

DIGITAL PROCUREMENT TRANSFORMATION

*"A MUST READ FOR
ANYONE CONSIDERING
PROCUREMENT
SOFTWARE"*

PRESENTED BY:

TRAD^oGRAM

INTRO

EXECUTIVE SUMMARY

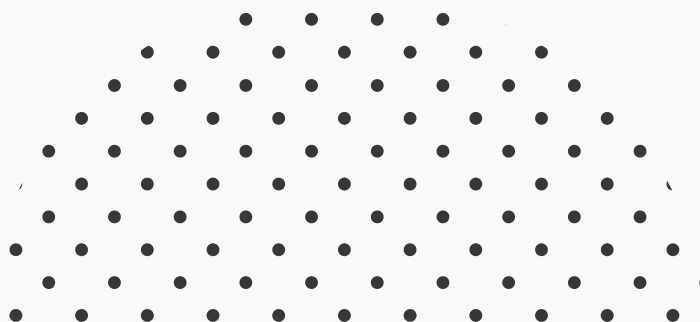
Procurement is one of the most critical inflection points in its recorded history. As the management of many business functions moved to software-as-a-service solutions over the past two decades, procurement lagged slowly behind. Now it's trying to catch up, and procurement teams can quickly become overwhelmed by the frenzy of modernizing procurement in general.

Outdated operating processes continue to pose a significant challenge for many procurement teams and the individuals who manage them. Digital transformation is inevitable for any business that wants to survive the turbulence of sweeping changes currently redefining the entire procurement function.

Radically different technological landscapes lie ahead. Generational shifts are placing professionals into leadership roles at younger ages. These new generations carry different skillsets and values than their predecessors and will be defining factors in the pending procurement revolution.

“ **DIGITAL
PROCUREMENT
TRANSFORMATION
IS INEVITABLE**

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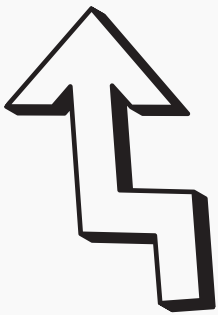


THE CRITICAL IMPORTANCE OF TECHNOLOGICAL ADAPTABILITY

What do these pending changes mean for procurement? Effective and efficient procurement management is central to most businesses' future financial success and market competitiveness. Regardless, it's only just beginning to receive the attention and recognition it deserves when weighed against its impact on profitability.

Driving this accelerated change, the Procurement Revolution, and a refreshed perspective of procurement's importance is technological progress.

THE BAR IS RISING QUICKLY



Technological adaptability has become essential for all businesses. The bar is rising in most industries and business functions—procurement included. Individual companies and business units, like procurement, now carry the responsibility of embracing emerging technology and leveraging it to remain competitive.

WHAT DOES THIS MEAN FOR THE FUTURE?

Like it or not, businesses are operating with greater levels of adaptability, flexibility, and agility. The need for tech-savvy employees will rise. In ten years, altered procurement processes will look considerably different than they do today.

THE PROBLEM: PAPER-BASED PROCUREMENT

For centuries, procurement management was a manual process. Businesses have and some still leverage paper-based processes and spreadsheets to manage the acquisition of goods and services needed to operate. However, the days of relying on antiquated procurement management methods are gone.

Today, teams are much more efficient because they now leverage procurement software that automates time-consuming, manual processes. These procurement systems streamline workflows, provide deep insight into performance, and dramatically reduce costs.



A Fading Legacy: Goodbye 20th Century

Legacy-installed software—such as older versions of Windows that you installed via compact discs—no longer does the trick. Procurement teams increasingly manage processes with SaaS (Software-as-a-Service) applications. These applications are accessible through a web browser, such as Google Chrome or Firefox.



The Filing Cabinet: A Staple of the 20th Century

Now, think about how today files are stored digitally. Why is that the case? Because a single hard drive can store hundreds of thousands of files and is the size of a mobile phone. It's impractical to keep bulky, metal filing cabinets to store paper files. Plus, this file storage method leaves the door open for lost files and the loss of vital business data.

