eProcurement:
Still some way to go?

In 2021 Argon & Co surveyed a group of 200 procurement and finance professionals within the UK, France, Germany, and the US on a range of topics within procurement, from the pandemic and Brexit to technology and sustainability.
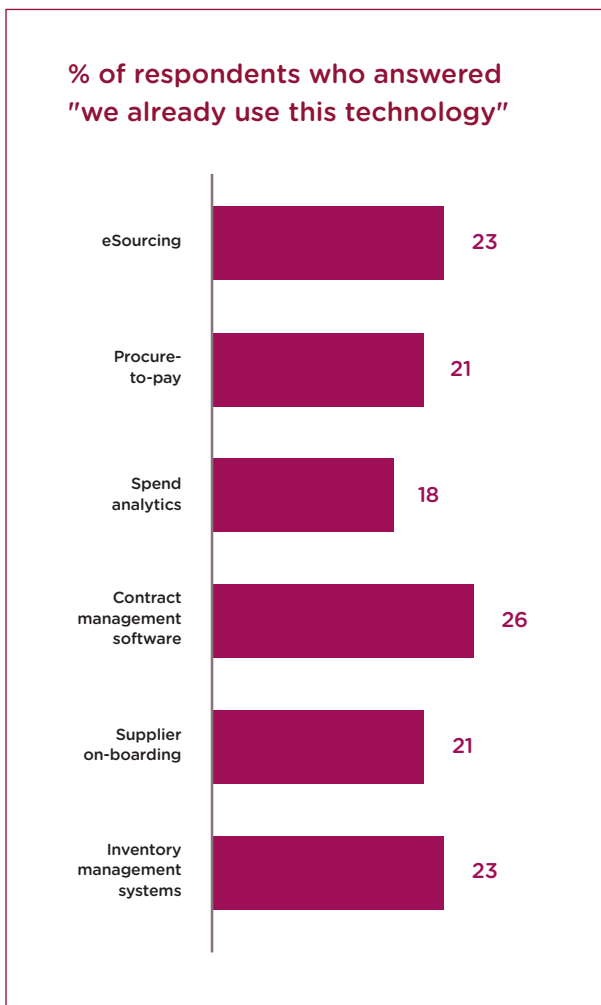
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When eProcurement became the latest buzzword of the business world around 2014, predictions and aspirations for its future abounded. It was hailed as a cure-all for the procurement industry's many ailments. However, technology is not the panacea it was thought of four years ago during the rise of eProcurement.

What was the cause of this anticlimactic development, and where does the future lie for eProcurement investment and development?

An optimistic outlook

When we gauged industry sentiment back in 2017, 72% of people we spoke to said that investing in technology over the next two to three years was a priority. But four years later, technology coverage is, for the most part, still relatively low – with our survey indicating that there is only a maximum of 26% coverage of any one of the following technologies: eSourcing, procure-to-pay, spend analytics, contract management software, supplier onboarding and inventory management systems.
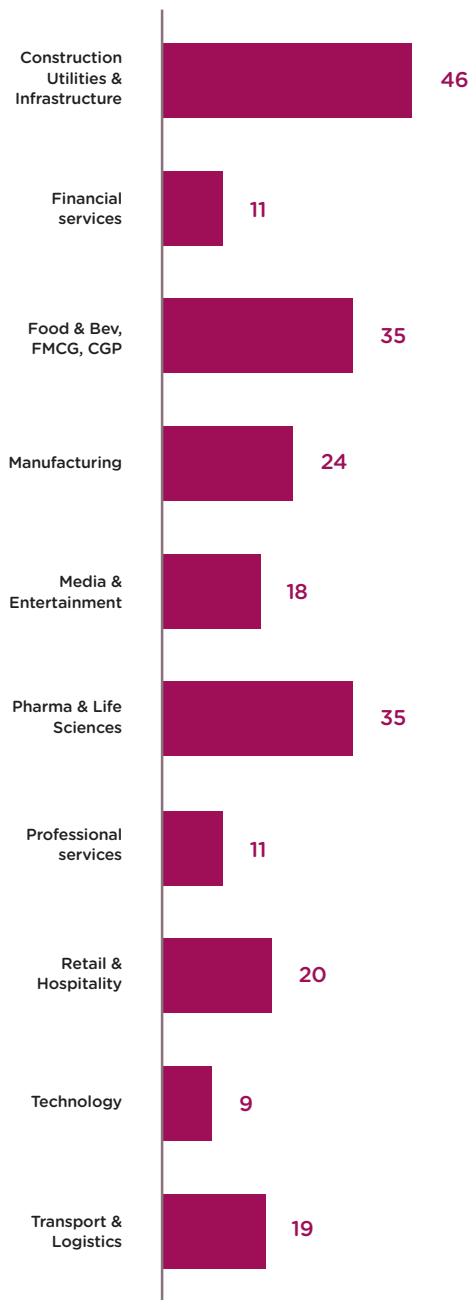
% of respondents who answered "we already use this technology"

