UNLOCKING INSIGHTS WITH AI:
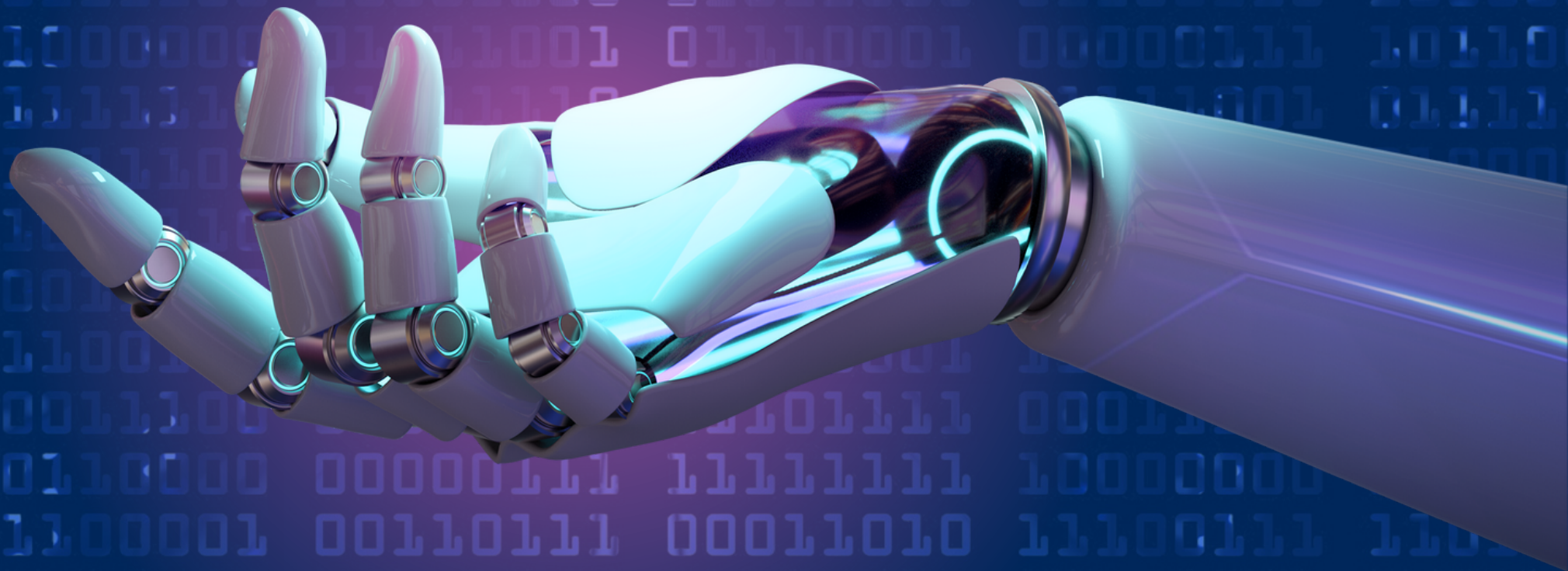
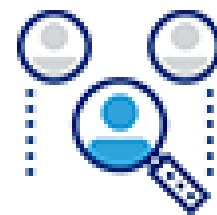# HOW AI IS IMPACTING PROCUREMENT

AI in Procurement refers to self-learning or smart algorithm software solutions that replace manual processes.

USE CASES OF AI IN PROCUREMENT

- **With the help of AI algorithms, it is possible to analyze larger amounts of data and offer the most relevant solutions for traditional problems.**

- **Data mining allows detecting unpredictable patterns hidden in the data generated during users' routine operations for improving the level of their effectiveness.**

- **Smart interaction with suppliers and AI approval of this process minimizes the role of the buyer in the system reducing the risk of a human-made error to the minimum.**

Spend Management

Identifying and matching capabilities

Keeping track of efficiency through monitoring and tracking

Access to large amounts of data and analysis

Examples of Artificial Intelligence use in Procurement

1. Data Analysis to Enhance e- Strategic Sourcing

2. Spend Analytics

3. Contract Management

4. Automation of manual tasks

5. Chatbots

6. Error Detection

7. Guided Buying

8. AI reduces interruptions caused by one-off purchases.

9. Managing Supplier Risk

10. Inventory Management

Benefits of AI in changing sourcing and procurement.

Supplier relationships
AI can optimize the management of supplier relationships and identify new suppliers.

Operations
AI can streamline complex business operations with minimal interruption of existing infrastructure.

