

Procurement Trends in 2020 and Beyond



Predicting the future is an inherently risky proposition—there’s no telling if you’re the next Nostradamus, or setting yourself up as a Cassandra.

But when it comes to procurement, it can be hard to regard the fundamental shifts occurring in the field due to digital transformation and not wonder, “What’s next?”

What procurement trends in 2020, 2025, and beyond will change the way the world handles the business of doing business?”

Few can reliably claim to know the future. But it’s still possible to develop some workable theories about the coming years based on knowledge of today’s hot procurement trends, the shifting dynamics of a high-tech, always-on global marketplace, and the evolution of procurement from cost savings to value-building within organizations.

Procurement Trends 2020

In order to predict the impact of new technologies and practices, and then develop a roadmap for maximizing their usefulness, procurement professionals

need a complete understanding of current procurement trends.

At the end of 2019, the future holds endless possibilities, but it's likely that procurement trends for 2020 will draw part or all of their inspiration from those currently transforming the procurement function, including:

Cloud-Based Technologies and the Internet of Things (IoT)

The second decade of the twenty-first century saw a powerful change in data collection and management. As Big Data (more on that in a moment) made it possible to collect, store, and analyze more data than ever before, it became clear that the cloud was an essential part of turning Big Data into Useful Insights. Decentralized (but with shared, leveled access for everyone, from anywhere), redundant, scalable, and integration friendly, cloud-based data management made it easy for businesses of all sizes to seamlessly connect software and hardware to create a unified data environment.

Software as a Service (SaaS) took applications out of the IT closet and into the cloud, while the Internet of Things (IoT) connected real-world devices to the datastream, enabling more precise performance tracking, production improvements, and the use of advanced technologies such as digital twins.

For the procurement function, cloud technology has made it possible to achieve much smoother integrations with existing software packages from accounting, customer service, production, etc.

These improved integrations have brought continuous improvement through the use of artificial intelligence and process automation, connecting whole organizations as part of the supply chain and allowing teams to collect and analyze performance data procurement teams can use to improve the efficacy, efficiency, and overall competitive performance of the businesses they support.

As more and more devices connect to the Internet, feeding more and more Big Data into the system, it's likely cloud-based tech and the IoT will continue to play important parts in procurement for 2020 and beyond.

Big Data Analytics

Interconnectivity across the supply chain means everything from production (drawing raw materials from trusted vendors) to accounts payable (processing invoices and paying vendors as quickly, efficiently, and accurately as possible) now yields rich sources of data, ripe for analysis that generates the insights that drive cost reductions and value creation.

Big Data is one of the most disruptive technologies ever to hit the procurement function, recontextualizing procurement processes, supporting the collection and analysis of data from internal and external sources, and enabling more transparent and accurate analysis of that data to improve decision making, supplier relationships, risk management, and more.

In 2020, Big Data will almost certainly continue to play a critical role in procurement organizations, especially since process optimization and strategic sourcing rely so heavily on having real-time, accurate, and complete data to analyze.

Blockchain

Businesses are only beginning to realize the potential of this powerful and disruptive technology.

The blockchain introduces new levels of speed and security to processes ranging from procure-to-pay (P2P) to contract management to financial and inventory audits, but hasn't quite reached the ubiquity enjoyed by other new technologies.

That'll change in 2020, as more procurement teams embrace the versatility and security on hand, and blockchain moves from an optional add-on to a standard component of next-gen automation and security software.

Once considered to be a source of moderate cost savings at best, the modern procurement function is now the beating heart of business process management, connecting and optimizing all business units to minimize waste and expense while maximizing value.

Cybersecurity

As the digital world becomes ever more thoroughly enmeshed with the real one, procurement leaders will likely continue to prioritize cybersecurity as a key part of their digital transformation strategies.

Automation, driven by artificial intelligence, makes it easier than ever to develop contingencies to cover everything from approval workflows to supply chain optimization to logistics and asset management.

But as procurement teams increasingly rely on technology to extract maximum savings and value from the supply chain, internal process optimization, and actionable insights, the need to protect these systems from tampering, corruption, and outright destruction becomes more important than ever.

In 2020, procurement organizations will face a range of emerging cybersecurity risks.

From fighting off ransomware and malware to preventing system and production shutdowns to shielding customers from the theft and misuse of personal data, cybersecurity is one trend that will only increase in priority in the years ahead.

The Human Factor: More Collaboration, Greater Social Responsibility

No business operates in a void, and while artificial intelligence and robotic process automation can make a big difference in a company's profitability and productivity, at the heart of every organization lies a group of people responsible for adding a little human ingenuity to the mix.

As data management, software integration and automation become more prevalent, many procurement teams already find themselves taking advantage of the improved collaboration and communication all this connectivity affords.

