COMMUNITY CHALLENGER REPORT – NETWORK EDITION

HIGH-VELOCITY PROCUREMENT

IN PARTNERSHIP WITH Tradeshift

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CONTENTS

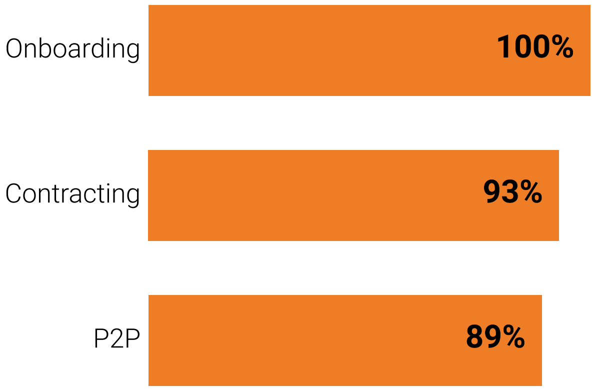
PROCUREMENT LEADERS

OVERCOMING THE INHIBITORS OF HIGH-SPEED PROCUREMENT

BUYERS FACE BLOCKERS AND BOTTLENECKS THROUGHOUT THE PROCUREMENT PROCESS

Although CPOs understand the value of harnessing speed and agility, their teams consistently encounter delays throughout the procurement process.

Respondents identified three leading issues that impede the procurement process at least some of the time:

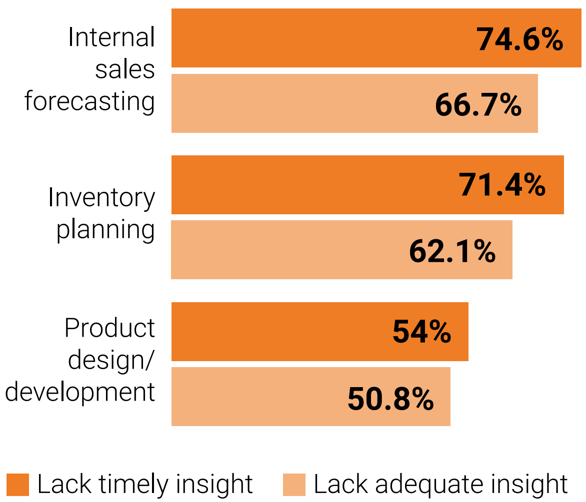


Leaders also highlighted supplier search and selection, and supplier performance management as notable speed bumps.

DATA AND INFORMATION GAPS REPRESENT THE BIGGEST CAUSE OF DELAY

While procurement executives highlighted organisational silos (43.4%) and technology gaps (36.8%) as causes of delay, some 59.2% of respondents cited data and information gaps as a source of lag – making it by far the greatest challenge.

Respondents were more likely to say they lacked timely insight than adequate insight across every area in which they were surveyed.



INITIATIVES THAT ARE ENABLING LEADERS TO DELIVER HIGH-VELOCITY PROCUREMENT

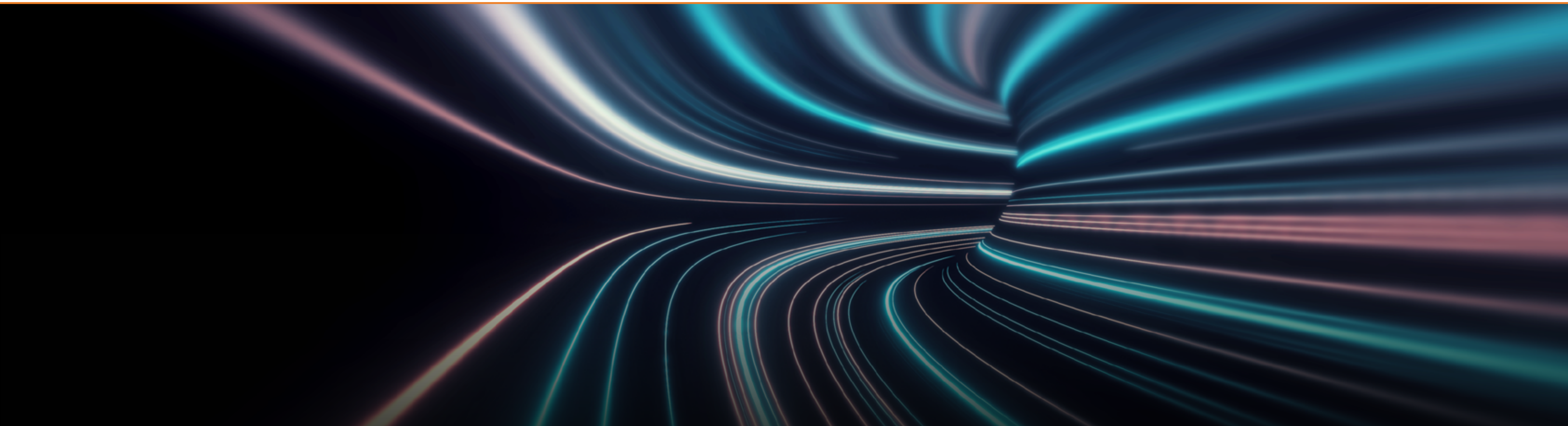
Perhaps unsurprisingly, respondents are reviewing their data and technology stacks to unlock efficiencies and inject agility into their operations.

