

# PROCUREMENT & SUPPLY CHAIN INNOVATION

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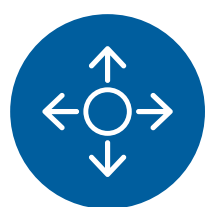
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## PROCUREMENT & SUPPLY CHAIN INNOVATION

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### CRISIS

# Global wake-up call for business leaders

The coronavirus pandemic has rattled, or in some cases completely dislocated, supply chains the world over, but some see this as an opportunity to drive real change in the system

**Nick Easen**

There are worst-case scenarios for procurement managers, then there's the coronavirus. Disruption to cross-border trade and just-in-time production is unprecedented in modern times. Try to procure medical supplies right now and you'll find that more than 50 countries have put up restrictions, making a mockery of resilient supply chains. COVID-19 hasn't just infected people, it has spread contagion in global trade.

"It is the first time since the end of the Second World War that both supply and demand have been completely disrupted simultaneously," says Uwe Weiss, executive vice president at Blue Yonder.

The ripple effects are only now being understood. Expect up to six months of supply chain disruption and that's after business resumes. The outbreak is a real wake-up call, but there are also opportunities.

"More than 90 per cent of Fortune 1000 companies have second-tier suppliers in Wuhan, the central Chinese city where the virus was first detected. Many had little or no interaction with them. This risk to the global supply chain is phenomenal," says Roberto Battistoni, consumer products solutions lead at IBM Global Markets.

The pandemic is exposing a myriad of cracks in a global system that companies have been optimising for a decade. Sustained economic growth has allowed businesses to make supply chains as lean as possible, supplying goods rapidly and cost effectively around the globe. "Rather than being lean, supply chains have accidentally become frail; they're simply not resilient enough to react when things go wrong," says Weiss.

In the wake of COVID-19, supply chain managers are now trying to minimise risks and reassess whether supplies from single-source factories in the far recesses of Asia, particularly China, are a good thing. Certainly, there's never been a time when being agile is more valuable.

"Right now, cash management is a priority, especially during a large-scale economic downturn," says Tim Burt, customer insights manager at Procurement Leaders. "Going forwards though, there is definitely a need for more visibility in supply chains."

Managers are dusting off contracts and scrambling for more clarity



A jeans factory in East Java, Indonesia switched to making personal protective equipment for health workers to save 3,000 employees from layoffs

from suppliers. They're also learning the hard way, through a scarcity of goods, long lead-in times or even supply chain collapse. "It's usually not the tip of the iceberg that impacts you, but what lies under the surface," says Brian Alster, general manager for third-party risk and compliance at Dun & Bradstreet.

Data has never been so vital. Yet companies don't always share huge volumes of it along global supply chains, with each company collecting information in silos. Real-time data and joined-up thinking are a luxury. Full transparency is a pipe dream for many and full digitalisation a long way off. The crisis highlights where change is needed.

"If you don't have full visibility into data, it will provide little insight into which decisions to make. Currently, companies are questioning whether

new tools should be acquired in light of shrinking cash flow. Technology is the only way to have visibility into assets across extended supply networks," says Rob Harrison, managing director for SAP Concur in the UK.

There's now a consensus that more resilience in supply chains will be needed in the wake of extreme uncertainty. For some this involves building up stockpiles and buffer inventories to provide more give in the system, but warehousing comes at greater cost. This is what just-in-time deliveries aimed to resolve.

"Splitting supply chains could be one answer. This may also mitigate risk, so that if one stream fails, the other in a different jurisdiction with different impacts may be able to continue supply," says Will Robertson, partner at Osborne Clarke.

Expect multiple aftershocks as well; with initial stabilisation and the beginning of the recovery other issues may come into play. "The simultaneous relaunch of European production sites will create spikes in demand for raw materials, sub-components and other supplies, causing a so-called 'bullwhip' effect. A high level of uncertainty will likely remain," says Cornelius Herzog, principal for logistics and supply chain at Oliver Wyman.

On the positive side, supply chain managers have never had so much clout within a business. Human agility and judgment have come to the fore in this process. It's become a golden opportunity to ask for resources so procurement leads can get to know their supply chains better. Due diligence for new vendors will also become more vigorous.

"Companies will now put greater emphasis on understanding the networks of their suppliers. According to a recent survey we conducted, only about 50 per cent of companies are doing due diligence on their suppliers' suppliers and about the same percentage claim to understand the extent of the effect those suppliers have on their suppliers," says Charles Minutella, head of enhanced due diligence at Refinitiv.

It is also a time to rethink the underlying processes that govern procurement and resilience in supply chains. The traditional approach has long been to plan each functional area of the chain independent of each other with a focus on optimising demand forecasts, before worrying about supply capacity.

"This disconnected approach rewards functional prowess over end-to-end supply chain excellence. Managing the whole chain is a team sport. The first step to building resilience in supply chains is to connect everyone and everything to a singular version of truth and to lift the fog between functions," says John Sicard, chief executive of Kinaxis.

Blockchain is rearing its head as one answer, as are other digital transformation technologies. "For many businesses, the pandemic has forced their hand. When everything is back to normal, supply chain managers must remember that in their hour of need, they turned to digital processes to keep going. To revert back to inefficient practices would be incredibly damaging," says Procurement Leaders' Burt. There lies the future. ●

71%

of organisations said in 2019 that they had business continuity arrangements in place to deal with supply chain disruption

The Business Continuity Institute 2019

54%

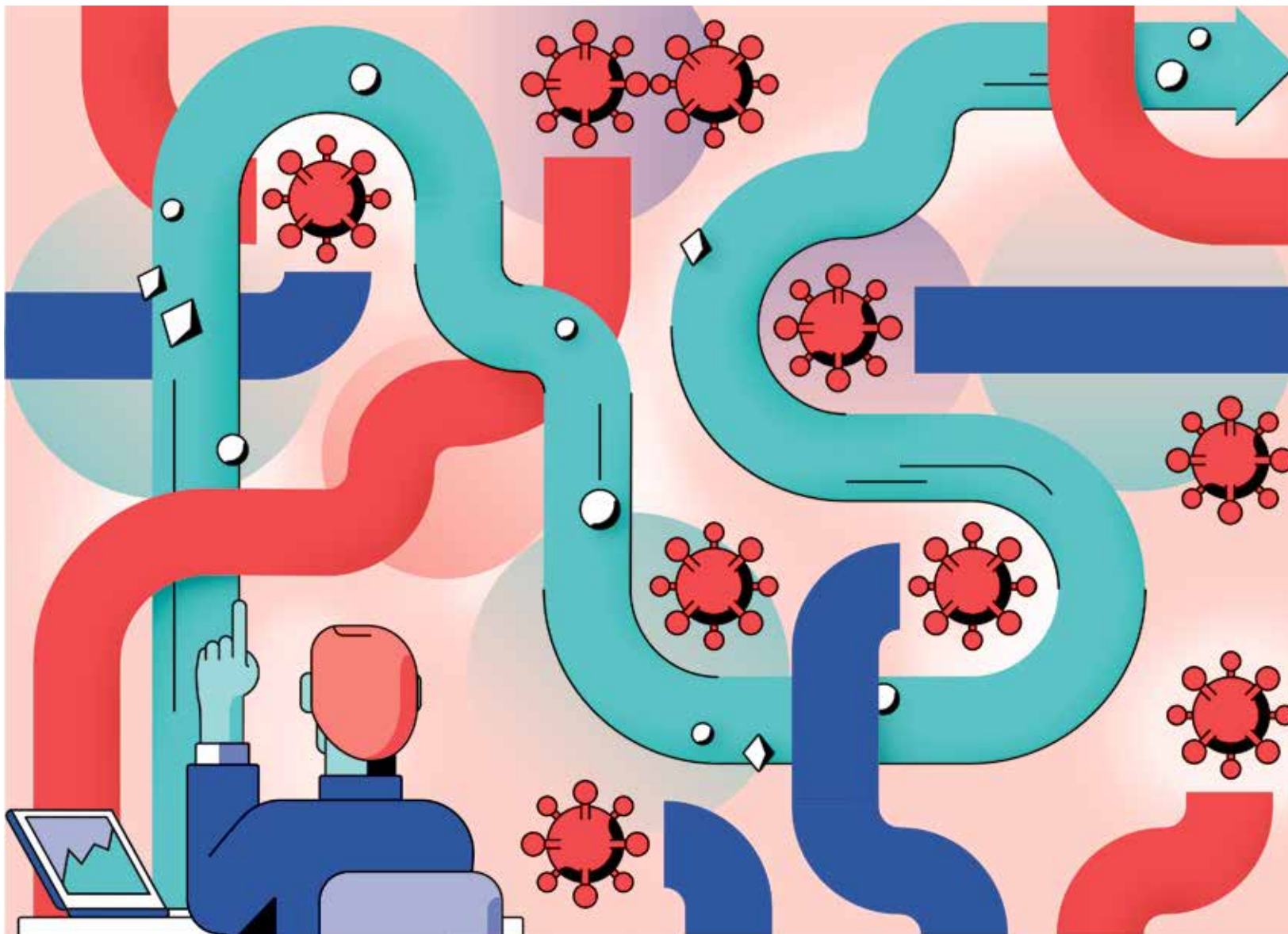
of finance leaders UK think good procurement practices are imperative to the financial success of their organisation

68%

value the function for both their business's revenue and savings, as well as making 'working life easier'

Proxima 2020





6%

of chief procurement officers say their procurement function reports directly to the C-suite

ProcureCon 2020

## PROCUREMENT

# Reshaping and empowering the role

Procurement, once seen as just a cost-cutting function, has now been thrust into the spotlight and will be crucial in determining the growth and survival of companies worldwide

Josie Cox

A host of factors, from digitalisation to globalisation, have underscored the importance of the procurement role. But damage wrought by COVID-19 serves as perhaps the most compelling evidence yet that chief procurement officers, or CPOs, must have a secure seat in the boardroom and unmitigated authority.