It's easier to open a digital file folder on a computer screen, do a quick search, and locate a file in seconds. Plus, hard drives neither accidentally spill coffee on files nor do they inadvertently leave them on the roof of their cars. Instead, they back them up.

What's the point of this rant? Technology is fluid, not static. When newer and more efficient technology arrives that can complete a job faster and more effectively, we abandon the outdated practices and adopt new ones.

So, then, why do we continue using paper to track business processes and store essential data? Is it fear of change? A misunderstanding of the alternative? Paper is still good for some things, but streamlining business and procurement operations isn't one.

Paper is Still Practical—for Wrapping Gifts and Using the Bathroom

One thing paper is no longer practical for is storing essential business documents. Any business still depending on paper-based processes to manage procurement will almost certainly fall behind its competition if it hasn't already. Why? Because that competition is increasingly managing procurement with procurement software.

How Fast Are Businesses Adopting Digital Processes?

As of 2019, nine out of 10 businesses (89%) used SaaS solutions to manage one or more business functions. That number has undoubtedly grown since 2019.

The global SaaS market was worth \$13.4 billion (US) in 2010. Experts estimate that market will be valued at \$190 billion (US) by the end of 2021. It's then expected to jump to a staggering \$305 billion (US) by the end of 2025. That represents an increase of over 2,300% in 15 years.

And guess what?

The procurement software market is growing right alongside it. This growth is creating urgency among procurement teams to move away from paper and into the cloud.

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Before moving to procurement software, we were manually tracking physical paper trails. We couldn't facilitate effective communication with teammates and suppliers... Essentially, we faced obstacles at every stage of the supply chain.



Francisco Ortega
Purchasing Manager at
Father Joe's Villages

(Source: Tradogram Case Study)

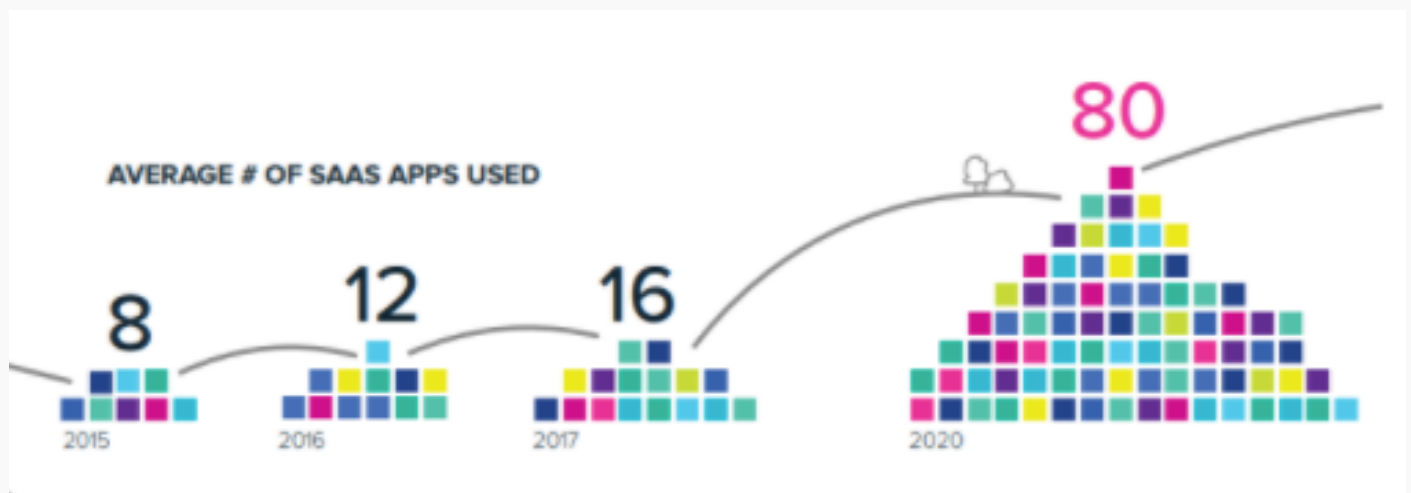
Implications for Procurement: The Clock is Ticking

The rapid proliferation of procurement software is a clear indication of things to come, with critical implications for procurement units.