However, leaders understand that technology on its own is not enough and are also looking at operating structures and process improvements that will empower their teams to make decisions quickly.

Process automation
68.4% of respondents

Data management/analytics
59.2% of respondents

Increasing team autonomy
27.6% of respondents



LEADERS LOOK TO STRIKE A BALANCE BETWEEN RISK AND REACTION TIME

The ravages of the past four years – during which we have experienced disruptive events the likes of which are rarely seen, and even less frequently seen together – have brought into sharp focus the demands on the procurement functions of large, global businesses. Securing scarce supply, keeping factories open and costs down and supporting suppliers through financial turmoil has been the focus for many CPOs and their teams ever since the first waves of Covid hit in late 2019.

Speed and agility are two increasingly important assets that are seen as a hallmark of a successful procurement function through such times. The ability to react to changing circumstances quickly can often be the difference between success and failure; being able to pivot, make informed decisions, find alternative supply, or ramp up or down production based on real-time, predictive data can – and does – have a meaningful impact on bottom-line performance.

It's why executives are becoming ever-more focused on removing latency and friction from the procurement process in order to speed up decision-making and improve response times when dealing with the myriad forces that define global business today.

In this report, we explore those forces and investigate the pinch points and areas of friction that exist in the procurement process, as well as what leading organisations are doing to mitigate them. How are CPOs building capability to help them make good decisions, fast? What are the areas of the procurement process that introduce the most latency? How can we get the right balance between risk and reaction time?

BUILDING THE BUSINESS CASE: ARTICULATING THE NEED FOR SPEED

Removing latency from the procurement process can unlock the doors to huge amounts of value for companies, allowing them to flex as situations change and adapt to market, social and geopolitical conditions at pace. While the interconnected nature of procurement and supply chains, a lack of meaningful data, as well as a host of inefficient systems and processes, means functions face significant challenges, there is no doubt that faster response times have a positive impact on the bottom line.

However, there should be no pursuit of speed over quality, and introducing unnecessary risk for the purpose of reducing delay is in the interests of no one. To that end, CPOs must tread a fine path between operating at pace and mitigating risk.

That said, speed-to-market, as an example, is a fundamental competitive differentiator for every organisation and making fast decisions and introducing predictive or prescriptive capabilities to meet market demand or respond to supply dynamics can have a meaningful impact on the balance sheet, as another. Let's be clear, procurement is a key enabler in both of those scenarios, as well as many others.

"Clearly you can lose revenue or market share if you are late to market and internally you may be seen as a blocker, but you must have these processes in place to reduce risk to the business and ensure quality," explains James Rego, a procurement director at UK satellite technology company Inmarsat. "At Inmarsat, we have a tailored and tiered process, which is gated based on requirements and risks for each project… the seven-step sourcing process can be great, but it can also be a bit of a sledgehammer to crack a nut when it comes to these lower-risk, high-churn projects. We use it for our high-value projects, but not for the low-value stuff."

> ***"You can lose revenue or market share if you are late to market and internally you may be seen as a blocker, but you must have processes in place to reduce risk to the business and ensure quality... we have a tailored and tiered process, which is gated based on the requirements and risks for each project"***
>
> **James Rego, procurement director, Inmarsat**

UNDERSTANDING THE INDIRECT BENEFITS OF MOVING AT PACE

For Corning's Nolan Smith, the ability to move quickly has an obvious benefit, but the CPO of the glass technology company says there are also significant indirect advantages to reducing latency. "If you measure the cost of disruption – the cost of missing customer orders or missing opportunities to capture share, which can be worse – there's always an avoidance of that cost," he says. "But I think the less obvious opportunity would be the relationships you have with your suppliers.

"When you have a more open dialogue and can give suppliers guidance so you no longer demand increased capacity only to put on the brakes, as an example, they will have a lot more respect for working together. Those scenarios will still inevitably happen, but they'll have a better reaction to it."

Inmarsat's Rego agrees. "We have a corporate-wide project planning requirement that we must operate in a methodological way. We must be as accurate as possible with our forecasting and the expectation on suppliers is that they will meet our needs. In fact, they should bend over backwards to meet our needs," he says. "But we need to give them as much chance of success as possible and that means forecasting accurately, working through our processes and being collaborative. We must hold up our side of the bargain."