As the virus spreads, upending industries and roiling markets, CPOs who on a basic level are responsible for sourcing critical goods and services, face the mammoth task

of creating quick turnarounds and devising alternatives to avoid bottlenecks. But their success in doing so depends on management support and the ability to act swiftly.

"The current environment has put a focus on the supply chain like never before and has exposed several vulnerabilities, a lack of visibility, flexibility and agility being the major issues that have come to the foreground," says Dominic Regan, a senior director who specialises in supply chain management at technology giant Oracle. "Many

businesses have simply found themselves unable to quickly adapt, causing a crisis in its own right."

Chris Sawchuck, global head of the procurement advisory practice at consultancy The Hackett Group, adds: "The current crisis has highlighted the significance of supply chains and supply management to our global economy."

"The supply chain is being discussed not only in the general press, but in virtual social discussions. This is new and with it, supply management is quickly evolving to a board discussion across organisations, which has elevated the importance of the procurement function. The key will be the sustainability of the recognition well beyond the current crisis."

Lukas Pünder, co-founder of Düsseldorf-based shoemaker Cano, uses blockchain to track the journey of its products around the world from cow to customer. Although his company has invested heavily to ensure its supply chain is as resilient as possible to shocks, COVID-19 is creating challenges and is highlighting ways in which many organisations

hadn't been valuing procurement in the right way.

"It's not so much that companies had underestimated the value of the procurement function", he says, "but rather they'd interpreted it more as just a way of saving costs."

"Procurement will be one of the most critical topics for chief executives and chief financial officers shaping post-crisis strategy and success."

Neil Thody, managing director at Cameron Consulting, a procurement consultancy for the construction industry, agrees this could represent a watershed moment.

"Procurement, once seen as the pariah or blocker within the business, either looking to cut costs or impose unnecessary gateways, has suddenly become the key that unlocks critical supplies, goods and services," he says.

And he hopes COVID-19 has emphasised the value of the procurement role in the boardroom. "Placing procurement at board level should offer reassurance to the chief executive and chief financial officer around wider issues associated with an organisation's purchasing function, such as ethical procurement, avoidance of modern slavery, implementing approaches to prevent bribery and corruption, and the fact that transparent purchasing can improve an organisation's credit rating," says Thody.

Academics and other experts cite several practical ways in which businesses can empower the role of procurement to enhance supply chain resilience during the current crisis and any subsequent one. Of central

importance, most agree, are strong communication and collaboration to ensure full transparency at all times.

"Knowledge from previous crises suggests that close collaboration with suppliers can provide early warnings of problems that may arise in the future," says Dr Christos Tsinopoulos, professor in operations and project management at Durham University Business School. "For instance, if a supplier that produces a part which is critical and difficult to replicate, is facing difficulties, then taking proactive action to support them, financially or otherwise, may prove crucial."

"In such cases, procurement becomes critical as it sits at the interface between the company and its supply, and is thus well positioned to identify the problems early and help develop mitigation strategies."

Professor Fabian Sting, chair of supply chain strategy and innovation at the University of Cologne, points to Toyota as an example of a company that has effectively empowered the procurement function to create resilience.

"Toyota's C-suite managers, using their experience from the devastating 2011 Japan earthquake, have mapped their supply chains and placed much attention on which suppliers deliver their critical parts, where the suppliers are located, whether there are alternative sources and how the companies can quickly ramp up alternative responsive supply chains to mitigate imminent mismatches of supply and demand," he explains.

It's becoming increasingly clear, he adds, that procurement really is a key responsibility of the most senior person in an organisation.

Regan at Oracle says it has also highlighted the "need to bring back the human element to the supply chain". He says that in recent weeks many businesses have had to find new suppliers, change the way items are produced or even produce entirely new products, such as face masks and hand sanitiser, in response to the pandemic.

"When this happens, and when the ability to forecast and predict accurately has gone out the window, what do companies do then? Of course more agility is imperative, but it also changes the relationship with suppliers. Those companies with more human or partner-type relationships may well have saved their businesses, as they were able to leverage those close relationships with their suppliers to work together and find solutions to the issues faced," Regan concludes. ●

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**The supply chain is being discussed not only in the general press, but in virtual social discussions. This is new**

# Procurement empowered by intelligent process mining

Across industries, procurement leaders are seeking significant and measurable productivity gains. New technology, based on machine-learning and artificial intelligence, is enabling them to achieve the changes needed while managing budgets and cutting risk

**F**or procurement professionals, affordable, efficient and low-risk processes are essential. This applies whether they are selecting products, issuing a purchase order, buying, giving the green light on payments or any other essential task. Without careful management of these processes, business operations can quickly deteriorate.

Despite the need for efficiency, companies rarely begin change with a targeted assessment of their business processes. Instead, managers rush to plug in new software or look for minor changes that may deliver basic improvements. When performance is inevitably impacted, businesses bring in consultants to shape digital transformation, often at great cost and relying on outdated, static information.

Celonis, identified by Gartner as the market-leading process-mining provider, conducted a study to examine process knowledge amid change. It found that 82 per cent of business leaders do not consider processes before embarking on transformation, even though their investment in many such changes is up to half-a-million pounds. Two-thirds said better visibility would give them the confidence they need to execute digital transformation effectively.

As many companies overlook the specific root causes that lie more deeply in the ways they work, total business performance is negatively impacted. "Leaving procurement process challenges partially or entirely unaddressed doesn't mean a business can muddle on; it's much more damaging," says Andy Joeres, vice president, UK and Ireland, at Celonis, which has more than 700 large customers including Vodafone, GSK and Uber. "Left unattended, these problems actually create a downward spiral for operations and

can ultimately threaten sustainability and profitability."

Typical problems that businesses experience can include "maverick buying" whereby staff place orders with suppliers that are not properly vetted, a costly concern for procurement leaders. When maverick buying is present, expenditure goes unchecked and new suppliers can end up costing the company significantly, further down the line.

What if an organisation could quickly and affordably achieve better outcomes? A more sophisticated approach is to use an automated, objective assessment of current business operations, providing full visibility of key processes at any time, called process mining. This powerful technology enables companies to identify precisely the problems occurring within their processes, remove hidden efficiencies and take corrective action that avoids the problem occurring again in the future.

But for maverick buying and other problems within processes, many firms still tend to be so driven in one area of change that they miss the big picture. "Unfortunately, companies and their procurement units have traditionally been too narrowly focused on how they aim to address process inefficiencies, and those firms would be wise to take the more expansive and ongoing approach that Celonis can offer," says Joeres.

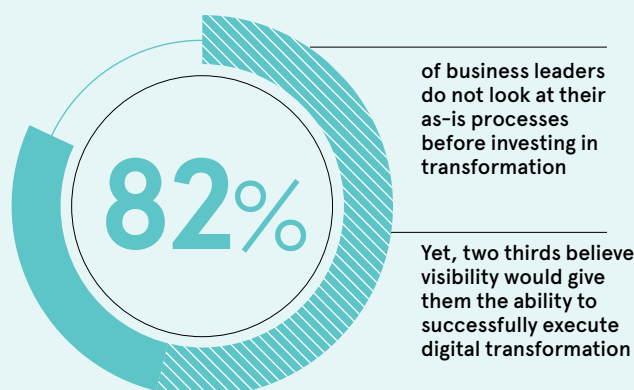
For a long-term impact, the best-in-class organisations are looking for deeper change, focusing on increased productivity, optimised expenditure and reduced risk. The scale of this change requires smart process-mining technology that can deliver success quickly and the advanced platform from Celonis enables such organisations to derive enhanced transparency

of processes across multiple enterprise resource planning (ERP) systems in real time.

The technology not only visualises live processes, it also delivers a full analysis and clarifies how to drive change. It plugs directly into a company's own large data sources in multiple formats, rapidly constructing a comprehensive picture of how procurement process flows are happening in real time. From there it identifies the most troublesome frictions and presents clear recommendations for actions that address root causes. Those recommendations can easily be automated for repeatability.

UK-based telecoms titan Vodafone is among the many firms making advanced changes to its procurement using Celonis process-mining

**“**Procurement often sets the pace for how fluidly an organisation can run; now these departments can obtain the deep insights needed to transform how they work



## HELPING VODAFONE IDENTIFY BOTTLENECKS IN PURCHASE-TO-PAY

**800k+**  
purchase orders issued

### RESULTS

**96%** perfect PO rate, up from 73 per cent

**11%** reduction in purchase order costs

**20%** reduction in time-to-market

## GIVING DEUTSCHE TELEKOM VISIBILITY INTO COMPANY-WIDE PROCESSES

**2m+**  
purchase orders issued

**7m**  
invoices received

### RESULTS

**20%** reduction in cash discount losses

**\$44m** realised annually in extra cash discounts by optimising payment times

technology. The enterprise comprises more than 20 operating companies and every year its procurement units issue almost 800,000 purchase orders and receive over five million invoices.

Using process-mining technology, Vodafone has replaced manual data procedures with automation, cutting costs and radically enhancing its ability to track and analyse the effectiveness of its buying practices in real time. Previously, around 15 staff members had to spend nearly a month compiling procurement data, and that information was one month old. Its new technology analyses 20 terabytes of procurement data, presenting live visualisation and process recommendations. The impact has been enormous: costs per purchase order have fallen more than 10 per cent, while the proportion of perfect purchase orders has soared from 73 per cent to 96 per cent.

Process mining is available to all companies, from the smallest to the largest, explains Divya Krishnan, product marketing manager at Celonis. "We're seeing a surge of advances in prescriptive and predictive technologies that are now affordable and effective across the enterprise," she explains. "Procurement often sets the pace for how fluidly an organisation can run; now these departments can obtain the deep insights needed to transform how they work."

