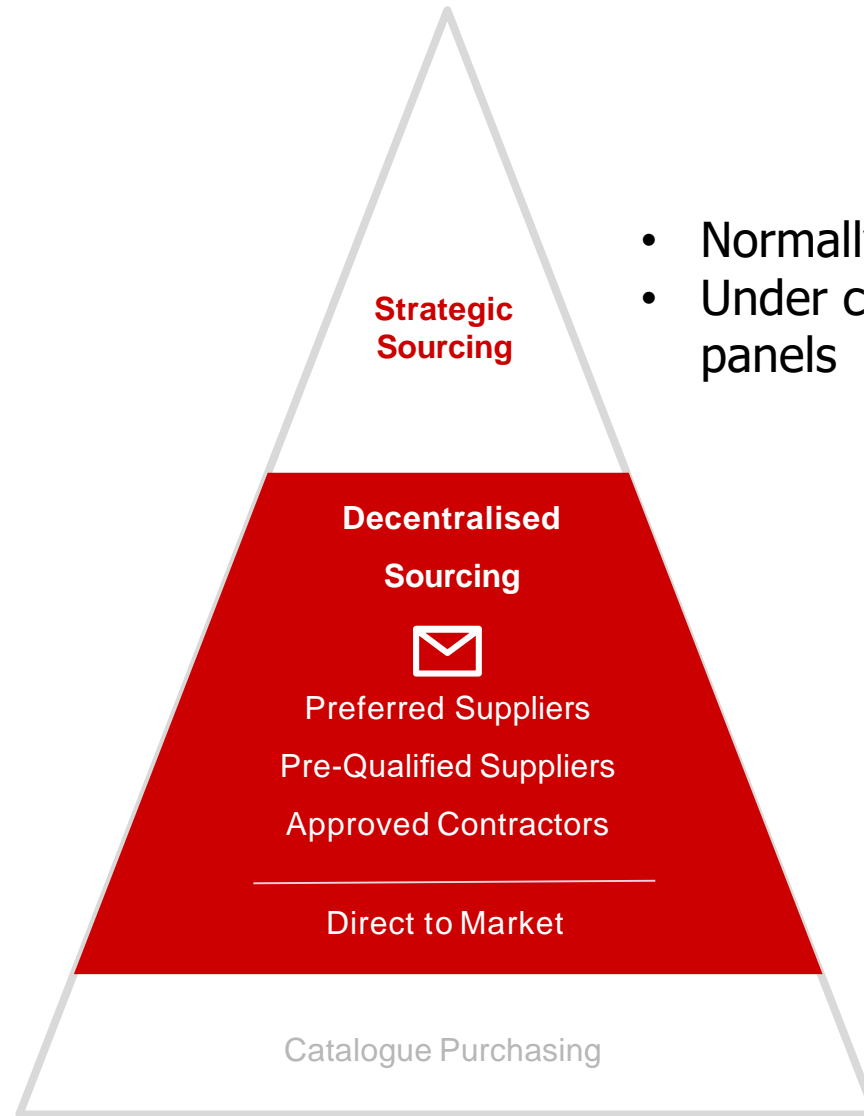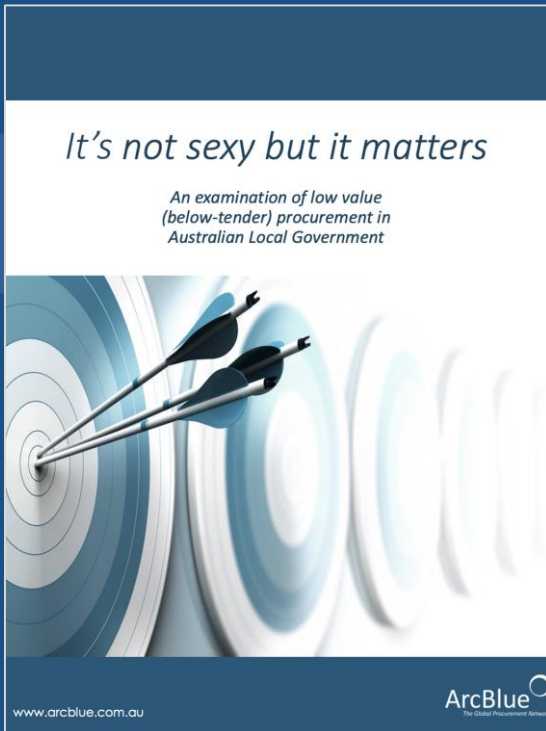
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We need to get decentralised sourcing under control