83%

The percentage of CPOs that said they need to strengthen their demand planning capabilities and have either taken steps to do so or will in 2023

Source: Procurement Leaders CPO Compass 2023

77%

The proportion of leaders that said they expect to be involved earlier in key cross-functional planning in 2023 compared with 2022

Source: Procurement Leaders CPO Compass 2023

PROCUREMENT LEADERS

IF YOU'RE NOT FIRST, YOU'RE LAST

Time is money – this is something we can all agree on. What about timing? Is that also money?

At Tradeshift, we prefer to think of timing in the context of first-mover advantage. We think timing creates competitive advantage and in many ways advantage may be worth more, in the long term, than money.

The research presented in this report points to supplier onboarding and contracting as the two procurement activities that most often cause delays. Let us ask you this: have they always caused delays and we just tolerated them?

We believe the last three years exposed the true cost of the bureaucracy of procurement and that right now, organisations are looking around, trying to figure out what to do.

The theme of velocity is perfectly timed as an aspirational procurement zeitgeist but the reality is that most procurement functions will continue in their dogmatic defence of the status quo as if traditional procurement were some sacred cow. You will not be surprised to learn that we have a different view.

Traditional procurement would have you believe that a properly sourced supplier, rigorously put through a competitive RFX/bidding process followed by intense contracting and then onboarding is the holy grail. Every person reading this will have experienced both professionally and personally that contracted prices often put you underwater against the market.

> ***"It won't be easy, but procurement teams will need to let go of the idea that every supplier relationship requires negotiation, contracting and onboarding. It is a no-brainer to us that B2B Marketplaces full of vetted and contracted suppliers, inject velocity and agility into a business process that is currently holding growth back."***
>
> **Jayson Humphrey, Tradeshift**

Category managers would say that securing the source is worth the higher price, and for some commodities, in some industries, that is likely true. But for every category manager who can defend paying over market prices, there are 10 who cannot and businesses just chalk it up to how things work.

LESSONS FROM THE B2C MARKET

Let's contrast traditional B2B procurement with B2C procurement. What would traditional B2C procurement be? Going to the mall and talking with a salesperson, then possibly going to the competitor and talking to a different salesperson?

Sure, we still do this but, B2C for Millennials and Gen-Z takes place online predominantly. The speed of online product research and the ease of purchase is just too easy.

By 2025, 74% of working age people globally will be either Millennials or Gen-Z and we know they bring a behavioral challenge to our ways of working.

And if it's not their attitudes, it will be their technology. The world is their marketplace it is true for B2B, we just haven't received the memo.

It will not be easy, but procurement organisations will need to let go of the idea that every supplier relationship requires negotiation, contracting and onboarding.

It is a no-brainer (to us at Tradeshift, at least) that B2B marketplaces full of vetted and contracted suppliers, inject velocity and agility into a business process that is currently holding growth back.

What does the future look like for procurement? It might be as simple as "if you're not fast, you're last".

IDENTIFYING INHIBITORS: PINPOINTING PROCUREMENT'S BOTTLENECKS

New supplier onboarding and contracting represent the most significant bottlenecks in the procurement process; 58% and 53% of respondents, respectively, said these cause delays at least some of the time (*see Figure 1, right*). Not a single respondent claimed that supplier onboarding never caused delays.

This may reflect the heightened levels of scrutiny now placed on procurement teams and suppliers. Businesses face myriad potential threats from within the supply chain, risks that procurement teams must mitigate by carrying out in-depth due diligence of new suppliers and negotiating the appropriate contractual terms – and often in unfamiliar territory such as cyber.

Every organisation must assess its appetite for introducing speed and taking on risk in its pursuit of competitive advantage, and those in financial services will always take a risk-sensitive approach.