Process mining becomes increasingly important as companies of all sizes expand, gaining more operations and procedures which need to be managed, protected and improved upon.

Many weaknesses are hard enough for businesses to spot without advanced technology and they become more and more obscured as companies acquire other firms or take on additional staff and customers.

"Businesses often add multiple manual processes, or legacy workarounds, as a result of acquisitions or even organic expansion. They can end up with duplicate master data in numerous source systems, poor system integration and departmental silos," says Krishnan. "Process mining helps solve the data challenge quickly by harnessing all the information, analysing it and enabling proactive improvements."

**To find out more about how your procurement department can increase productivity, optimise working capital and reduce risk please visit [celonis.com](https://celonis.com)**

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## TECH

# Procurement tech to help weather the storm

Global supply chains, just-in-time processes and the continual juggling act required to cut costs while maintaining quality: the life of the procurement professional was never straightforward. But it's hard to imagine a bigger shock to the system than a global lockdown. Thankfully, technology can mitigate the negative impact of this crisis, and the next...

Hugh Wilson



## 1 Use AI for more strategic procurement

Even before the coronavirus outbreak, supply chain management was a tricky balancing act between cost and efficiency. Put simply, local supply chains tend to be more resilient and efficient, but come at a cost. Distant supply chains tend to be less expensive, but less robust. The trick is to combine the two to create financial efficiency and guaranteed supply.

Dr Robert Boute, professor of operations management at Belgium's Vlerick Business School, says the use of procurement technology can ensure this balance is maintained, even in crisis situations. Sophisticated artificial intelligence

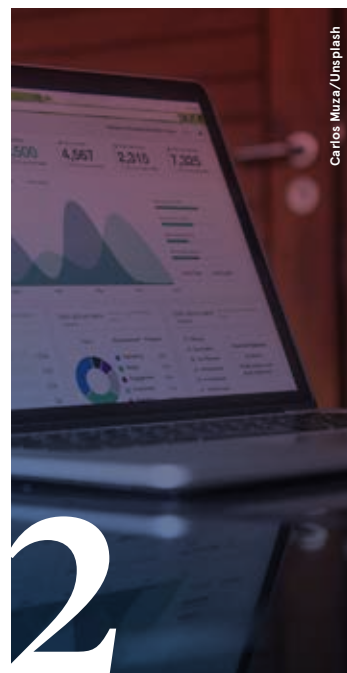
(AI), for example, can instantly source the best mix of suppliers from those left standing.

"AI needs to be used more by companies to not only simulate potential shocks and scenarios that impact the supply chain, so we are better prepared for them, but also to try and find this perfect balance between efficiency and resilience," he says.

Boute believes AI is an under-utilised resource in procurement. He adds: "One positive that may come from COVID-19 is that more companies see the need for AI in the supply chain, to ensure supply is as consistent as possible."

## 2 Improve crisis management with data analysis

Procurement technology that automates the analysis of data at critical points in the source-to-pay, or S2P, process is important at any time, and vital during crisis management. This could be the role of your enterprise resource planning platform or of any third-party e-procurement module that integrates seamlessly with it. And when you have an integrated system in which every component talks to every other, you unlock a world of benefits, says Sergii Dovgalenko, author of *The Technology Procurement Handbook*. "As cornerstone business concepts and practices change under the influence of COVID-19, your e-procurement platform becomes a vehicle for a better operational model, which is resilient, omnipresent and collaborative," he says. "As raw data flows across your systems, you should be able to extract it for new insights, such as risk management, supply base optimisation, supplier innovation and more."



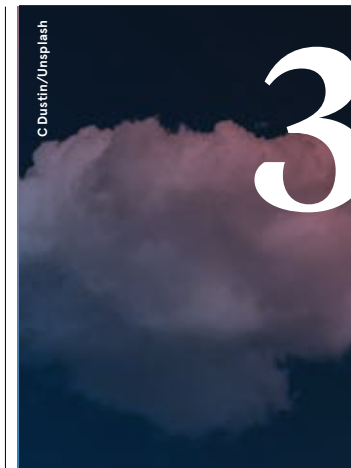
## 3 Put supply chain management in the cloud

Richard Hibbert, chief executive of integrated risk management solutions provider SureCloud, says businesses need to know their supply chains inside out and never more so than in crisis situations.

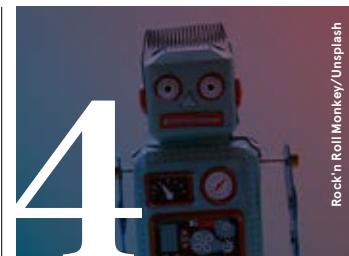
"Part of the problem is supply chains these days are exceptionally complex and dynamic, and it can be difficult to accurately map individual suppliers on to specific products, services or business functions," he says.

Supply chain audits need to collect and collate masses of data from suppliers, from cybersecurity measures and continuity planning, to "softer" information about locations and how easily staff might switch to home working. And it's not just about your third party, but also the fourth and fifth parties they are working with.

For these reasons, the COVID-19 crisis has made a very good case for



investing in cloud-based supplier management. Third and fourth parties and beyond can respond to digital questionnaires, with the information collated and aggregated automatically. "The result is a snapshot view of the health or risk of the supply chain at any time," says Hibbert.



## 4 Ease the pressure with automation

There are plenty of human touchpoints in the procurement process, from contract management to managing supplier relationships. These time-consuming, manual processes are probably not what you need right now.

So automate them. As procurement technology goes, robotic process automation (RPA) is not super-smart, but it is effective. RPA "robots" are pieces of software designed to automate tasks that are labour intensive and rule based, including many of the repetitive tasks humans do on a computer. RPA bots just do them more quickly, more accurately and around the clock.

In the procurement setting, RPA bots might scan lengthy contracts to identify gaps in compliance. They can monitor inventory levels and trigger purchase transactions. In fact, they can do much more and, by freeing up small procurement teams for more urgent tasks, they can take the pressure off when crisis management protocols kick in.



## 5 Make digital twinning part of your business continuity planning

COVID-19 has emphasised the need for supply chain transparency and for companies to prepare for disruption. Procurement tech can help businesses model scenarios, assess their impact and suggest pragmatic business continuity measures.

They can do such modelling most effectively using a digital twin. This is a digital representation of a supply chain, with the ability to simulate and analyse the effects of disruption. According to Emile Naus, partner at management and technology consulting

firm BearingPoint, disruption can mean short-term issues, like extreme weather, or long-term challenges, such as economic downturns or a pandemic.

Long, complex supply chains with little visibility are inherently risky, but digital twinning can make them less so. "Procurement will need to assess that risk and a digital twin will enable the risks to be quantified and valued against the cost per unit benefits," says Naus. "It will enable proactive responses to these events by creating a detailed set of action plans." ●



# ‘Good procurement principles are still relevant regardless of whether in crisis or normal trading’

**S**ometimes history has to be repeated over and over before lessons are learnt, but this pandemic and the speed at which it has affected the world has no comparison. The phrase ‘unprecedented times’ feels overused but there is no better description of what we are facing now and how it has transformed the way we live, work and spend time with family and friends.

As the pandemic began to take hold, the threat to economies and businesses, as well as the cost to human health, became alarmingly apparent. As supply chains broke down and panic buying by governments around the world as well as individuals took over, our snap polls with supply chain managers in April found the impact was devastating.

I suspect these forces will have longer-lasting effects on future supply chains built on just-in-time processes driven by cost and efficiency, now needing to be more resilient too with local sourcing, multi-sourcing and more responsible practices.

Half the companies surveyed said they had experienced force majeure, either through a supplier or their own declaration. We also found that a third of respondents had lengthened or suspended supplier payments as the knock-on effects resonated throughout supply chains. Is this responsible procurement?

The jury’s still out about whether any business, organisation or government had been adequately prepared for such an extreme event, but good procurement principles are still relevant regardless of whether in crisis or normal trading.

As a member of the UK government’s Prompt Payment Code, Waitrose, for example, is ensuring small suppliers are paid within seven days and they are also helping them find new routes to market. I hope prompt payment will continue beyond the immediate requirements of the pandemic and we have campaigned for a greater awareness on how critical early payment is for those good companies needing cash to grow as well as to survive.

It goes without saying that the digital space is where procurement is now firmly placed and this can only intensify. Procurement teams are taking full advantage already with more advanced analytics capability and artificial intelligence making ‘better’ decisions than humans, it

could be argued. My own organisation has developed new ways of supporting learning with more webinars and e-learning tools, responding to these changing needs.

Another development I have seen is an increase in collaborative efforts among procurement teams to source personal protection equipment or aerospace firms pulling together to manufacture ventilators. Setting competitive behaviour aside, focusing on the greater good, and at speed too, is a blueprint for how procurement can support adaptation as some firms change their operating models and produce different products.

Though some cannot adapt so readily, they have sought other ways to retain and find new customers, and give their business the longevity that is so under threat. EE offering NHS workers free data, and the clothing manufacturer Barbour switching to the production of medical gowns instead of coats, is a smart move for brands that will be viewed more kindly post-pandemic.

Life will not return to how it was before this crisis. Our working patterns, behaviour as citizens and demands as consumers are all going to change. As scientists, experts and advisers across healthcare focus on the primary objective of developing vaccines to save lives, the role of supply chain managers is to adapt our supply chains to these new demands, and to retain and adopt responsible procurement practices for more robust supply chains. This will not only contribute to the health and wellbeing of citizens and the economy, but by taking care of suppliers and the communities around us, procurement will be remembered for doing the right things, helping save lives, meeting new demand patterns and not just delivering financial savings. ●



**Malcolm Harrison**  
Group chief executive, Chartered Institute of Procurement & Supply

# Boardrooms overlook substantial cash savings

Bell Integration can make significant savings on “tail spend”, as well as improving regulatory compliance and contractual standards

**H**ow many times at home do you put off doing household chores or paying bills until the last possible moment?

It is the same for high-volume low-value spend, also known as tail spend. Companies have been procrastinating when it comes to addressing these areas. But they are now realising successful management of this spend area can yield large cumulative returns and mitigate the risks that often exist in unmanaged transactions.