New markets
With AI, any business can effortlessly shift through large volumes of data to uncover new opportunities worth exploring.

Manual Tasks
AI can automate manual tasks allowing for better management of resources and time.

Decision-making
AI provides businesses with accurate analytics and data-based insights for improved decision-making.
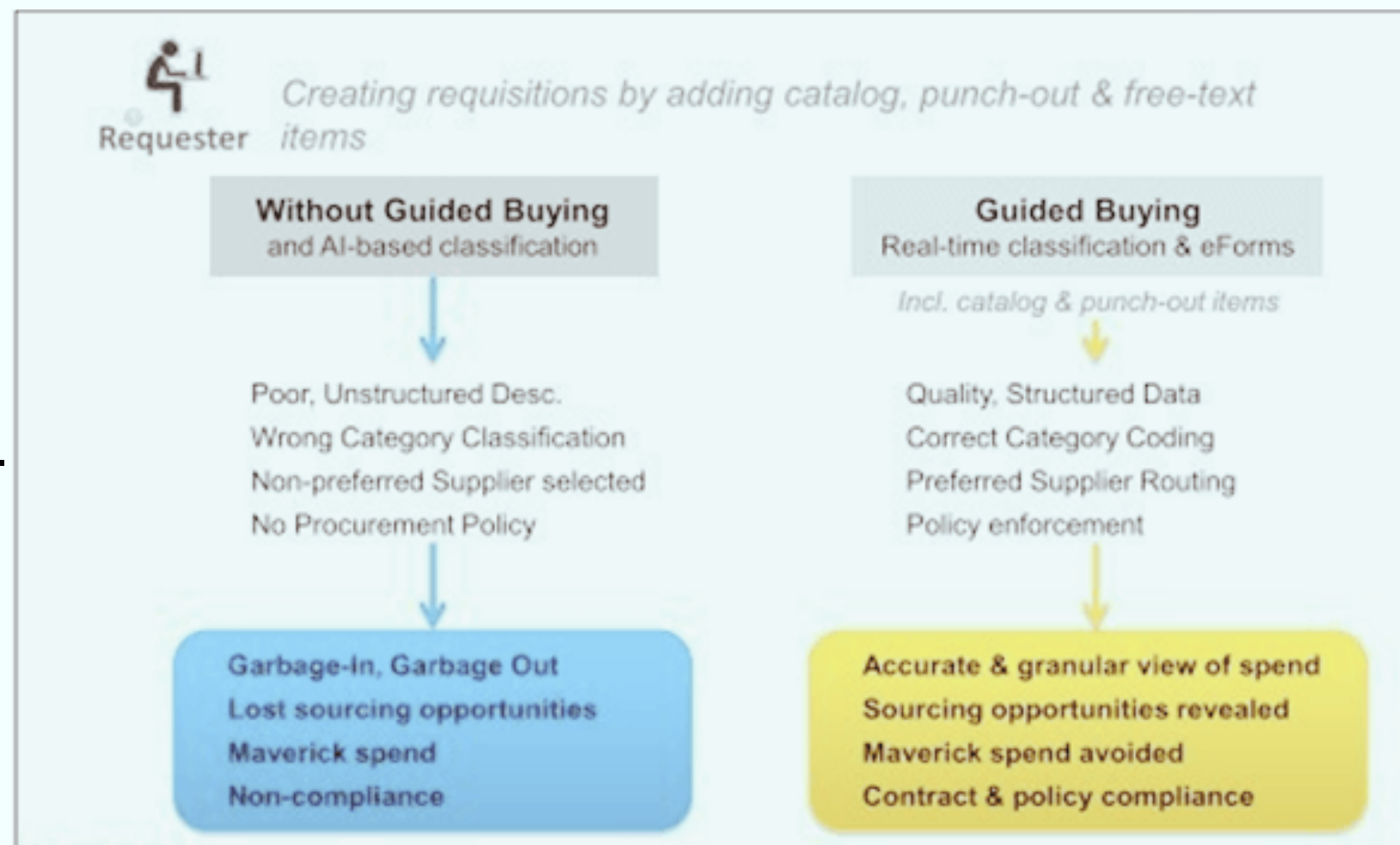
Acquiring Data:
With the use of AI, any organization is able to have access to crucial new data from external sources.
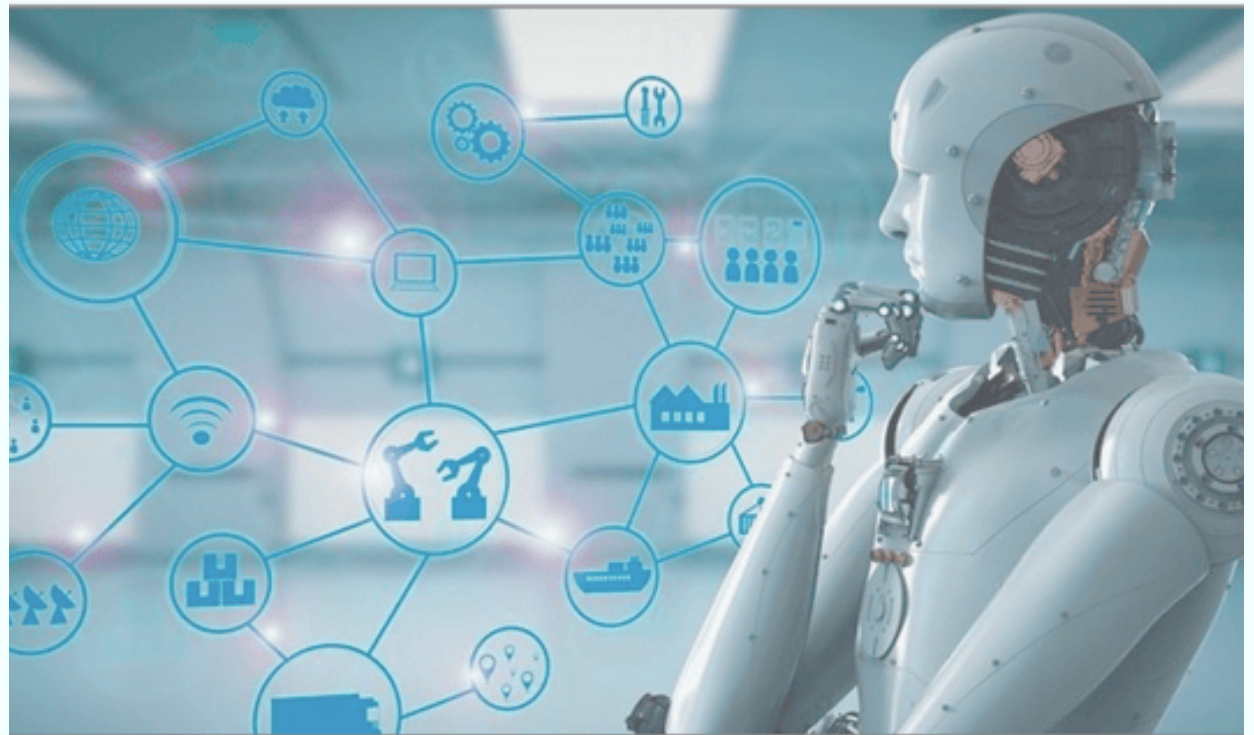
Impact of AI on P2P