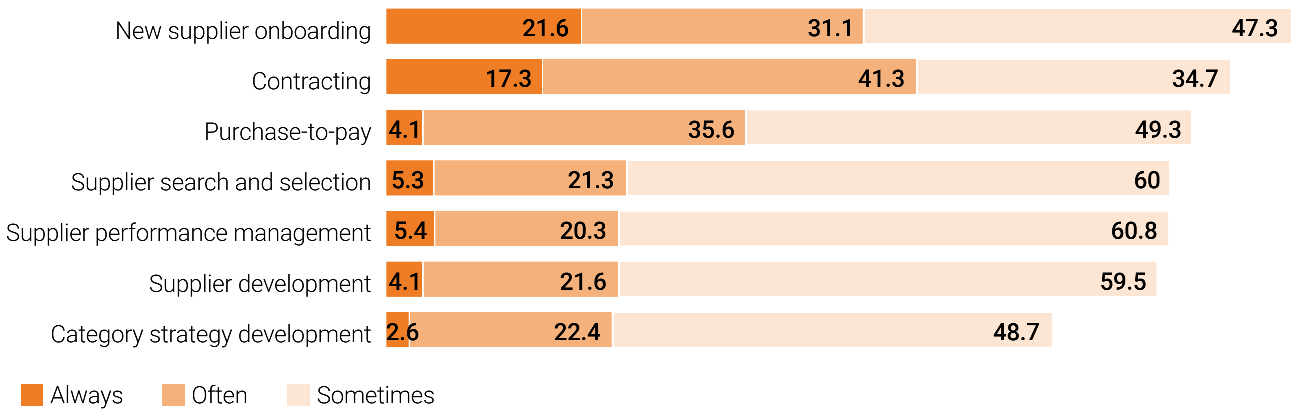
William Porter, CPO of MassMutual, points out different stages of the procurement process can introduce delay but notes that the contracting process itself is a particular bottleneck. "We find that with contracting, there are somewhere between 10 and 15 associated parties in MassMutual that need to be involved in the process," he explains.

"We have to review the privacy language, the cybersecurity language, etc, and so there's a fair amount of due diligence around risk with suppliers. That takes a lot of time – a lot of reviews.

"Speed is something that we're keenly focused on because we need to enable faster decisions and have a shorter buy time while – at the same time – mitigating risk," he says. "So, how do we create more streamlined contracts? How do we simplify that process?"

It's a challenge that all organisations face.

FIG 1 FREQUENCY WITH WHICH ACTIVITIES DELAY THE PROCUREMENT PROCESS (% OF RESPONDENTS)



Source: High-velocity procurement survey, Procurement Leaders, 2023

OVERCOMING OBSTACLES TO EXPEDITING SUPPLIER ONBOARDING

Data from Procurement Leaders' SRM and Innovation Strategy Cohort helps bring to life the full extent of delays organisations experience as a result of prolonged supplier onboarding times.

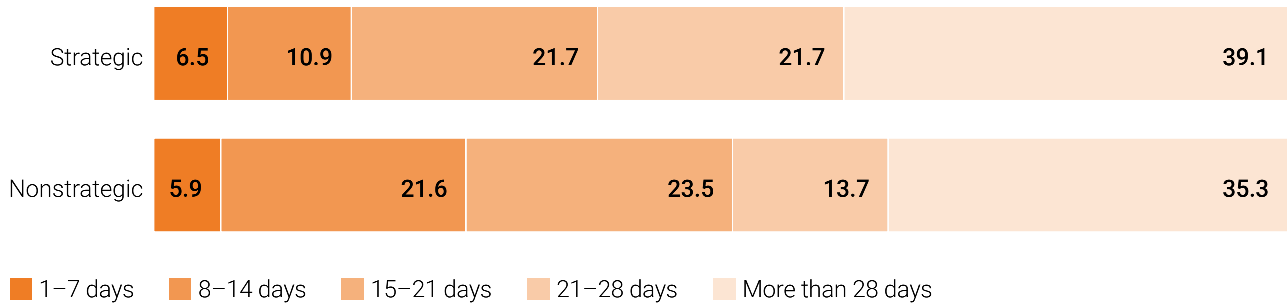
Some 39% of respondents to a pulse survey during a 2023 cohort call said it takes more than four weeks to onboard a nonstrategic vendor, with that figure rising for 39% for strategic suppliers. Meanwhile, less than 10% of respondents said they onboarded suppliers in under a week (*see Figure 2, right*).

As CPOs look to tread a fine line between mitigating risk and delivering at pace, the difference in the time taken to onboard strategic and nonstrategic suppliers may be a further indicator that buyers should reassess which suppliers are truly 'strategic'.

Reappraising suppliers' importance and simplifying processes for low-value, low-risk spend could accelerate the process significantly. "In some instances, we want to get onboarding down to five days because it might be a one-off purchase and low risk, so we should be able to cruise it through a simplified one-time process," says MassMutual's Porter.

Likewise, Corning's Smith believes one solution is to focus on "white-glove service" for certain scenarios where speed is of the essence.

FIG 2 AVERAGE ONBOARDING TIMES FOR STRATEGIC AND NONSTRATEGIC SUPPLIERS (% OF RESPONDENTS)



Source: Supplier onboarding pulse, Procurement Leaders, 2023 *n=51*

"We do have a Quickstarter process, which we use when we have new opportunities for revenue and we need to move very quickly to service them," he says. "We set up a white-glove service for supplier onboarding and to get new partners into the system. We track time-based metrics – how long it takes from the time they're identified to the time they're set up in the system, for example."

