

Digitalisation: **why procurement** **can't afford to** **fall behind**

What's slowing procurement professionals down – and how can you release the brakes?

PROBRAND

**SUPPLY
MANAGEMENT INSIDER**

“If you’re standing still on digitalisation, you are already falling behind.”

Malcolm Harrison, CIPS Group

Executive summary

As global events continue to create uncertainty in IT markets, investment in the digitalisation of procurement has never been more important. Yet, our study, produced in partnership with CIPS, has found that less than one in five organisations have completed their digitalisation journey. This report, in partnership with *Supply Management Insider*, looks at the current state of play in the industry, highlights the barriers that procurement professionals and IT buyers are facing and provides recommendations on how organisations can move towards full digitalisation.

Introduction



All businesses have been affected, to some extent, by the political, economic and social disruptions of recent years. From Brexit to the pandemic, seismic global events have tested the operational resilience of organisations, workforces and supply chains.

The procurement function, in particular, has been hard hit by a series of unprecedented challenges – which have stretched from production delays and logistical log jams to inflationary pressures and exchange rate fluctuations.

This volatile climate has left IT buyers in need of solutions to help them navigate choppy waters. The digitalisation of procurement systems is that solution. It is enabling procurement teams to operate more efficiently and providing buyers with the insights they need to make better purchasing decisions.

As Malcolm Harrison, CIPS Group CEO has said: “Investment in digitalising procurement and supply chains has never been so important. Whatever your corporate goal might be, a digital platform is critical to making more informed decisions.”

Given this imperative, we were keen to understand how far along IT buyers are in their digitalisation journey.

To what extent have organisations been able to automate the time-consuming tasks that are preventing procurement teams from pursuing more valuable activities? Are IT buyers really being given the information they need to make more informed buying decisions in an instant? And, if not, why not? What is holding procurement teams back from achieving full digitalisation?

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To answer these questions, Probrand partnered with CIPS to survey procurement professionals and IT buyers. We asked them how they are currently spending their time, to what extent they have adopted digital tools and what barriers they are facing.

In this report, *Digitalising Procurement*, we examine these findings and share best practice recommendations to help IT buyers realise their digitalisation vision.

**Ian Nethercot MCIPS,
Supply Chain Director, Probrand**

How are IT buyers using their time?

The adoption of digital systems is helping procurement teams to automate labour intensive processes. This is freeing them up to use their time more effectively – spending time building strategic relationships with suppliers rather than filling out forms, for example. Our study found, however, that for many IT buyers a lack of digitalisation is holding them back – and they are still stuck managing manual tasks.

We are now in an era when procurement teams can take advantage of supplier platforms and portals, to access the crucial product information they need in seconds. Yet, our results showed that one quarter of buyers are spending the equivalent of one day each week researching IT purchases – this includes comparing equipment specifications or checking prices and stock availability.

The research also revealed that liaising with suppliers during the ordering process is a huge drain on buyers' time – 71% said they spend a significant amount of time emailing and 70% said the same effort was being spent on calls.

Without digital processes in place, almost two thirds (63%) of those surveyed are still relying on manual systems as their primary method for placing orders. One respondent even went as far as to say that they were still using printed order forms to carry out transactions.

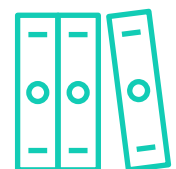
Given the benefits of digitalisation, which is not only faster but also less prone to human error, it was surprising to see that paper-based systems were still commonplace. The study revealed that while 58% of respondents are not spending much time using IT catalogues that are integrated with their company's ERP system, almost a quarter (23%) are spending a significant amount of time leafing through printed catalogues. The need to review printed catalogues was actually ranked as the most time-consuming activity by IT buyers in general, after emailing. >>



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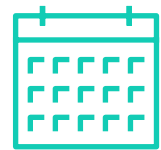
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>> A low level of digital adoption was also evident in the time it is taking most IT buyers to perform straightforward tasks, such as raising a PO number. The research revealed that 51% of those surveyed were having to wait at least three days to receive a PO, while 17% said that the process was taking more than a week on average. With stock in the current market often disappearing quickly, buyers could miss out on availability if they're forced to wait for the go-ahead to purchase.

This lack of digitalisation has meant IT buyers continue to expend an inordinate amount of energy on activities which

should take seconds. For example, 69% said they were spending a lot of their time tracking orders – a similar amount said the same applied to checking prices and stock (68%), processing orders (66%) and chasing returns and errors (64%).

To become more efficient as an organisation, and to help IT buyers use their time more effectively, more businesses will need to embrace the digitalisation of their procurement. This includes the integration of systems – including supplier platforms – and the digitalisation of workflow and approval processes where possible.



51% are having to wait at least three days or more to receive a PO number



To become more efficient, organisations need to embrace digitalisation

Data management

Given the volatility in the IT market over recent years, access to live data has never been more important for buyers. As IT equipment is the largest category of in-direct spending within organisations, procurement teams need to be deploying systems that can assist IT buyers with the latest information on products, prices and stock availability.

Our study revealed that this is far from the norm, however. In fact, nearly half (41%) don't even have an IT catalogue in place for buyers to look at. And, of those that do, few are managing to provide buyers with live data.

Almost one fifth (18%) said they were relying on manual processes to keep information up to date – despite there being around 60,000 product price changes in the IT market every single day. Only 15% of respondents said prices are updated on a daily basis. Nearly one in five said they either never update this information (4%) or only do this on a yearly basis (15%).