- **AI will take Purchase to Pay (P2P) to a new level.**

- **Full P2P functionality which is powered by AI may search items to invoice matching and payment authorization with best-in-class user experience.**

- **AI will assist in decision-making when placing orders through a catalogue-type tool 'guided buying.**

- **Automated invoice processing, helping systems learn how to handle non-standard invoices or identify potentially fraudulent transactions.**

Requester — Creating requisitions by adding catalog, punch-out & free-text items

Without Guided Buying
and AI-based classification

Poor, Unstructured Desc.
Wrong Category Classification
Non-preferred Supplier selected
No Procurement Policy

Garbage-In, Garbage Out
Lost sourcing opportunities
Maverick spend
Non-compliance

Guided Buying
Real-time classification & eForms

Incl. catalog & punch-out items

Quality, Structured Data
Correct Category Coding
Preferred Supplier Routing
Policy enforcement

Accurate & granular view of spend
Sourcing opportunities revealed
Maverick spend avoided
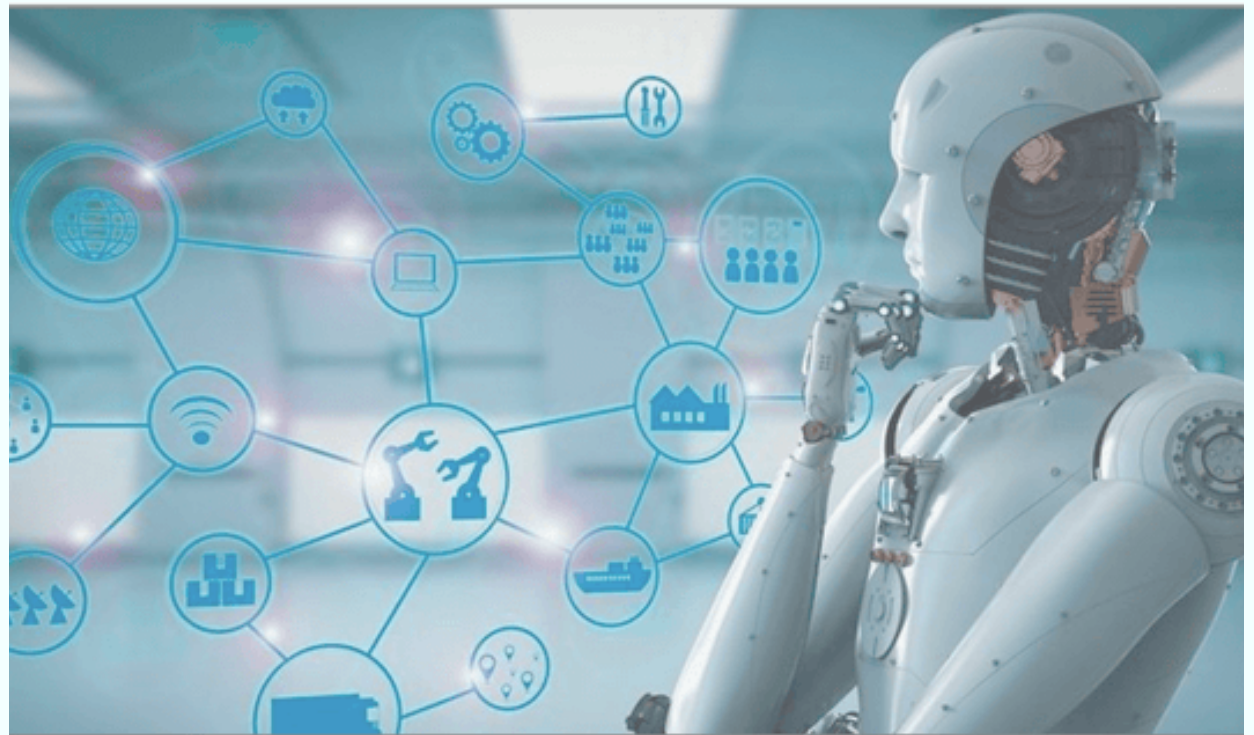Contract & policy compliance

Impact of AI On Sourcing Intelligence

- **AI driven tools will suggest which suppliers should be invited to participate in the exercise**

- **Using evidence from past events, AI will help design process, documents and support the evaluation that suppliers have the accreditations or certifications that are required for the work.**

Impact of AI on Data Analytics

- **AI descriptive analytics:** It provides access to huge spend profile information, data aggregation and data mining from the past.

- **AI diagnostic analytics:** It provides insight into the root causes of an increase or decrease in Total Cost of Ownership. Why did that happen? What is driving raw material prices up? Where is value leakage occurring?

- **AI predictive analytics:** It provides estimation about the likelihood of a future outcome. What could happen?What contract clauses are likely to create the largest business risk like supplier bankruptcies?

- **AI prescriptive analytics:** It provides a set of decision options and prescribe a number of different possible outcomes to sourcing professionals before the decisions are actually made by optimization and simulation algorithms.

Smart Contracts using Block Chain

- **AI will identify the necessary information needed from the supplier to manage the contract and performance, ensure it is captured, recorded and reported.**

- **There will be no risk of missing key dates such as anotice to terminate and upcoming milestones.**

- **When a set of pre-defined conditions are met, the smart contract will execute itself to deliver a result. For example, when a payment is received, a delivery can be automatically triggered.**

Smart contract definition

- Two broad categories: smart contract code and smart legal contract
- Code-based contract stored on a distributed ledger, that executes autonomously
- Contains embedded information on ownership of assets and parties involved
- Rights to access and update the distributed databases where the assets are stored
- Access to internal & external (trusted third party) data source(s) that triggers the execution of terms
- Multiparty signature secures access to the contract
- Smart contracts need to have defined start and end events (e.g., based on an externally occurring event)

CONCLUSION- A WAY FORWARD

With an open-minded and agile mindset, the focus of AI shall reinforce the work of procurement functions and not to replace professionals but to create new roles for procurement to deliver more value to the organizations.

Did I help?

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