Connecting vendors and customers to your system reduces confusion by increasing transparency and trust. Supplier relationship management improves, too, as supplier performance data provides insights that can help your team identify areas in need of improvement, mutually beneficial adjustments to contract terms, conditions, and pricing, or potential opportunities to create

partnerships or expand into new markets.

Internally, ensuring all stakeholders have appropriate access to shared data, regardless of their location or device, streamlines all your workflows and encourages not just better communication, but greater innovation and more intuitive, effective strategic planning.

Another group of humans—customers—are driving another procurement trend that will no doubt continue to expand in 2020.

Consumers have very real concerns about environmental and social responsibility, and aren't afraid to speak with their wallets. Corporate social responsibility (CSR) will require companies to continue to develop smarter strategic sourcing, avoiding suppliers with negative or questionable practices that can turn consumers away.

In addition, procurement teams will invest in increasingly sophisticated artificial intelligence to handle sourcing and vendor-facing functions, using data analysis and machine learning to further automate ordering, information requests (using, for example, chatbots) and more. In the future, it's possible your staff will simply have a conversation with the AI to get what they need, when they need it.

Value, Not Just Savings

Cloud-based data management, process optimization and artificial intelligence have fundamentally transformed the role of procurement.

It's a change that began with the move away from paper-based procurement and toward digital transformation, and it has created a ripple effect by:

- Freeing the human members of procurement organizations from low-value tasks.
- Maximizing cost reductions throughout the supply chain and across business units through improvements in efficiency, speed, and accuracy.
- Recontextualizing procurement as a driver of reduced risk exposure, smarter spend, greater innovation, and more strategic relationship development opportunities by aligning spend and supply chain management with overall organizational goals.

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This transformation, perhaps the most significant in procurement history, will itself remain at the heart of procurement transformation in 2020 and many years to come.

Looking Ahead: Procurement Trends Beyond 2020

Casting one's gaze beyond the immediate future to chart the supply chain management, spend management, and risk management trends that await the CPOs and procurement teams of the mid-to-late 21st century is risky business. But in procurement, as with so many other aspects of life, some things never change.

It's likely, for example, that a focus on maximum return on investment (ROI) and value creation, accompanied by minimum waste and expense, will remain top priority for procurement professionals around the world.

The procurement technologies that support the pursuit of these goals, however, will probably be much more advanced than any we know or can even imagine in 2019.

Experts at research firms have developed a variety of roadmaps defining the future of procurement. Gartner, for example, has predicted that by 2022:

- 50% of legacy spend analysis and procurement solutions will be replaced by AI-driven, cloud-based purchasing software.
- 75% of all B2B one-off spend (i.e. "tail spend") will be made in online marketplaces such as Amazon.
- All best-in-class procure-to-pay packages will include integrated chatbots and virtual assistants to further simplify and streamline procurement while increasing security and compliance.

These are very specific predictions, but they speak to larger trends within the

world of procurement, including a continuing commitment to digital transformation, a greater reliance on advanced technology, and improved user experiences.

Other procurement trends transforming the business world in years to come include:

- **Big (Meta) Data:** Collecting, sorting, storing, and analyzing data generated by all your business processes is one thing. But what about the data generated by the data itself? Metadata adds additional context and could yield even more useful insights that can drive further process improvements. Data streams will grow more complex, and more interconnected, creating a vast tapestry of data that can provide both answers and context on demand.
- **Digital DNA:** Strategic sourcing in the future may be as simple as loading up a double-helix and saying, “Source it!” Digital DNA is an emerging sourcing standard that aims to connect every last fragment of sourcing, manufacturing, logistics, materials, and procurement organization information into a single set of code that’s unique for every product.
- **Maximum Collaboration, Minimum Competition:** As global sourcing becomes an increasingly complex endeavor that requires a truly staggering amount of knowledge, strong relationships, and flexible, agile procurement models that are both tactical and strategic, it’s possible procurement teams will shift away from exclusivity and rigid contract negotiation methodologies toward more collaborative ones. In such models, data transparency is paramount, terms and conditions are specific and situational, and the goal is long-term value creation for all parties involved, rather than short-term savings or profits.
- **Sustainable Procurement:** A natural complement to collaborative sourcing, sustainable procurement may become the de facto method for industry leaders as environmental concerns, human rights issues, and global social consciousness continue to grow in importance for consumers. Tomorrow’s procurement leaders, like their peers and the consumers they service, will prioritize products and services that do minimal damage to human lives, society, and the environment—and their sourcing, relationship management, and risk exposure minimization

strategies will reflect their convictions.

Get Ready for the Future of Procurement

While the future is never certain, hedging your bets remains a smart move.

By investing in today's procurement innovations and embracing value creation, you can ensure your procurement strategy is flexible and powerful enough to incorporate and leverage whatever new technologies will define and disrupt the world of procurement in the decades ahead.

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