It's not sexy but it matters

An examination of low value (below-tender) procurement in Australian Local Government

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The Global Procurement Network

Strategic Sourcing

Decentralised Sourcing

✉

Preferred Suppliers

Pre-Qualified Suppliers

Approved Contractors

Direct to Market

Catalogue Purchasing

- Normally well managed
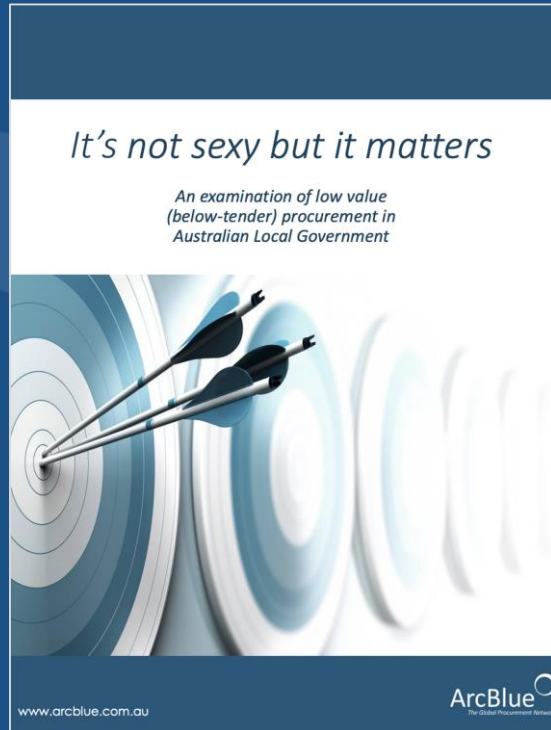- Under central procurement deals/tenders or panels

- Often forgotten
- High risk
- Non-procurement professionals

Prices set for standardised goods/services

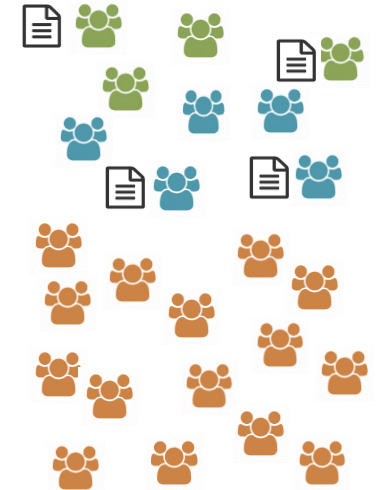# Using digitalisation to support low value processes (sub-tender)

VendorPanel

It's not sexy but it matters

An examination of low value (below-tender) procurement in Australian Local Government

www.arcblue.com.au

ArcBlue
The Global Procurement Network

Scale	Process	Discovery

Transparency & Data

✕ Very little effective collaboration across sector = **Manual / Absent**

✕ Little transparency, governance or probity in decentralised RFx = **High risk**

✕ Weak competition & inefficient processes in RFx bids = **Poor value**

✕ Duplication, inconsistency & inefficiency = **Hard to do business**

Sector Collaboration:
making it simple (and smart)

Sub-tender procurement (quotes or buying off panels)

Powered by

VendorPanel

University

Sector **Collaborative**
Panels & PreQualified Suppliers

Regional **Collaborative**
Panels & PreQualified Suppliers

Local
Panels & PreQualified Suppliers

✓ **Smarter collaboration** at the right level

✓ **Everything in one place** makes it easy for buyers to use the right arrangement

✓ **Reduced risk** with transparency, governance, probity

✓ **Better value** with increased usage, smarter sourcing, faster process & competitive savings

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Collaboration
Case study #1

Local
Government (AU)

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550 Local Governments.
Multiple LGAs.

