How to Develop Procurement as a Service

Procurement as a service is an outsourced procurement model that combines technology, staff, and expertise to handle a portion, if not all, of your organization's procurement function.

Technology helps them see what you're spending money on, and where you will likely be able to find savings.

It helps them choose the categories for sourcing and assign category experts to handle purchasing for those categories.

It relies on technology to do the sourcing and procurement, track purchases and payments and handles three-way matching to make sure you're only paying for what you get, and that you get the everything you're supposed to when you're supposed to.

Many procurement as a service providers make the process visible to the companies they work with, generally through a reporting portal. It's possible you'll have access to analytics and the procurement tool so you can run your own reports, record your inventory, and upload payments.

It's similar to SaaS, or software as a service, but handles procurement services.

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Today's outsourcing model, based on fixed-cost engagements, and long-term multi procurement processes, will become redundant.

Procurement as a service is the way things are headed because this delivery model puts companies in better control.

They'll get the subject matter expertise and the technology they need, on-demand.

It saves money because organizations will only have to pay for what they need and use. There's no need to bundle activities.

> *Business process outsourcing, or BPO, is common. Many procurement professionals worry that increasing procurement outsourcing will affect their jobs. Yet, there are many who also believe their organization will never adopt procurement as a service, because procurement has such an impact on the bottom line that it shouldn't be outsourced.*

What the Shift in Procurement Delivery Means

The shift presents significant opportunities and challenges to the C-suite professionals, as well as procurement service providers and procurement specialists.

It will potentially make it easier for organizations to handle strategic procurement.

Procurement as a profession continues to grow, but only large organizations can afford to invest in all the capabilities procurement has to offer.

The executives in smaller companies will have access to targeted technology and expertise at an affordable price point so they can justify their investment.

Procurement outsourcing has in the past been seen as a way for very large companies to see cost savings.

Companies such as Walmart and Amazon have used their purchasing strategies to give themselves a competitive advantage over the small and medium (SME) enterprises they compete with every day, and under this model, the little guys stand a fighting chance.

For current procurement service providers, the revenue opportunity is large, but for providers who still rely on a long-term fixed-cost model, they will need to adapt to the changing landscape or fall behind.

If they don't, they can continue to make it for a period of time while they continue operating as normal, but over time will become irrelevant compared to the companies that adapt and keep moving forward in response to market demand.

Procurement organizations that have the structure to deliver on-demand targeted solutions at a competitive price point will be the only ones able to survive.

The greatest financial opportunity will go to category-specific subject matter experts.

Currently, there is a war for talent as the expertise supply is constrained.

By going to the as a service solution, experts will be able to use new technology, including freelancer platforms, FMS, and more.

This allows category experts to provide their services on a fractional basis, further facilitating the shift from time and material compensation model to value-based approach where those who provide high-value will earn more.

This will ensure category experts have a greater earning potential whether they are working as an independent, as an internal procurement specialist, or with a third-party service provider.

Good procurement as a service solutions provide e-procurement options that make for more strategic sourcing and easier contract management, with focus on vendor relationships.

They use technology to automate the repetitive tasks that are a time-suck and efficiency killer when done manually.

They focus on analysis of spend and improved spend management to identify cost savings opportunities, and address risk management to keep things running as smoothly as possible for the business.

Procurement transformation is coming, whether your business is ready for it or not.

Opting for a more robust procurement platform that's full of technology solutions to provide you with supplier management, category management, and more will ensure your organization is set up for success for years to come.

Failing to keep up with the latest procurement technology could wreak havoc on your business over the long-term.

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