The challenge with tail spend is that it is difficult to control and often one-off, making it unpredictable and inefficient to manage with the existing pressure on procurement resources.

“Customers are leaving 20 per cent of their global spend unchallenged

Bell Integration has been working with businesses as an extended procurement function, offering a turnkey solution to manage the end-to-end procurement of such spend.

Sales director Neil Pratt says many companies are unable to manage or review smaller value transactions made by their employees or procurement departments.

For many, the collective size of this tail spend, so-called because of the Pareto principle in economics, is unknown because individual purchases are often made outside purchasing controls,

such as off contract or non-purchase order spend.

“If customers continue not focusing on the tail, they are leaving 20 per cent of their global spend unchallenged,” Pratt warns. “In this day and age, leaving 20 per cent of spend, and risk associated, unaddressed is a major challenge for businesses.”

His comment is supported by an enormous body of research. Last year, research conducted by Boston Consulting Group found that companies managing tail spend through digital means alone can cut their annual expenditures by 5 to 10 per cent.

But Pratt believes that there are even more substantial savings to be made, noting artificial intelligence (AI) solutions alone may be unable to deliver the largest possible reward.

“Robotics and AI-driven tools struggle with tail spend because it is a lot of one-off spends, so you don’t necessarily have the data to build up the algorithms,” he says.

Edward Long, Bell Integration’s head of pre-sales and analytics for procurement management, explains that the company instead works with clients to understand their full tail scope and the size of the potential opportunity to make savings.

He adds that this can be outside the traditional 20 per cent due to the client’s specific circumstances on what is deemed unmanaged. This is done by extracting data from different internal sources and bringing this together into one digestible format before running deep analysis using Bell’s datapoints and category expertise.

“From this, we can go back to the client and say, ‘Here is your total scope and savings opportunity,’” says Long. Clients then agree the areas of spend to be managed by Bell.

Not only does this generate savings, but Bell’s unique model of contracting

directly with the supplier rapidly reduces complexity as all suppliers, and associated supplier management activities and costs, are now handled by Bell from day one.

“This allows the client to focus on strategic initiatives that deliver maximum value to stakeholders, while Bell drive efficiencies and compliance in the lower value spend areas,” Long explains.

In addition to the financial savings, there are other advantages to harnessing the skills of Bell Integration’s procurement services. Doing so can improve levels of regulatory compliance and ensure managed suppliers sign up to correct contractual standards as agreed with the customer.

Long notes that while companies often have strict contractual procedures in place for larger spends, there is often nothing for smaller items, even though such transactions collectively total a sizeable sum.

Not having a structured agreement in place for this spend can expose companies to several risks beyond the financial ones.

“These risks can be reputational, operational, financial or regulatory and are often unrelated to contract size,” he says.

“We run the due diligence on the suppliers and also negotiate savings and contractual terms, which means clients get greater visibility of the ever-changing risk profile as well as the total cost of their tail.”

For more information please visit [bell-integration.com](http://bell-integration.com)

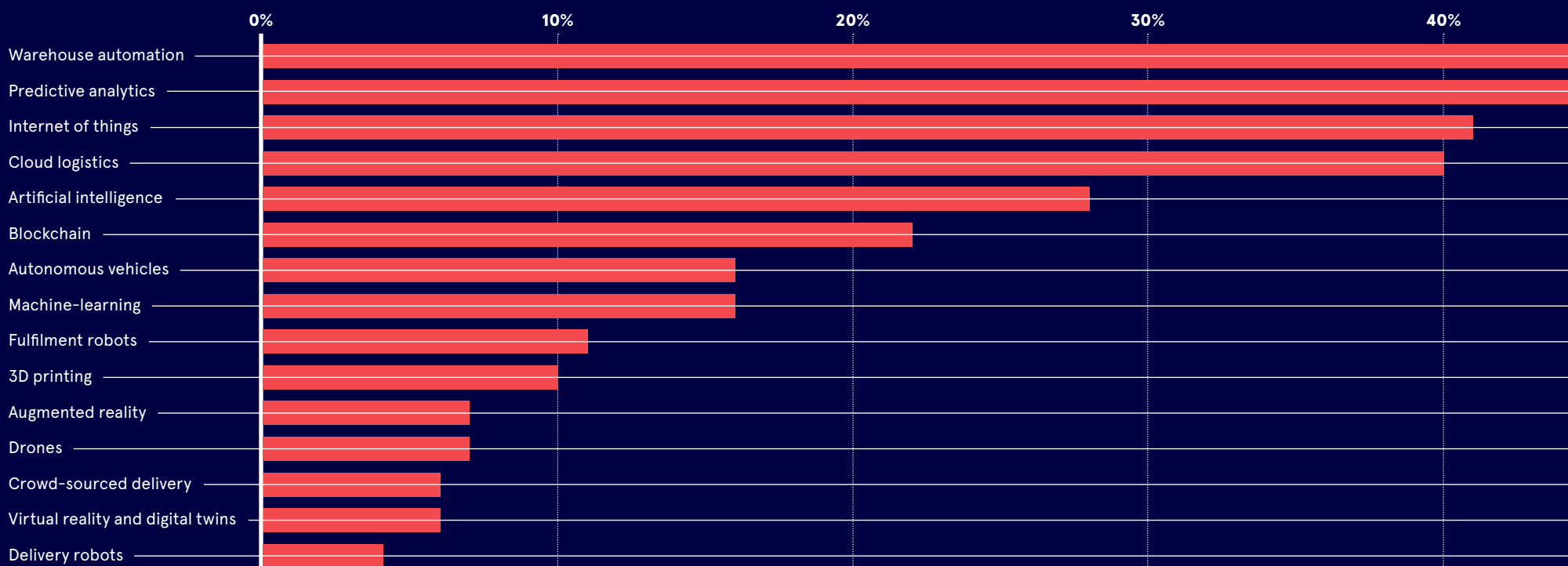


# SUPPLY CHAIN AUTOMATION

Automated technologies have been proven to speed up and streamline processes for warehouse, distribution and logistics organisations, but the majority of companies are still behind the curve in terms of investment and adoption

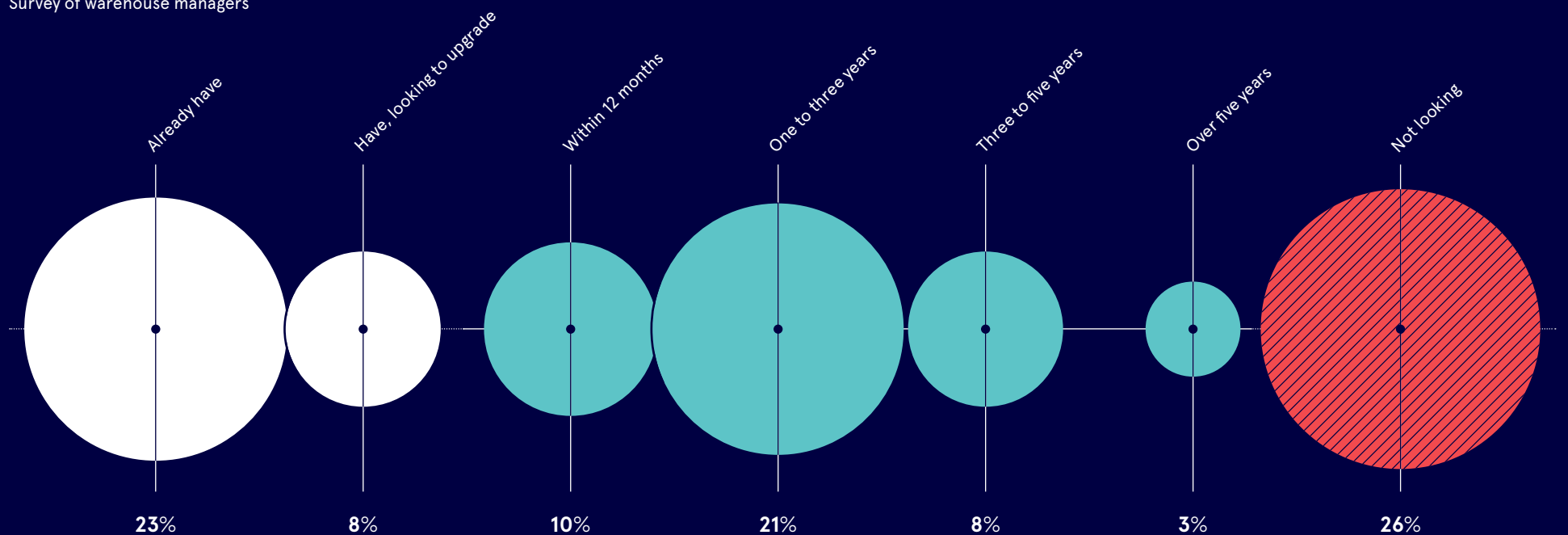
## FUTURE TECHNOLOGIES

Percentage of retail, manufacturing and logistics professionals who are currently investing in the following