1. Businesses still depending on paper-based procurement management must start planning a digital procurement transformation as soon as possible.
2. Those that resist adopting procurement software will likely fade into the competitive background at an increasing velocity.

Why is the need to adopt procurement software and SaaS applications in general so urgent? If the survival of your business isn't reason enough, consider the following:

1. As of 2020, businesses used an average of 80 IT-approved SaaS applications (See image below).
2. In 2015, that number was eight, indicating a 1,000% increase in five years.



How Does This Impact Procurement Teams?

Procurement as a business function is undergoing a massive transformation. Procurement professionals must embrace change, adapt processes, and adopt the latest technology to survive in the future.

Consider the following:

1. Procurement software was the fifth largest global SaaS market as of 2019, and its growth is steadily increasing.
2. A recent survey of IT professionals across 18 industries revealed that 85% of all business software they use would be SaaS-apps by 2025.

These statistics point to an urgent need for change. Businesses in general, and particularly procurement departments, must adopt SaaS technology today to remain competitive tomorrow.

Embracing Change

Those that do not adapt will inevitably fade into obscurity. But, don't let this frighten you. Instead, use it as a signal to act while the timing is right.

If your organization has never considered procurement software, don't worry.

Today's best procurement platforms are incredibly intuitive. Making the transition from paper-based to digital procurement management is more straightforward than people think. Plus, procurement was among the last business functions to move to the cloud. This delay bought some extra time that professionals in other business functions don't have.

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The impact and relevancy of a procurement professional is determined by their access to information and their ability to translate it into insights. After all, a stakeholder determines in the very first meeting whether or not their procurement peer should be leveraged to run a transactional process or to influence their decision-making process. The digitization of procurement is enabling savvy leaders to transform their value proposition and their strategic role in their organization.



Philip Ideson
Managing Director
Art of Procurement

Procurement's Metamorphosis

Procurement management has a tremendous impact on value creation. Yet, it's still seen by many as a primarily transactional function with a limited scope of influence. Historically, it hasn't carried much influence over internal decision-making, which is, in part, responsible for its delay.

Things are starting to change...



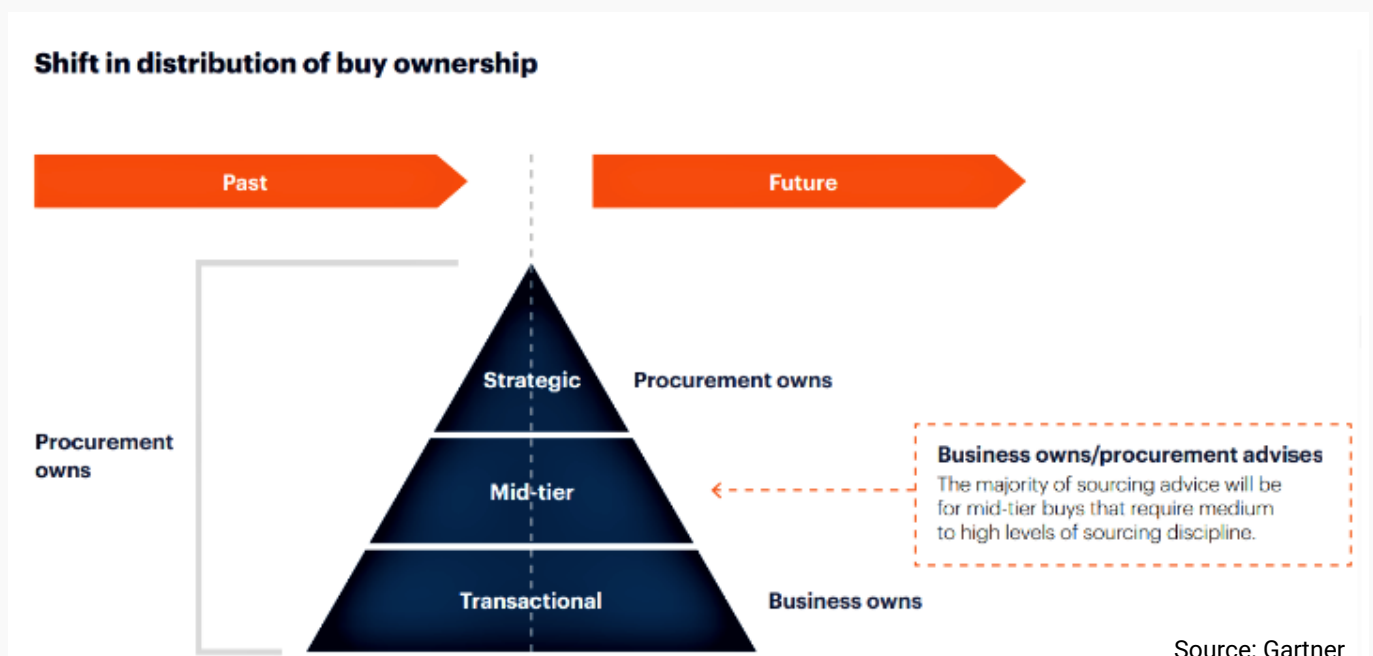
Procurement's time on the main stage has come, which is why it is so important (and relatively urgent) that organizations start their digital procurement transformation today. The caterpillar is poised to break out of its cocoon, spread its wings, and take flight!