550+ Local Government Entities

- 192,500 employees
- 85% of National roads network
- $20 billion p.a. procurement spend

- Small procurement functions
- Strict policies and thresholds
- Significant decentralised purchasing
- High focus on governance, probity, compliance
- Serious legislative consequences
- Collaboration is viable

Goal... *enable*
➔ **National collaboration**
➔ **State collaboration**
➔ **Regional collaboration**
➔ **Local coordination**

Solution… secure procurement collaboration platform

Secure, localised collaboration platform

Everything in one place

Powered by

VendorPanel

National

Statewide

Statewide

Regional

Local

Local

550+ Councils

Platform enables
➔ National collaboration
➔ State collaboration
➔ Regional collaboration
➔ Local coordination

★ 160% increase in usage shared arrangements 1st year, 500% by 3rd year.

★ Leveraged cost savings of est. $640,000 in Year 1

★ Captured "leakage" of $59M+ within 2 years

★ Average time reduction of 1-hour per RFx

WINNER:
Procurement Innovation
FINALIST:
Best Process Improvement

The CIPS Australasia
Procurement Professional AWARDS 2013

Collaboration Case study #2

State Government (AU)

Whole-of-Victorian-Government

Powered by
VendorPanel

290 Victorian State Gov Departments, Agencies, and SOCs

State Purchase Contracts (Services) - Panels & Registers

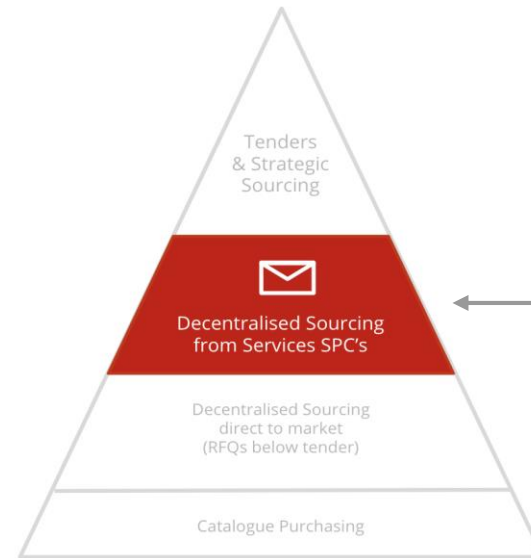**eServices** | **IT Hardware** | **Professional Advisory Services** | **Marketing Services**

Tenders & Strategic Sourcing

Decentralised Sourcing from Services SPC's

Decentralised Sourcing direct to market (RFQs below tender)

Catalogue Purchasing

Collaborative SPCs on central wesbite... RFxs from suppliers **hidden in email**

➔ Little or no TRANSPARENCY, GOVERNANCE or PROBITY in decentralised sourcing from arrangements