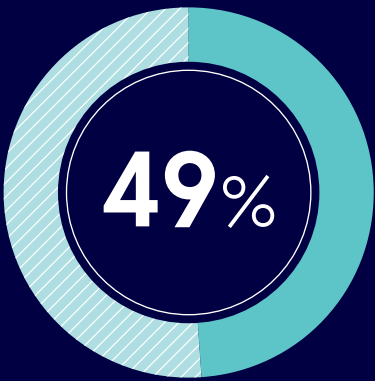


## TIMELINE FOR ACQUIRING NEW AUTOMATION TECH

Survey of warehouse managers

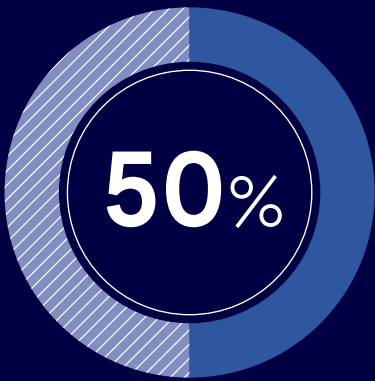






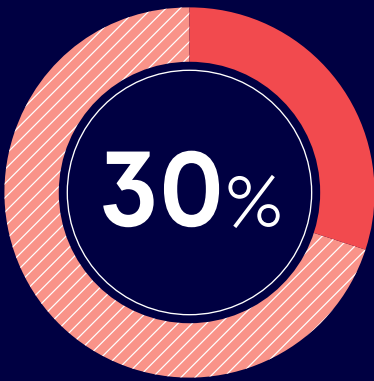
of warehouse and distribution centre managers say they still use mostly manual processes in order fulfilment

Modern Materials Handling 2019



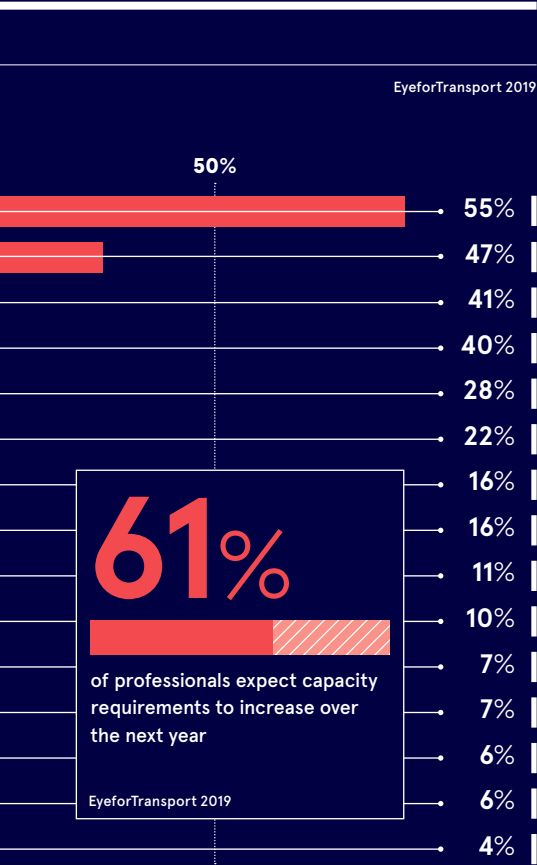
of large global companies are expected to be using AI, advanced analytics and IoT in supply chain operations by 2023

Gartner 2019



of operational warehouse workers will be supplemented, not replaced, by collaborative robots by 2023

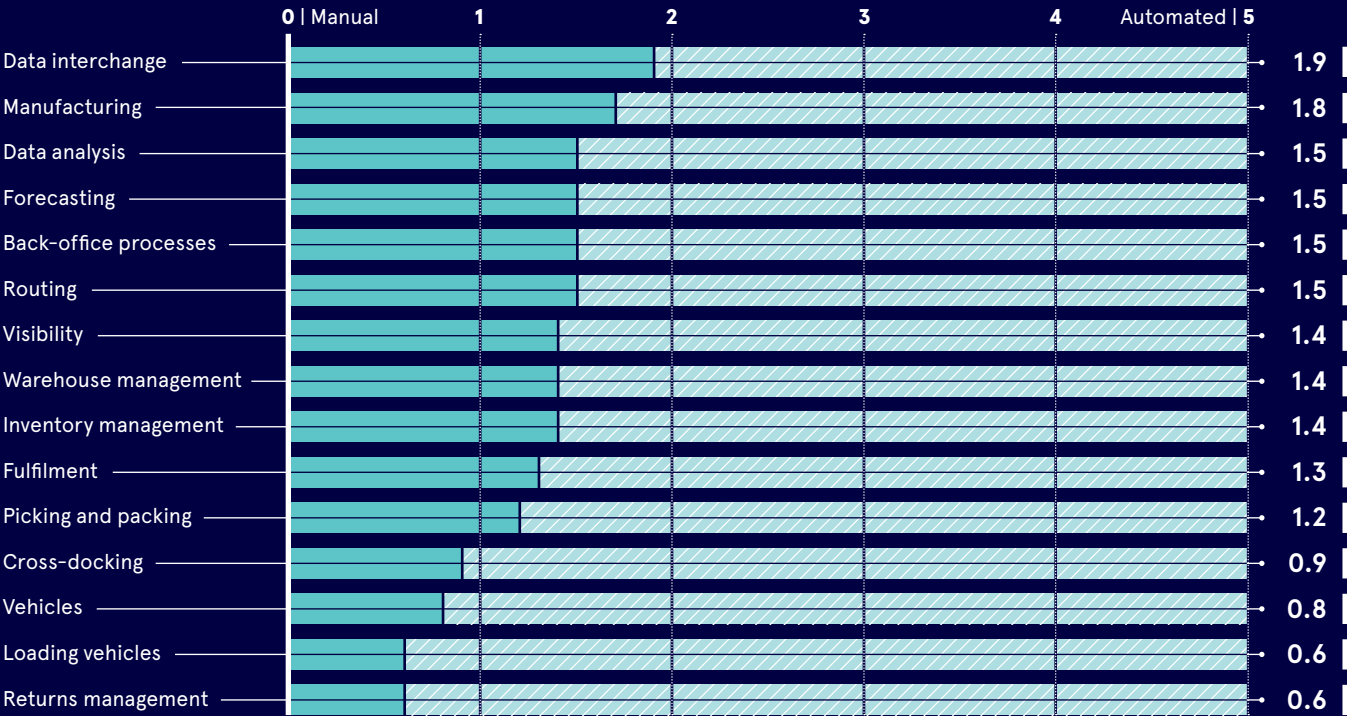
Gartner 2019



### EXTENT OF SUPPLY CHAIN AUTOMATION

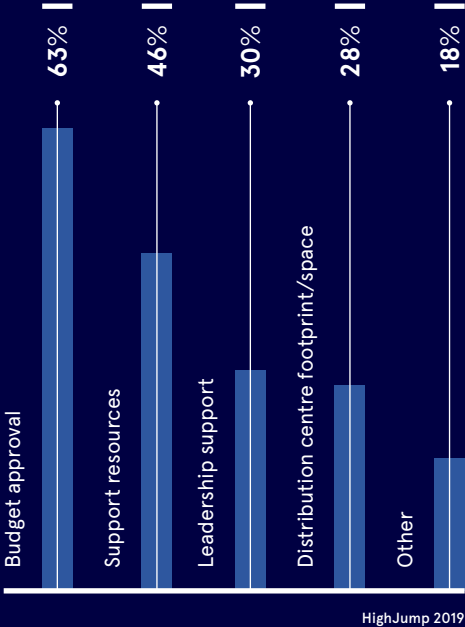
Retail, manufacturing and logistics professionals ranked the degree of their supply chain automation; using a scale of one to five, with five representing full automation and zero fully manual processes

EyeforTransport 2019



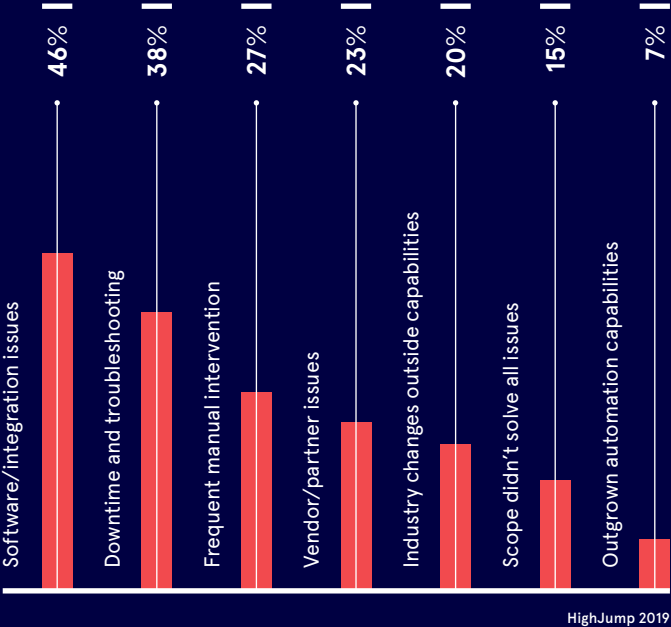
### TOP BARRIERS FOR WAREHOUSE AUTOMATION

Survey of warehouse managers



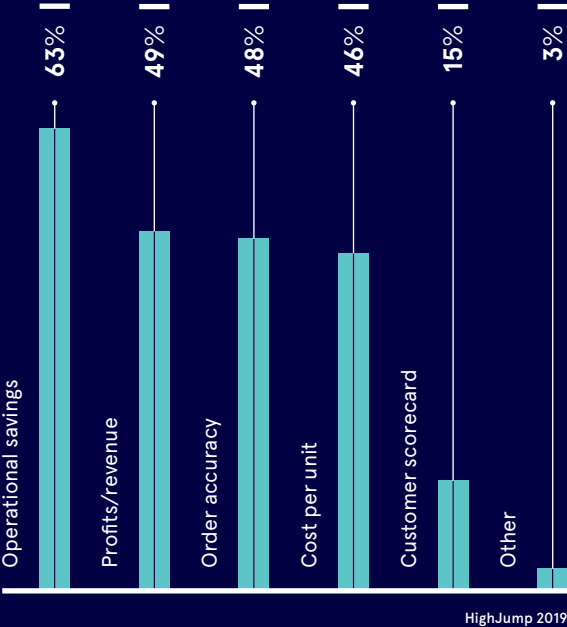
### AUTOMATION PERFORMANCE CHALLENGES

Survey of warehouse managers



### HOW AUTOMATION ROI IS MEASURED

Survey of warehouse managers





TOLGA AKMEN/AP via Getty Images

## RETAIL

# Why panic buying is only part of the problem

Supermarket supply chains could be altered forever as a result of the coronavirus pandemic, and there are bigger issues than bulk-buying toilet rolls for retailers to worry about

Abby Young-Powell

**D**awn Bilbrough, a critical care nurse from York, posted on Facebook: “I’ve just come out of the supermarket. There’s no fruit and veg, and I had a little cry in there. I’ve just finished 48 hours of work and wanted to get some stuff in. People who are stripping the shelves, stop it, please.”