THE SOLUTION: DIGITIZE PROCUREMENT

Procurement has a reputation for being a dry, back-office function. It receives minimal recognition for its role in driving incredible cost savings for businesses, nonprofits, and government agencies. However, the time has come for procurement leaders to step up and become valuable business growth drivers.

Transformation on the Horizon

Procurement is on the verge of a dramatic transformation, primarily driven by increasingly advanced digital technology. Procurement teams will—and already are—shifting away from being unnoticed cogs in a bulky machine. They’re becoming prominent contributors to business growth decisions and strategy formation (see image below).



Procurement Management in the cloud vs paper

A side-by-side view of paper-based and digital procurement management illustrates the vast divide between the two approaches (see image below).

PROCUREMENT MANAGEMENT WITH SAAS	Vs.	PROCUREMENT MANAGEMENT WITH PAPER
Real-time data updated at every stage along the supply chain	Supply Chain Visibility	<ul style="list-style-type: none"> Limited to none Dependent on updates from the field
A few minutes	Time to Process a Purchase Order	Up to 2 or 3 business days
<ul style="list-style-type: none"> Sent electronically Received instantly 	Processing Purchase Orders	<ul style="list-style-type: none"> Sent through snail mail Received a few days later
<ul style="list-style-type: none"> Automated analysis of loads of metrics Insights such as identification of hidden costs Dashboards with various metrics in one place 	Reporting and Actionable Insights	<ul style="list-style-type: none"> Manual, error-prone, inaccuracies Limited to basic information Little to no actionable insight
<ul style="list-style-type: none"> System-generated supplier performance analysis and ratings Vendor scorecards identify high-performers 	Vendor/Supplier Evaluation	<ul style="list-style-type: none"> Manual evaluation—often too time-consuming to complete Difficult to know which vendors provide the most value
<ul style="list-style-type: none"> Stored in secure offsite data centers Backed up to ensure no data is lost 	File/Data Storage	<ul style="list-style-type: none"> Paper stored in filing cabinets Taking up office space Risk of lost contracts and data
<ul style="list-style-type: none"> Nearly instant approval process Automated by procurement software 	Approval Process	<ul style="list-style-type: none"> Manual approval process Periodic delays caused by misplaced documentation
Automated system notifications ensure everything gets completed on time	Overdue Deliverables or Missed Deadlines	Deal with the consequences
Invoices automatically sent to an integrated AP system for automated processing	Accounts Payable Process	<ul style="list-style-type: none"> Manual verification of each purchase Inefficient and time-consuming
<ul style="list-style-type: none"> Streamlined and tracked in the system Instant messaging with colleagues 	Communication with Team and Suppliers	Manual with no records of conversations

Father Joe's Villages

Father Joe's Villages is a San Diego nonprofit that has served the local homeless population for over 70 years. As a nonprofit, the organization devotes around 85% of its donor-generated income to its social relief programs. This left little capital for purchasing and procuring the goods it needed to support those it serves.