➔ Inefficient process and limited competition

➔ Difficult to monitor and report

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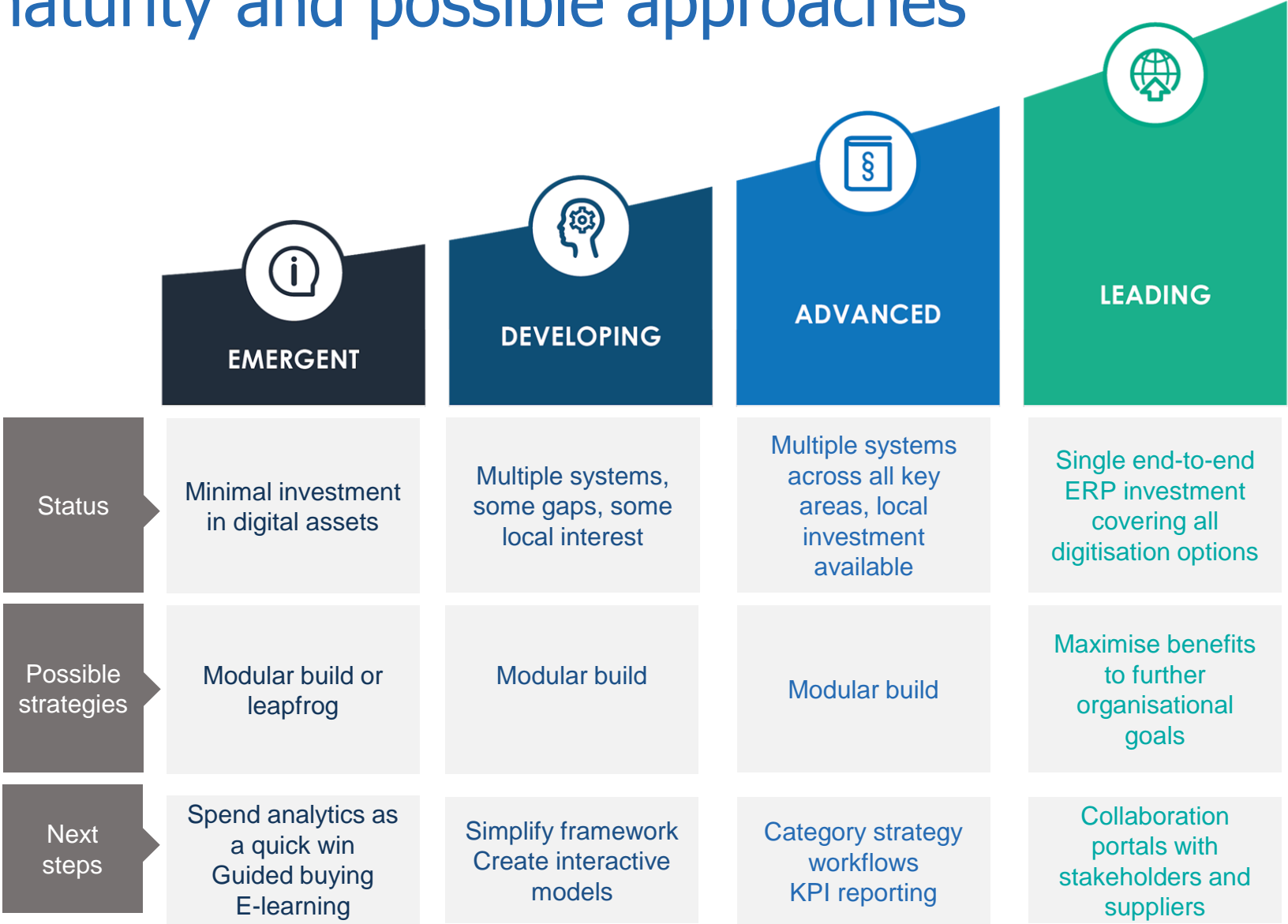
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Digital maturity and possible approaches

	EMERGENT	DEVELOPING	ADVANCED	LEADING
Status	Minimal investment in digital assets	Multiple systems, some gaps, some local interest	Multiple systems across all key areas, local investment available	Single end-to-end ERP investment covering all digitisation options
Possible strategies	Modular build or leapfrog	Modular build	Modular build	Maximise benefits to further organisational goals
Next steps	Spend analytics as a quick win Guided buying E-learning	Simplify framework Create interactive models	Category strategy workflows KPI reporting	Collaboration portals with stakeholders and suppliers

Lets move to 'user friendly' procurement

- Single interface
- Dashboards
- KPI's/reporting across all systems
- Community
- Single sign on
- In-built analytics
- Interactive tools and processes
- Guided buying
- Savings programs

mybuy
your connected
digital procurement hub

Strategy and Governance

| Policy Hub | Compliance Registers | Spend Analytics | KPI Tracker |

Capability and Development

| Organisational Assessments | eLearning modules | Individual Capability Assessments | Supplier Assessments |

Value Delivery

| Guided Buying | Buy Now | Interactive Manual | Supplier On-Boarding |

ArcBlue
Procurement Delivering More

- Advisory & Change
- Capability Development
- Sustainable & Social Procurement

- Project Contracting
- Search & Recruitment
- Procurement Technology

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