As COVID-19 took hold in the UK last month, essentials such as pasta, toilet paper and vegetables rapidly sold out in stores across the country. Many frustrated shoppers

took to social media to share photos of empty supermarket shelves and to accuse others of acting selfishly by panic buying.

But so-called food hoarding is just part of the problem. How have supermarket supply chains responded to dramatic changes in shopping habits? And could the current crisis alter global supply for good?

Sight of empty shelves will have frightened many. But Tom Holder, from the British Retail Consortium (BRC), insists there hasn’t been a shock to supermarket supply chains so far. “It’s a demand issue,” he says. “The real challenge has been to get things to the stores and then onto shelves fast enough before people buy them again.”

This was amplified by the sudden closure of schools, restaurants and cafés. To cope, supermarkets have hired more staff and increased in-store production of products such as bread, says Holder.

Products, such as pasta, toilet paper and orange juice, have been more popular during the pandemic. Tesco, which saw sales increase by around 30 per cent in March, says it has adapted by working closely with supplier partners to simplify its range and allow more popular products to get onto shelves during the lockdown.

Now as panic buying eases, UK supermarkets face fresh challenges. Holden says restrictions on numbers allowed into stores has already brought profits down for some and it remains to be seen how people will react when restaurants reopen.

But bulk buying isn’t the only strain on supermarket supply chains. According to government figures, half of the food consumed in the UK comes from overseas and some degree of disruption to global exports is inevitable during a pandemic affecting every continent.

Christopher Smelling, head of policy at the Freight Transport Association (FTA), says there have already been “some delays and irregularities in goods coming from the most affected areas, such as northern Italy”. However, he adds that, despite the strict lockdown in Italy, “the goods have always been moving”.

Dr Peter Alexander, a global food security expert at Edinburgh University, says he is concerned about what could happen to international trade as the crisis continues. “If for domestic political reasons a country restricts exports then others might follow. You would then get this cascading snowballing effect,” he says. “That would play out in reduced availability and higher food prices.”

This can already be seen in some countries. For example, Vietnam, the world’s third biggest rice exporter, temporarily suspended rice export contracts. Russia, the world’s biggest wheat exporter, could threaten to restrict exports. And Kazakhstan reportedly banned exports of wheat flour.

A shortage of field workers around the world, due to illness, restrictions on movement or economic crisis, could also threaten global food trade and supermarket supply chains.

Maximo Torero, chief economist at the Food and Agriculture Organization of the United Nations, warns countries not to adopt protectionist measures. “Now is not the time for restrictions or putting in place trade barriers,” he says. “Now is the time to protect the flow of food around the world.”

With risks to global supply chains, Tim Lang, professor of food policy at City, University of London, points out that UK supermarkets could make better use of localised suppliers. “We have rich, amazingly productive land that we’re underusing,” he says. “We already have a fragile food system and now there are hiccups emerging from Spain and Italy.”

“**If for domestic political reasons a country restricts exports then others might follow... That would play out in reduced availability and higher food prices**”

The UK should increase horticulture planting to make the system more robust, Lang adds, calling on the government to issue guidance on healthy and sustainable food purchasing while global supply faces disruption.

However, shifting to use of more local suppliers isn’t straightforward, according to BRC’s Holder. “The types of things supermarkets can get locally they generally do,” he says. Most already source local meat like chicken, for example.

Staffing must also be considered. The pandemic and its restrictions on travel could mean UK farms won’t be able to rely on temporary staff, many of whom come from eastern Europe each year to harvest crops. As a result, the government has called upon millions of students and furloughed workers to “pick for Britain”, as well as issuing permits to pickers from Romania.

Lifting lockdown in the UK and around the world is likely to lead to further changes in shopping habits. One possibility is that people flock to restaurants again in large numbers.

FTA’s Smelling says it could take a few days for catering venues to restock. “If the government announces on a Tuesday you can open the restaurants and the pubs, it doesn’t mean they’ll all be able to open on Wednesday,” he points out.

Further down the line, there could also be increased demand for “healthy” foods, as well as renewed calls for food to be sourced closer to home. Alexander at Edinburgh University expects things won’t return to the way they were. “However, the exact state they return to is still unclear,” he says. “But I’m more optimistic than I am pessimistic.” ●

## ORIGINS OF FOOD CONSUMED IN THE UK

Share of total food supplied to the UK, according to the latest government statistics (2018)

Department for Environment, Food & Rural Affairs 2020





## OPINION

# ‘With the fires burning all around us, speed of execution is like nothing we’ve seen before’

**D**uring times of financial struggle, the spotlight shines ever brighter on procurement as corporate boards drill into the fundamentals of cost reduction, cash optimisation and risk mitigation with renewed vigour in response to increasing uncertainty. This was certainly the case in 2008, and it’s true again today as the grim clutch of COVID-19 continues to wreak havoc on global trade.

But crises also drive laser-guided focus, and as the spectre of the pandemic began to loom large earlier this year, chief procurement officers moved into action quickly to source personal protective equipment (PPE), keep supply routes open and vulnerable suppliers afloat to ensure the engine of global business kept running.

What we have witnessed time and again during this crisis is innovation in its purest sense – the development of new products or solutions in response to a given need. The difference, however, is that with the fires burning all around us, speed of execution is like nothing we’ve seen before.

We need only look at how companies pivoted so radically. For example, automotive manufacturers producing ventilators, chemicals and beverage companies making hand sanitiser, organisations in all industries producing masks, gowns or other PPE as demand continues to soar.

In some cases, the supply chains were largely in place, with existing relationships, components and capabilities being put to different use. In others, entirely new supply chains and production facilities have been built from scratch.

For procurement, innovating through this crisis is one of the main weapons in the armoury for helping us cope. One CPO in the energy sector shared how they have transitioned their innovation efforts to be more pragmatic in order to support vulnerable suppliers, posing challenges and then funding research efforts to free up internal resources for other applications while providing purpose and financial support to suppliers.

Others shared how they have taken some shortcuts to how they would normally run formal innovation programmes out of the pure need to find solutions to key challenges quickly, or moved focus from long-term product-based innovation programmes on to short-term, reactive quick-wins to ensure business continuity.

Philips, meanwhile, which has always had a strong innovation

focus, has reiterated how important suppliers are to overcoming this crisis by launching a new supplier-innovation challenge. “We are seeking solutions that can be launched into the market as soon as possible, ranging from supplier offers and product modifications to new solution opportunities,” the company states on its supplier innovation portal.

Philips and the energy company mentioned earlier (which has also started to produce its own hand sanitiser) certainly aren’t alone. All across the procurement community there are stories of how innovation is happening at pace to help tackle COVID-19. Entire new digital capabilities have been rolled out to improve supply chain transparency in order to bring early warning of any disruption, communication channels have been radically improved across the value chain and collaboration with suppliers, customers and adjacent organisations improved dramatically.

As one procurement leader from the oil and gas sector explains, “COVID-19 has given us an unprecedented opportunity to test new things, because the alternative of not doing so is so much worse”.

It’s abundantly clear that post-COVID-19, the world will be a very different place: business models and customer markets will change fundamentally, as will supplier relationships, innovation approaches and collaboration opportunities. Because of this, and because procurement lies at the heart of the value chain, with visibility into thousands of suppliers and being guardians of such vast expenditure, chief procurement officers will be a keystone in organisational efforts to innovate through and beyond the pandemic.

So, while we live through a human crisis of unprecedented scale, with that comes great opportunity for procurement. ●



**David Rae**  
Chief product officer  
Procurement Leaders

## WHY MORE AND MORE BUSINESSES ARE RELYING ON A TMS

Gartner continues to see the transportation management system (TMS) market grow at an accelerated rate. Factors such as the need to reduce costs; improve internal productivity, efficiency and customer service; increase visibility; and make better use of capacity are driving the growth of the market through 2022

# 7.2%

**SAVING ON FREIGHT COSTS**  
A TMS typically helps businesses save up to 7.2 per cent on freight costs

# 266%

**GROWTH**  
In 2018, the global TMS market size was \$1.83 billion and is expected to reach \$4.88 billion by the end of 2025

# 70%

Planners waste up to 70 per cent of their time in planning and making appointments for loading and uploading times

# Digitalisation brings new visibility to the supply chain

Organisations are digitalising logistics processes as they seek to transform their supply chain management to reduce costs and gain much needed visibility

**G**lobalisation has added unprecedented complexity to supply chains and drastically changed the transportation industry. Historically viewed as just a cost centre consisting of many components operating in silos, supply chain management is now climbing the boardroom agenda as companies realise the opportunity to not only reduce costs, but also drive strategic value for the business by removing the silos and increasing visibility.

Ten to twenty years ago, it was typical for shippers to arrange their transportation manually with spreadsheets showing which shipments were inbound and outbound, and a list of carriers to call to pick up goods. Despite drastic advancements in technology, many companies still operate, at least partially, in this archaic way. The most successful businesses, however, are truly flexible and agile, and the digitalisation of logistics processes is crucial to enabling this by enhancing visibility across the supply chain.

“If visibility is lacking across a supply chain, the business is running blind,” says Carolyn Hunt, director, go to

market – TMS, at Alpega Group. “You are effectively wearing a blindfold in terms of your supply chain key performance indicators and the shipments that are moving from point A to point B. This can result in very bad customer service and really poor operations.