Technology	%
eSourcing	23
Procure-to-pay	21
Spend analytics	18
Contract management software	26
Supplier on-boarding	21
Inventory management systems	23

However, there is more to the story – even those that don't own or use many of these technologies do see the value in such systems, with over two thirds of respondents sharing this view. While the reasons behind this gap between ownership and sentiment are undefined and likely vary, it would be unsurprising if a substantial proportion was down to budget constraints. Particularly in light of the stress that COVID-19 put on profit margins and budgets over the last 18 months, it may be that technology investment was low on the list of priorities for businesses who were simply trying to ride out the storm.

It may also be that there is no single key 'procurement' technology, and different companies benefit from different systems, depending on their processes, strategies, teams, structures, and cultures, among other factors. For instance, two very similar companies may have a different approach and mentality when it comes to contracting. Those who are keen to contract are much more likely to have a contract management system. There's a whole host of systems out there, ranging from full suite to very niche and specific, each with different use cases.

There also appear to be some trends by industry; eSourcing, for instance, is more prevalent in Construction, Utilities & Infrastructure, Food & Beverage/Fast Moving Consumer Goods (FMCG) and Pharmaceuticals than other industries.

However, it does suggest that there is perhaps a lack of investment in these systems. It suggests that CPOs want them but are not being given the budget to implement them. This may be as a result of the somewhat fractious relationship between procurement and finance, whereby each has its own priorities and success metrics. Or because procurement teams are failing to display a clear tangible return on investment from technology investment.

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% of respondents within each industry who answered "We already use eSourcing"

Industry	%
Construction Utilities & Infrastructure	46
Financial services	11
Food & Bev, FMCG, CGP	35
Manufacturing	24
Media & Entertainment	18
Pharma & Life Sciences	35
Professional services	11
Retail & Hospitality	20
Technology	9
Transport & Logistics	19

Alternatively, it may be that procurement teams are still behind the curve in terms of being able to maximise the use of technology, or have grown fed up of buying systems and only partially using their functionality.

To reach the full potential of eProcurement, procurement teams should focus on laying strong foundations, rather than over-ambitious goals. Procurement leaders must create fool-proof, measurable strategies that align with the key performance metrics demanded by the C-suite to demonstrate its value-add, and provide proof-points to support acquiring a larger slice of the budget.

Investing more in data and spend analytics, which are only in place at 18% of the organisations that responded, is a budget-friendly and essential first step. Having data visibility allows businesses to access potentially transformative company insights, including where is money being spent with which suppliers, what the total cost of ownership is and where in the organisation demand is highest.

Businesses must also make sure that they are only adopting eProcurement systems that are right for their business – not just because it's trending, or for the sake of being perceived as 'innovative'. There's no point in making lots of hoverboards if people are going to keep riding bikes everywhere because they're more cost-efficient and environmentally friendly. Procurement teams must also learn to use whatever technology they acquire properly. Training, skills development and the right people are all critical pre-requisites.

Above all, they must maintain an open mind and think about what drives the most value for the business. Procurement professionals must keep an eye out for revolutionary new developments in order to stay on the front foot, but be equally wary of a "tech bubble". Almost every procurement leader will, at some point, have to implement an eProcurement solution. The ones that will be successful will be the ones who can both articulate what they're implementing and the value it brings and then deliver that value after go-live.

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About Argon & Co

Argon & Co is a global management consultancy that specialises in operations strategy and transformation.

With expertise spanning the supply chain, procurement, finance, and shared services, we work together with clients to transform their businesses and generate real change. Our people are engaging to work with and trusted by clients to get the job done. We have offices in Paris, London, Abu Dhabi, Amsterdam, Atlanta, Auckland, Chicago, Dusseldorf, Lausanne, Melbourne, Mumbai and Singapore.

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James has experience in procurement consulting and UK government, focusing on cost optimisation, outsourcing and process improvement, including optimising the use of technology. He has industry expertise in private equity, healthcare, manufacturing financial services and technology. With proven success in developing and leading large-scale transformation, procurement digitalisation, and cost optimisation projects.

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