He explains how the company uses the same system for dealing with such situations as they do for managing risk, creating a ticket, and then facilitating all the way through to supply.

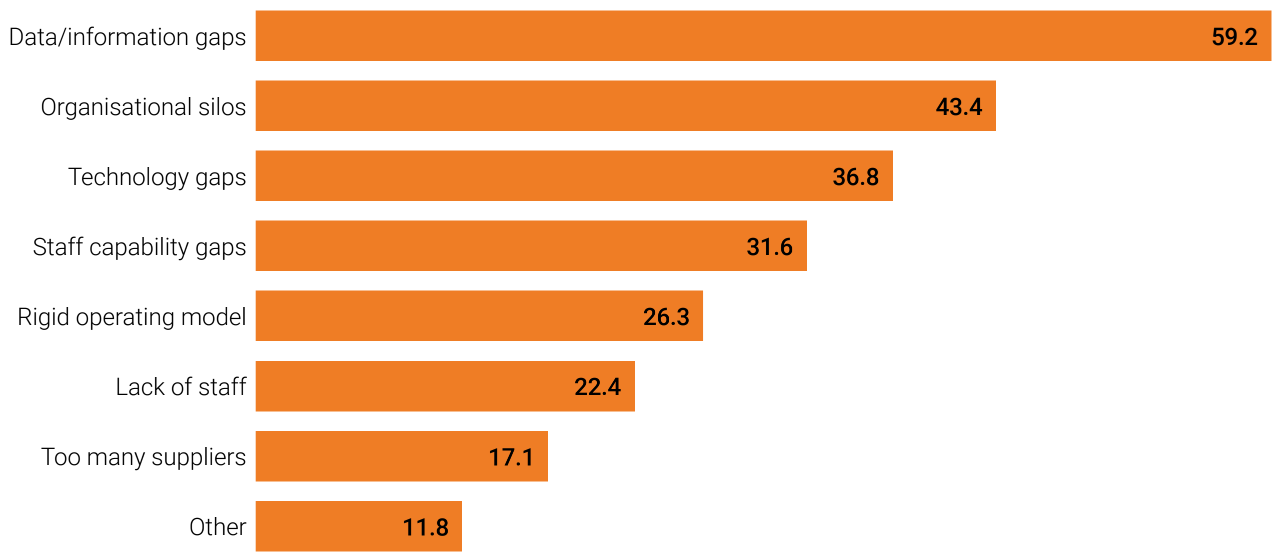
UNDERSTANDING THE REASONS FOR DELAYS

Various stages in the procurement process can introduce significant delay, but the underlying causes of those delays may be a result of ranging contributary factors such as: poor data; too many stakeholders and review stages; and manual, rather than automated, processes.

Where the causes of delay are concerned, data and information gaps represented the most significant challenge; 59% of respondents said this is the greatest cause of delay to the procurement process. It would seem that procurement teams lack access to the insight they need to fully scrutinize new suppliers and negotiate sound contracts in a timely manner.

Of course, it will come as no surprise that a lack of access to the right data is perhaps the single biggest contributor to delay, but with significant proportions of procurement functions pointing to organisational silos, more general technology gaps as being part of the problem, it's clear that there is considerable scope for improvement.

FIG 3 THE BIGGEST CAUSES OF DELAY TO THE PROCUREMENT PROCESS (% OF RESPONDENTS)



Source: High-velocity procurement survey, Procurement Leaders, 2023

DELIVERING SPEED-TO-INSIGHT

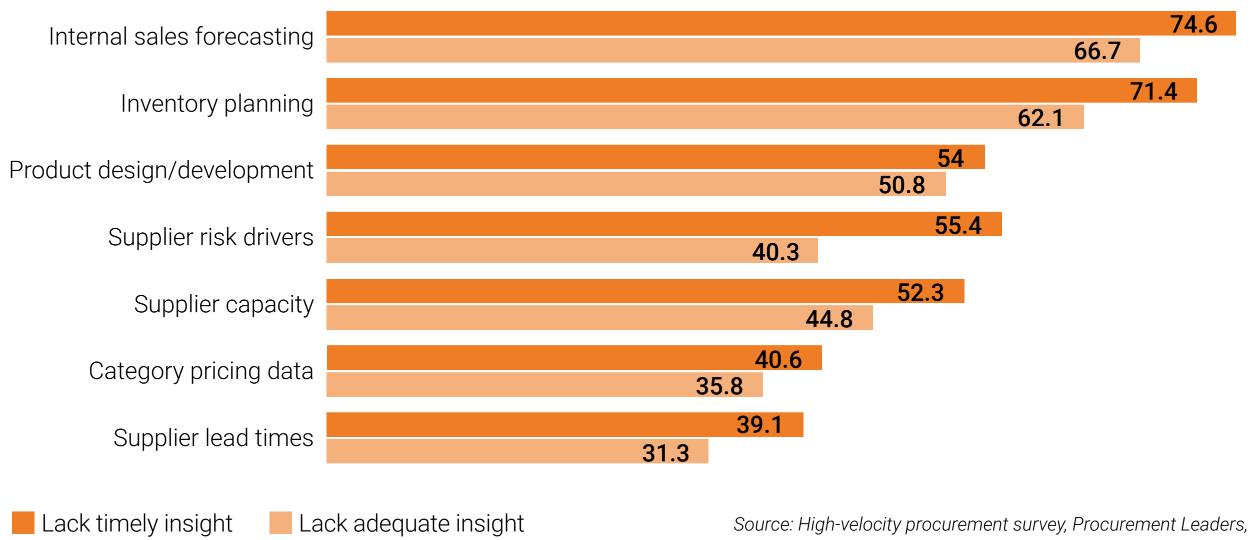
Exploring the challenge of data gaps further, although access to adequate information is a significant problem across the board, an even bigger problem appears to be getting the information into the hands of decision-makers quickly enough.