The picture is similar when it comes to updating stock availability and product information – with just 21% and 10% updating these details on a daily basis, respectively. >>



Nearly half (41%) don't have an IT catalogue in place for buyers

Not all organisations are tracking the four core data points needed to benchmark a purchase, including product price and date of purchase

>> This lack of up-to-date data severely undermines the ability of IT buyers to make informed purchases – or get the best equipment in the shortest period of time and at the lowest prices. This is a key reason why organisations rarely receive value for money on their IT purchases – separate benchmarking research by Probrand has shown that 81% fail to achieve this.

Our study with CIPS found that almost a quarter of IT buyers agreed with this assessment, with 23% saying they were not getting value for money. 42% thought they were getting value, but more than a third (35%) said they didn't know whether they were or not.

The survey shed light on why so many may be struggling to see whether they are getting value for money. Not all organisations are tracking the four core data points needed to benchmark a purchase, which are the product price, the quantity being ordered, the date of purchase and the manufacturer's part number. In fact, the study showed that almost a third (32%) do not track part code data. This is a potential red flag. If suppliers are reluctant to supply part numbers, it may suggest that they don't want to be benchmarked against others.

If orders are being processed through fully digitalised systems, however, this information would be recorded automatically. This would allow more detailed analysis of every purchase – and enable better data management generally.



Nearly one in five either never update price information (4%) or only do this on a yearly basis (15%).



Just 42% thought they were getting value for money



Almost a third (32%) do not track part code data

Barriers to digitalisation

What was revealed during the study is that many IT buyers, and the organisations they represent, still have a long way to go on their journey to full digitalisation. By their own admission, less than one in five (18%) believe they have already reached this point.

What was clear, however, was the desire to achieve this goal. Beyond those already there, a further 74% said they are either working on their digital transformation plan, are part way through implementing it or are looking to move in this direction.

Many also said, however, that they are encountering obstacles along the way. Almost two thirds listed 'budget' as a problem. Other issues included dealing with 'legacy systems' and winning the support of 'management'.

Interestingly, 12% listed being 'unsure how to write a business case for digitalisation' as a challenge. Given that digital

transformation in procurement does not typically incur major costs and the return on investment is significant, this is an issue that needs addressing. Resolving this could be game changing, and result in procurement teams gaining broad support for their digitalisation plans.

Alarming, more than a quarter (28%) said they currently have no plans in place to move towards digitalisation. While this will undoubtedly impact both the efficiency of organisations and the effectiveness of procurement professionals, it will also leave businesses at a competitive disadvantage.

With the vast majority of professionals and organisations now moving in this direction, failing to go down the path to digitalisation is likely to prove detrimental when it comes to fighting to recruit and retain the best procurement talent. This will affect the quality of the workforce and impact long term business performance.



Less than one in five (18%) believe they have reached full digitisation



Almost two thirds listed 'budget' as a barrier to digitalisation



Failing to go down the path of digitalisation is likely to prove detrimental to recruit and retain the best talent

Recommendations

If organisations want to achieve their corporate goals in this period of sustained disruption and global uncertainty, they need tools in place to manage suppliers effectively. Procurement teams must be able to make informed purchasing decisions.

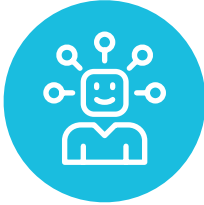
Without full digitalisation, this will be difficult to achieve. And, over time, it will impact businesses negatively in several ways – with problems ranging from higher costs and slower deployment of equipment to employee dissatisfaction and a competitive disadvantage.

With 82% of organisations yet to fully digitalise their procurement processes, it is clear there is still work to be done. But, to ensure they are moving in the right direction, steps can be taken to address the challenges they face.

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Suggested steps



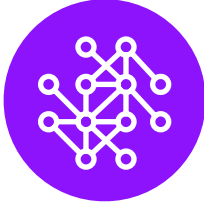
Analyse your most time-consuming tasks to identify the processes that can and should be automated.



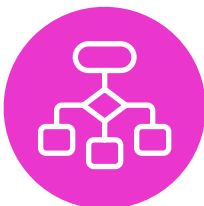
Assess which suppliers are offering digital platforms and portals that can help you digitalise and provide the live data you need.



Manage risk by incorporating multiple data sources, from various suppliers. And do your due diligence! Ask whether information is coming from authorised sources, if you are getting full supply chain transparency and is the data coming via an FTP or EDI connection?



Integrate your IT systems with supplier platforms and portals where possible to access live data and enable digital workflows. Check if suppliers can feed data directly into your ERP system, for example.



Create a digital approval workflow to reduce unnecessary delays, where possible. These can be developed to align with your organisation's delegation of authority (DOA) policy.



Establish a digital ordering process that will reduce the manual work involved for you and your supplier. This is not about distancing yourself from suppliers. It's about reducing administration so you can build more meaningful and strategic partnerships.



Enable digital data management. With data being stored and processed digitally, you will enable better analysis and reporting to take place.

Don't you think it's about time IT buyers got a fair deal?

Discover what margins your
suppliers are charging
with a **Free Spend Analysis**

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Time for a new way to buy IT?

Join thousands of IT buyers
using our marketplace for
business IT

REGISTER NOW

About Probrand

Probrand delivers governance and savings in the IT category as a CIPS accredited, free-to-use marketplace for business IT.

We openly connect IT buyers with authorised distributors and vendors, offering 300,000 IT products, managed IT services and Cloud solutions, showing live price and stock availability, in one integrated purchasing platform.

Automatically see personalised sector discounts and framework catalogues you're entitled to but often don't get. Price comparison across suppliers delivers 3 quote compliance and validated best value accredited by finance (ICAEW). Gain additional dynamic discounts at checkout based on quantity, brand and type of items. Control user spend limits and more.



Integrate with your systems, add catalogues, categories and approval workflows to enable delegated procurement, improved spend management and reduced rogue purchasing.

Probrand is a CCS approved supplier, is certified by CIPS and the ICAEW.

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