“If an organisation doesn’t know, for example, what inbound supply is coming in and when, it can’t have the right people and resources ready to start manufacturing or to process and ship out, and it will likely hold a lot more stock in its warehouse than it needs to.

“Digitalisation has helped immensely in driving efficiencies and allowing companies to make smarter decisions in their supply chain, from optimising the distance between where their facilities, suppliers and customers are located, and making sure they’re not running empty or doing unnecessary transportation runs, to improving day-to-day operations and processes.

“A lot of the legwork is taken over by automated systems, so transportation planners can really focus on the tasks that add value to the business. A vast magnitude of transactions runs through supply chain systems and visibility allows companies to be more responsive and reactive, improving the overall logistics function.”

A transport management system (TMS) is a central pillar to digitalising supply chain management in an organisation. Alpega Group, a global logistics software company, has recently brought together two market-leading solutions in this area, inet and Transwide, to create an end-to-end software suite for the transportation industry, Alpega TMS.

It is a single scalable solution designed to manage all levels of complexity

in logistics processes. The software ensures companies can benefit from a system that evolves alongside their needs, providing real-time visibility over incoming and outgoing logistics and seamlessly linking truck drivers and logistics providers with shippers.

Digitalisation and automation help organisations plan and conduct certain tasks much faster, whether it is ensuring a truck is loaded to its best capacity, that it is driving on the best routes or it is managing supply and demand in the most efficient way. Visibility not only allows companies to reduce costs in their supply chain, but also meet their sustainability goals. With Alpega TMS, organisations can track the emissions in their supply chain and work to reduce the environmental impact of their business.

“In the past, companies may have implemented both solutions, but with very different problems to solve. Now we have merged them, we can provide a product suite that solves any transportation logistics problem and our customers don’t have to deal with different product providers,” says Karen Schmickl, director of product management at Alpega Group.

“Whether it’s a local site needing a dock management solution or a global rollout requiring multi-mode shipments across land, air and sea, we enable a seamless supply chain with maximum visibility. It really brings the best of both worlds together.”

For more information please visit [alpegroup.com](https://alpegroup.com)



“Digitalisation has helped immensely in driving efficiencies and allowing companies to make smarter decisions in their supply chain

## RELATIONSHIPS

# Why emotional intelligence matters

The focus of supply chain management is shifting from limiting and controlling spending to looking at how to build better relationships with customers and suppliers

Marianne Curphey

Every week, via tablet, smartphone or laptop, a group of procurement specialists join an online informal meeting to discuss best practice. Known as the Hackett Café, it is an opportunity to chat through the problems they have encountered and suggest solutions. It's a far cry from the traditional cut and thrust of procurement, but it is a sign of how the industry is shifting, says Nic Walden, senior adviser in The Hackett Group's Procurement Advisory. "Emotional intelligence is absolutely a game-changer in procurement," says Walden, who works with top executives at large multinationals with £1 billion in procurement spend.

"In the banking crisis it was very different; it was all about extended payment terms and driving price reductions. Now good companies are looking after their micro and small suppliers. Some are paying suppliers immediately. Suppliers will remember how they are being treated right now and that will set the tone for the relationships of the future."

Tim Burt, customer insights manager at Procurement Leaders, the world's largest and valued procurement network and intelligence platform, says it is crucial procurement works to improve the organisation's status as a customer, and perhaps even a partner, of choice to its suppliers, especially during the COVID-19 crisis.

"Suppliers will prioritise supply continuity to those customers they



Monty Rakusen/Getty Images

have a more collaborative relationship with," he says. To do this, procurement needs to communicate to key suppliers how they fit into the organisation's strategic roadmap during this time of difficulty, leverage the organisation's brand value to demonstrate how the relationship

will benefit the supplier and involve senior stakeholders during communications to strengthen the partnership further.

Applied futurist Tom Cheesewright, who has advised major companies such as Accenture, LG, Nikon, and Sony Pictures on

strategy, says in a world where machines take many of the decisions and much of the competition might look very similar, it is the human factor that will differentiate.

"Trust, loyalty, added value; the rise of automation in procurement isn't a threat to more human

**Suppliers will prioritise supply continuity to those customers they have a more collaborative relationship with**

decision-making, it is what makes space for it," he says.

Simon Geale, senior vice president of client solutions at Proxima, says it is the creative and consultative skills that will make the difference in the long term. We subconsciously value emotional connectivity over logical connectivity and, by using our emotional intelligence, we start to understand the customer better. The average business buys in goods and services to the value of 70 to 80 per cent of revenues and negotiations are not just about price.

"An organisation sets its own strategy, but how it gets there is significantly reliant on how well it works with its suppliers," he explains. "The better those relationships, the more likely a positive outcome, be that speed, innovation, revenue or cost optimisation. You can't just call a supplier a partner and expect things to change."

At its heart, emotional intelligence is about seeing the business transaction from the point of view of your customer or supplier, says Jason Kay, chief executive at LiveLead. The mission to "be the best customer you can be" makes commercial sense in this new world, he says.

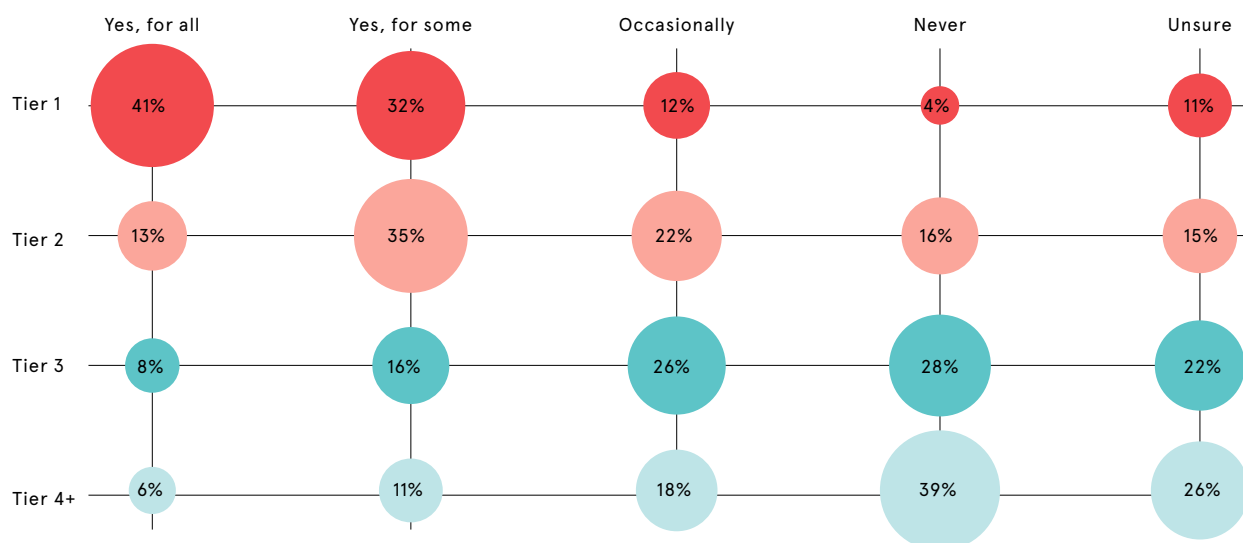
"When there is a limit in the supply of anything, someone has to make the decision of who gets what is available and who misses out," says Kay. "It stands to reason that those customers who always pay on time, who haven't screwed the price down to the bare minimum and aren't always calling with emergency orders will most often get preference in these situations."

For those that understand this, the opportunities are great, says Lucy Harding, head of the procurement

## BUSINESS CONTINUITY ARRANGEMENTS

The Business Continuity Institute 2019

Extent of understanding of business continuity arrangements of key suppliers, according to supply chain professionals



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## Keeping supply chains alive

Steve Malone, managing director of Procurement for Housing, which provides services to UK housing associations and local authorities, explains why emotional intelligence is so important.

"Traditionally, procurement professionals earned their stripes by beating suppliers down on price and policing rogue spend. But today, it's empathy, collaborative skills and the ability to think beyond short-term cost-savings that are top of my criteria for new hires," he says.

"COVID-19 has shone a light on this, revealing that

compassion and consultation are just as important as number crunching when it comes to keeping supply chains responsive and competitive.

"In my sector, housing and construction, large numbers of suppliers have furloughed workers, many are mothballing and some may soon go bust. The reaction from buyers has been mixed. Some are offering payment relief, but others are trying to terminate contracts or enforce even tougher pricing controls.

"This is the perfect example of why emotional intelligence is key to long-term, sustainable procurement. Those buyers that adopt a supportive, partnership approach, communicating openly and equally, will keep their supply chains alive and will be first in the queue to suppliers once lockdown is lifted.

"COVID-19 will teach many buyers a valuable lesson about the importance of relationship building and how the old 'command-and-control' brand of procurement just isn't relevant anymore."

and supply chain practice at Odgers Berndtson. She predicts that collaboration throughout the industry will be accelerated as a result of COVID-19.

"There will be a greater number of joint ventures to ensure customers receive products on time, payment in advance will be offered by larger players and delayed payment schemes will be available to trusted partners," she says.

This is about true partnership, rather than lip service and is a very different approach to the hard-line price negotiations of the past.

So how might we build these important relationships? Sergii Dovgalenko, chief procurement officer at Ukrainian Railways and author of *The Technology Procurement Handbook*, says there is no "rocket science" in developing valuable relations with suppliers.

"Usually, it is based on trust, fairness, collaboration and the balance of needs," he says.

Traditionally, procurement has been seen as a restrictive function, with an inherent degree of conflict, where professionals are rewarded by senior-level stakeholders for driving a hard bargain.