Respondents were more likely to say they lacked timely insight than adequate insight in every area. Two-thirds said they lacked adequate insight and 75% said they lacked timely insight into sales forecasts.

The top-three blind spots all relate to internal sources of information, which suggests that procurement's relationship with other areas of the business may be contributing to the challenges the function faces when it comes to information blind spots.

The distinction between having adequate and timely insight was most pronounced where supplier risk drivers were concerned, with 40% saying they lacked adequate insight and 55% saying they lacked timely insight into such issues. Again, this highlights the growing pressure on procurement teams to protect businesses from threats originating in the supply chain.

FIG 4 AREAS IN WHICH PROCUREMENT TEAMS LACK ADEQUATE OR TIMELY INSIGHT (% OF RESPONDENTS)



Source: High-velocity procurement survey, Procurement Leaders, 2023

ENABLING HIGH-VELOCITY PROCUREMENT: LEADERS TURN TO TECHNOLOGY

Procurement executives view technology as the key to introducing greater speed into the function.

More than two-thirds of respondents highlighted automation as one of their top strategies for reducing delays while 59.2% of procurement professionals surveyed said they are focusing on data management and analytics to help accelerate speed-to-insight (*see Figure 5, right*).

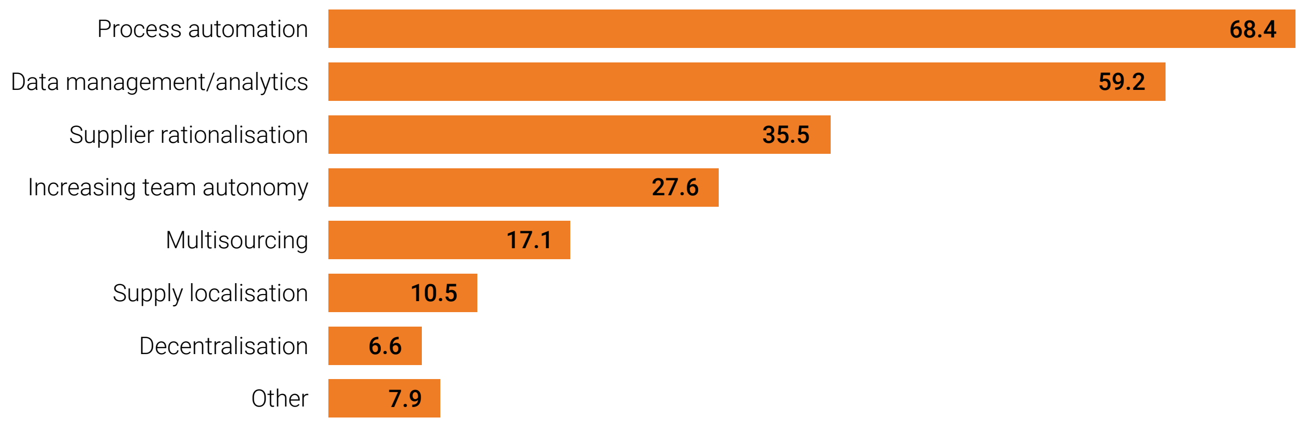
This approach corresponds with the findings of Procurement Leaders' *CPO Compass 2023* report, which found the overwhelming majority of leaders plan to invest in data and automation this year.

For Chris Sample, senior procurement director at Jacobs, technology is a critical enabler in ensuring timely infomation sharing to help accelerate the procurement process. Leaders must adopt a strategic approach to ensure their teams leverage these tools fully, however.

"We have so many technology solutions on top of one another and that slows us down... we must change that if we want to unlock speed," he says.