A Growing Challenge

Eventually, the cost of procuring the materials and goods needed to run the organization became unsustainable. That's when Francisco Ortega, Logistics and Purchasing Manager at Father Joe's Villages realized something had to change.



“We were manually tracking physical paper trails,” said Francisco Ortega, Logistics and Purchasing Manager at Father Joe’s. “Essentially, we faced obstacles at every stage of the supply chain.” That all changed when Father Joe’s implemented a cloud-based procurement software system.

Tangible Results and a Streamlined Procurement Process

“Tradogram [the solution they chose] is a great, user-friendly system that any organization engaged in purchasing and requisitions would benefit from,” Ortega added. “Ultimately, the solution cuts many unnecessary steps out of our previously-manual process and gives back the extra time to our purchasing staff... In our case, it saved the lives of countless individuals who depend on us to survive.”

By moving to a digital procurement management process, Ortega and the team were able to:

- Reduced purchase order processing time from two to three business days to a few minutes
- Slash the total cost of their purchasing efforts by more than 50%
- Remove bottlenecks in their approval process with automated workflows
- Improve decision making with the use of accurate metrics, analysis, and reporting
- Literally, save lives that would have otherwise been lost

Thanks to making a digital procurement transformation, Father Joe’s Villages is fully operational and continues to fulfill its 70-year-old mission.

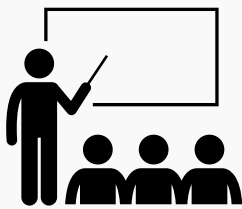
With the power to save lives, digital procurement software proved to be an extremely powerful tool for this organization.

How Do You Evaluate Procurement Software?



Simplicity and Ease of Use

When it comes to SaaS technology, ease of use and the simplicity of executing system functionality are key. We're not suggesting you want a simple system in the sense that it lacks features. Rather, you want a system that's simple to use and requires minimal training.



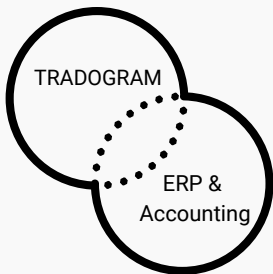
Training and Onboarding

Your system should be so intuitive that new hires can come up to speed in a matter of days. They should be confidently using the system within a week.



Mobile Access and User Permissions

Working in the cloud allows users to access the system anytime they have an internet connection, regardless of where they are. Plus, SaaS products can be accessed on any device.



Third-Party Software Integrations

The best procurement software plays well with the other systems you use internally. It should easily integrate with essential software applications that procurement teams use, such as accounting software like QuickBooks, Netsuite, SAP, etc.



Affordability and Pricing Structure

The days of paying tens of thousands of dollars per month to use enterprise software are gone (at least they should be). Today's systems are more affordable than ever before, offering straightforward monthly and annual subscription options

Conclusion

SaaS solutions are already revolutionizing the way procurement teams operate. Today's most successful companies already use SaaS technology for the majority of their business needs. That, in part, is why they are industry leaders.

For procurement teams, SaaS systems improve all aspects of the function by:

- Increasing supply chain visibility
- Decreasing the time needed to process a purchase order
- Generating robust reporting and actionable insights
- Incorporating transparent, real-time supplier evaluations
- Improving data storage and accessibility
- Streamlining the approval processes
- Sending automated notifications about overdue deliverables
- Enhancing communication between team and suppliers
- And much more

While those that resist adopting procurement software will fade into the background, the opportunity to benefit from it is still within reach.

However, procurement management should start planning a digital procurement transformation as soon as possible. A shift to SaaS solutions for procurement strategies is crucial to remaining competitive and continue growing.

If you need help with your digital procurement transformation, our industry experts are here to help. Please reach out to us:



+1 844 328 9523
INFO@TRADOGRAM.COM