"We are looking at building more connectivity between systems and stakeholders – starting with some very basic reporting – so procurement can start work at the right time and we can get things like sourcing, supplier qualification and contract negotiation moving at the right time," he says.

FIG 5 STRATEGIES FOR REDUCING DELAYS TO THE PROCUREMENT PROCESS (% OF RESPONDENTS)



Source: High-velocity procurement survey, Procurement Leaders, 2023

STRUCTURING FOR SPEED

As well as having the right data and technology in place, leaders are exploring ways to ensure teams have the requisite skills and governance structures to empower staff to act with greater autonomy.

One emerging trend is for organisations to take steps to establish specialist teams to deliver on strategically important projects at pace.

Life science company Bayer, for example, has adapted its operating model to include a 'rapid deployment team' – a group of employees on standby to help deliver high-impact, strategic procurement projects as and when required.

The team has grown significantly since its launch in 2016, illustrating its effectiveness at delivering high-impact projects in an agile manner.

B2B MARKETPLACES: A NEW BUSINESS MODEL FOR PROCUREMENT

Procurement value is hard to quantify directly and at the same time, your procurement team has a clear cost. It is literally a cost centre. You can measure it much easier than you can the value it delivers.

Our question to you is: is it necessary to keep procurement costs on the books? Our answer is: No, it is not.

You've probably noticed Amazon has been massively successful as a marketplace operator – both in the B2C and the B2B space. The obvious lessons from the Amazon example is that buying online is extremely easy, the selection is as good as it gets, comparison is easy and the suppliers are incentivised to do all the work.

Yet for all the retail e-commerce sites such as Amazon that provide a great user experience for employees, they're a problem for procurement. That problem comes down to intent. Sites such as Amazon are retailers to the core. They are hard-wired to get consumers to buy more. And that DNA goes against what CPOs are looking for, namely: cost-savings, efficiency and trust.

That leaves a gap in the market. And right now it's a big gap. Last year, Amazon Business generated $80bn in revenue out of a total B2B e-commerce market that is set to grow to $18.97tn by 2028.

If your business is a category leader in a specific vertical or region, then you've already got something that the retail e-commerce giants are lacking; market knowledge and existing relationships with trusted buyers and suppliers. What's more, you already have the skill sets in-house to start generating cost-savings and efficiencies for people outside of your organisation.

If you're not already looking to monetise the expertise and market leadership you have today, then the likes of Amazon and Alibaba will.

They will eat your lunch – if you don't take the right actions now. The opportunity is just too big to ignore.

CAPITALISING ON THE OPPORTUNITY

Let us outline a scenario for users of Tradeshift's B2B Marketplace:

1: With the B2B Marketplace platform, you can open your own marketplace (you already have all the suppliers contracted and their content).

2: Spin off the procurement function along with the marketplace. It's now off the books and this is where marketplaces get interesting. In-house, your team has salaries and overhead costs. Spun off, the salaries and overhead costs are off your books. The newly formed business now has to pay for itself like any other shared service centre or business process outsourcing provider. There are many marketplace business models, some based around seller-paid revenue share, some based on buyer-paid subscription fees, some offer a combination of all the above. As the operator, you write these rules.

3: Your cost base is reduced by the amount you used to spend on procurement overheads and your balance sheet is immediately looking better. The new organisation relies on upfront fees from buyers to help bootstrap the operation while seller-paid revenue share ramps up.

4: Differentiated by your procurement category management and sourcing expertise, you have now created such an appealing marketplace that other buyers want to subscribe. You are now enjoying a far more sustainable long-term model.

SUMMARY

In this editorial, a lot has been simplified for the sake of brevity. However, the business model is proven and Tradeshift is seeing it happen all over the world.

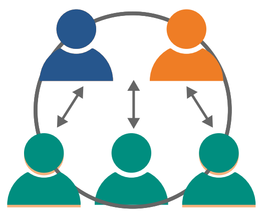
We believe first movers are building competitive advantage into their businesses right now by rethinking their procurement strategy.

FIG 6 DIFFERENT MODELS FOR B2B MARKETPLACES

The flexibility of B2B marketplaces creates more competition, more diversity, more choice and – more than any traditional e-procurement solution – opportunity

PRIVATE PROCUREMENT MARKETPLACE

Operator is also the buyer



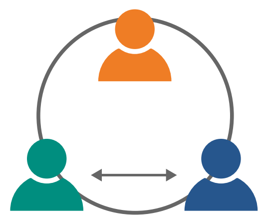
Sellers

Centralised procurement marketplace of universal supply made simple for multi-location or entity.

Typical operators might include:
Enterprise businesses with subsidiaries and franchises

MANY-TO-MANY NETWORKED MARKETPLACE

Marketplace operator



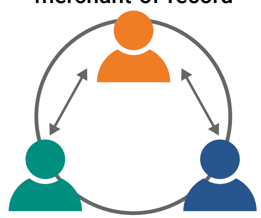
Sellers and buyers

Invited buyers access a new supply of competitive sellers curated by a trusted marketplace operator. Buyers transact directly with sellers of their choice.

Typical operators might include:
Business process outsourcers, global process outsourcers, franchises, distributors.

SINGLE VENDOR MERCHANT-OF-RECORD MARKETPLACE

Marketplace operator includes a single vendor merchant-of-record



Sellers Buyer

Operator offers a single premium buying experience by being the only vendor the buyer needs to manage. The operator curates the content and the buying experience.

Typical operators might include:
Enterprise businesses with subsidiaries and franchises

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ABOUT THE RESEARCH

This report incorporates the findings of a survey completed by 76 respondents during March and April 2023. These results findings have been supplemented by interviews with senior procurement executives, as well as insights from Procurement Leaders strategy cohort discussions.

RESPONDENT PROFILE BY REVENUE (%)	
More than $50bn	15.8
$11bn–$50bn	39.5
$1bn–$10bn	35.5
Less than $1bn	9.2

RESPONDENT PROFILE BY ROLE (%)	
CPO or equivalent	13.2
Head of/director	54
SRM lead	1.3
Data and digital lead	7.9
Procurement manager	11.8
Other	11.8

RESPONDENT PROFILE BY INDUSTRY (%)	
Business services	5.3
Consumer goods	22.4
Energy and utilities	3.9
Financial services	19.7
Manufacturing	13.2
Media and entertainment	1.3
Pharmaceuticals and healthcare	10.4
Public services and not-for-profit	1.3
Technology and telecoms	9.3
Travel and logistics	3.9
Other	9.3

ABOUT THE RESEARCH

ABOUT THE AUTHORS

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Procurement Leaders

David has overall responsibility for Procurement Leaders' product roadmap and development across the entire service offering, including membership and events. With more than 12 years' experience connecting and advising executives in the procurement community, he uses first-hand knowledge to create products aligned to customer need.

JAYSON HUMPHREY
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Jayson leads cross-team sales, marketing, and alliance efforts at Tradeshift. He has 15 years' experience in global e-commerce marketplaces and commercial business development, working closely with companies like IBM, Amazon, Walmart, Alibaba, Newegg Business, Groupon, Best Buy, Mercado Libre and other large multinational consumer and B2B brands launching and growing marketplaces.

ADDITIONAL RESEARCH
Tim Burt, community advisor, Procurement Leaders
Harry John, principal analyst, Procurement Leaders

ABOUT OUR PARTNER

Tradeshift

Tradeshift is the cloud-based supply chain platform that transforms the way B2B buyers and sellers connect, transact and trade. We're a leader in e-invoicing and AP automation, offering full international compliance in 50+ countries, including China. We're also an innovator in B2B marketplaces and embedded fintech services that bring value, opportunity, and growth to any business that joins the network. Headquartered in San Francisco, Tradeshift's vision is to connect every company in the world, creating economic opportunity for all. Today, the Tradeshift platform is home to a rapidly growing community of buyers and sellers operating in more than 190 countries.

www.tradeshift.com

FURTHER INFORMATION AND FEEDBACK
If you have enjoyed this report, would like some more information, or feel it has not met your expectations, please contact:
feedback@procurementleaders.com

FURTHER READING

OPEN RESOURCES

- **WEBINAR:** Breaking down the barriers to high-velocity procurement
- **VIDEO:** UCB CPO Sebastien Bals on using technology to get ahead of supply chain disruptions
- **CASE STUDY:** Pan American Health Organization's digital endeavours to increase procurement speed and efficiency
- **WHITEPAPER:** The Future of eProcurement: eCommerce Marketplaces will soon dominate the B2B eProcurement landscape

FOR PROCUREMENT LEADERS MEMBERS

- **DATA AND DIGITAL COHORT CALL SUMMARY:** Making sense of ChatGPT: The terms, use cases and pitfalls you need to know
- **CPO CONNECT CALL NOTES:** Building future operating models that enable greater collaboration
- **CASE STUDY:** Uniper's human-centred approach to robotic process automation
- **CASE STUDY:** Bayer's approach to developing an agile procurement operating model
- **GUIDE:** Agile project management using scrum methodology
- **GUIDE:** Robotic process automation

ABOUT PROCUREMENT LEADERS

The global community for CPOs and their leadership teams

SIX GLOBAL LOCATIONS

775+
Leading global companies

270+
Corporate member companies

35,000+
Senior leaders

120+
Procurement solution providers

54,000+
Active PL members

11,000+
Event attendees

Join us in making procurement a critical business driver

Learn more: **procurementleaders.com**