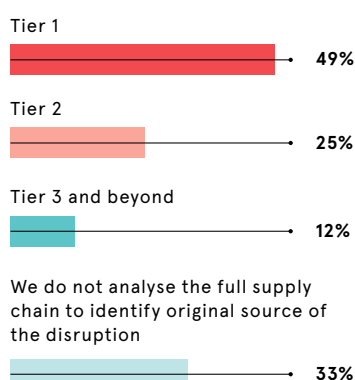
"Today, employers seek to recruit procurement professionals with strong emotional intelligence, recognising the benefits they can bring to their organisations," says Julien Brunel, automotive sector specialist at consultancy Vendigital.

"By collaborating more closely, it might be possible to accelerate innovation processes, enhance key services, reduce risk or improve operational efficiency."

Strong partnerships will be more important as we work through the global economic downturn, says Martin Rand, chief

## SUPPLIER INCIDENTS AND DISRUPTIONS

Share of incidents/disruptions occurring with the following tiers of suppliers, according to supply chain professionals



The Business Continuity Institute 2019

executive at Pactum, an artificial intelligence-based system that helps global companies scale up negotiations.

"Procurement will be a key contributor in the business planning process moving forward and will act as a broker to products, skills and sources of innovation to solve the business's problems," he says.

The main driver of change will be the shift in power between buyers and suppliers. "There is no doubt that more interaction between procurement and suppliers unlocks new product and process innovation," Procurement Leaders' Burt concludes. "After years of cost-saving negotiations, businesses are starting to see the value procurement can add outside simple savings." ●

# How to get more value from your spend analytics

Spend analytics is the unsung hero in achieving maximum value from your supply chain

For procurement teams across the globe, maximising value from the supply chain, not minimising cost, is now a key strategic goal. At the heart of this is spend analytics, one of the sector's most important, yet underrated, tools. Even though the sector has made big improvements in how procurement works with this kind of data, many still have a long way to go.

The fact is, over the last few years, procurement managers across the world have been busy in a race to transform digitally, deploy the latest technologies and in the process realise efficiency gains, as they evolve to a more data-driven way of thinking. With exponential rises in computing power and declining costs, solutions have become even more complex and also more affordable.

"But this doesn't mean there's more clarity. It's one thing to deploy these latest tools. It's another to gain real vision from them," explains Arvid Fredin, co-founder of Spendency, a global leader in spend analytics, with 100-plus clients around the world.

"There's a lot of sophisticated black-box systems out there, but many are selling an idealised version of the future. They aren't selling actionable insights with transparency. Comparing the new and latest features is not a good way to decide on a system.

"Analytics work best if they take current data and staff into account. Both may be limited. It also needs to be able to engage as many employees and stakeholders as possible. User friendliness in many ways is king."

“What companies actually need is a really user-friendly, yet smart, system that supports and drives action in a process of continuous improvement



Now with artificial intelligence, machine-learning and complex algorithms, there's even more on offer in procurement analytics. This is raising more questions than answers for managers looking at data-powered solutions.

"There's no doubt that data and particularly spend analytics is a complex subject filled with new and exciting tech, but also many buzzwords and hype. It's crucial to separate what a procurement team wants and what it actually needs. They are often two completely different things," says Fredin, whose company works with the likes of GVC, who own Ladbrokes and Coral in the UK, as well as the airline SAS and Skandia.

"Often people want a sophisticated system that can provide all sorts of prescriptive recommendations and automate frustrating parts about analytics. But what companies actually need is a really user-friendly, yet smart, system that supports and drives action in a process of continuous improvement. Step-by-step, daily incremental changes really matter."

Analysis of Spendency's clients has found those who approach spend analytics with a change management approach in mind, rather than focusing on an analytics system's features, are more likely to be successful.

"It's all about realising value with any system you deploy, not using imaginary data you might collect tomorrow, but data you produce today. You don't

want to take months to see the results either or collect new data at greater cost," says Fredin.

"If a solution drives a doubling of those that are able to utilise these insights within a company, then you can engage a lot more stakeholders. This creates value. So to ensure a good fit for your organisation, make sure a cross section of your employees test the system with your existing data sets before deciding what to deploy.

"This is more likely to precipitate change in an organisation or along the supply chain. Analytics is not just about data and systems, but about the people leveraging the insights. It's vital to realise this. Right now there appears to be a disconnect between current software implementation and desired business outcomes."

In these uncertain times brought about by the coronavirus, all organisations are striving to gain full control over their costs and find value where they can. That's why Spendency are making their solution free to any organisation until June 30.

For more information please visit [Spendency.com](https://Spendency.com)





# How analytics keeps supply chains running

The power of analytics can help secure supply chains in times of crisis and avoid costly interruptions in production says **Alan Jacobson**, chief data and analytics officer at Alteryx

**I**t is no secret that the “digital divide” has allowed some countries, and socio-economic groups, to get ahead of others. But is an “analytic divide” now emerging where companies with access to analytics and automation skills are leaving those who lack those capabilities behind?

Big data has become a key differentiator in the evermore complex world of supply chain management. As the coronavirus pandemic, the US-China trade war and Brexit have shown, supply chains are particularly vulnerable to disruption. Now more than ever, businesses need to anticipate changing customer needs, strengthen supplier networks and be on top of logistics to respond quickly in a crisis.

The challenge is turning the growing volumes of information and data available to them into actionable insights to optimise performance and control risk. For humans, with little more than spreadsheets to help, it is a huge job.

But with modern-day technology such as Alteryx, companies can quickly upskill and harness the power of analytics, and not just in their IT departments. Chief financial officers are increasing savings, human resources specialists are optimising their talent pipelines, and chief operating officers are responding to global shifts in supply and demand.

In fact, knowledge workers of any discipline can upskill and learn these new techniques with ease, with the benefits flowing quickly to an organisation’s bottom line.

## Reshaping demand forecasting

Predicting customer needs and reacting to them is key in an uncertain business environment, but too many firms lack the foresight needed. It will no longer do to make operation-critical decisions on the basis of instinct and opinion alone.

The Alteryx Platform has a suite of analytical tools to mitigate risks of this kind of decision-making. By using population density information and current stock levels, companies are using

Alteryx to predict which stores will have the highest demand at a given time.

Companies are also anticipating demand shortfalls or high-demand items by interpreting data from known situations to run extensive simulations across a wide range of risk management scenarios.

Take for example Coca-Cola and its Freestyle touchscreen soda fountains in restaurants across America. The machines feature 165 different Coca-Cola drink products, as well as custom flavours, which can be mixed and individually dispensed.

This requires a large number of ingredients to be dispatched to vendors at short notice and choosing the right volumes used to be tricky, often leading to waste.

Now Coca-Cola has fixed the problem with analytics. Using telemetry, the machines send data back to the firm about what is selling well and when. Coca-Cola then uses Alteryx to compare those findings against a host of other variables and creates predictive models that anticipate demand to balance inventory.

## Activating new suppliers and optimising resources

Analytics offers firms a huge advantage, not just when tackling demand-side problems, but supply chain issues too. In times of crisis, firms need a complex, multi-tiered supplier structure in place to ensure they avoid costly stoppages. But faced with swathes of fast-moving and unstructured information, many fall back on old tools and techniques to inform their decision-making.

Using the analytic forecasting tools in Alteryx, firms can gain a crucial edge. They can diversify their supplier base, so they are not reliant on a limited cadre of potentially high-risk players. Procurement functions are also empowered to assess the risks of using alternative suppliers so they can quickly identify a pre-approved part or make material substitutions.

Firms must have the right resources at the right time to tackle demand and keep costs down, and here too Alteryx



The process of moving goods around the world can be immensely complex

can help. Take the Japanese carmaker Toyota, which uses Alteryx to find correlations between the logistics of moving parts and staff working patterns and matches them to customer needs. This empowers Toyota to forecast labour for field service accurately and improve part fulfilment and delivery times, speeding up its quarterly budget process.

Using Alteryx, the firm has realised time-savings of nearly 500 hours a year during its budget process alone. In addition, it has been able to make faster and more cost-effective decisions and has realised 7.5 per cent in labour cost-savings by simply optimising its workforce.

## Reshaping logistics and time to delivery

The process of moving goods around the world can be immensely complex. But without the power of data analytics, it is extremely difficult to get a clear view of your global supply chain and offset unforeseen scenarios.

For example, as demand fluctuates, it’s crucial to be able to analyse and secure additional freight capacity quickly and at short notice. And so Alteryx can help planners and buyers understand carrier options and optimise trade routes, as well parse data from geospatial sources, including real-time satellite positioning, tracking and geofencing, to give an overview of goods in transit.

Understanding where 100,000 trucks are moving raw or processed materials across continents can help tackle potential bottlenecks or reduce costly downtime. It can also help firms with just-in-time supply chains to locate alternative stockpiles of parts or raw materials in times of need.

A global oil and gas company is using the Alteryx end-to-end analytics Platform to monitor operations and improve its supply chain decisions and inventory. Operations teams use predictive analytics capabilities in Alteryx to optimise the ordering, storage and

utilisation of spare parts for the company’s onshore and offshore oil rigs.

The project has delivered millions of dollars in benefits and paid for itself in less than four weeks. The firm’s supply chain operations also used Alteryx to develop a suite of tools that provides critical information to increase forecast accuracy, optimise inventory and improve margin allocation.

For any business operating a supply chain, embracing the power of big data will be crucial in the years ahead. Without razor-sharp analytics, firms risk being left behind in an increasingly unpredictable business environment.

Using Alteryx, firms can help bridge the analytic divide and protect their supply chains, particularly in times of crisis. A smart approach to data now will guide the way to a successful future.

To find out more about how your supply chain could benefit from analytics, visit [alteryx.com](https://alteryx.com)

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**In times of crisis, firms need a complex, multi-tiered supplier structure in place to ensure they avoid costly stoppages**



## CYBERSECURITY

# Hackers smell blood as crisis exposes cyber vulnerabilities

As the COVID-19 pandemic continues to disrupt supply chains the world over, cyber criminals will be on the prowl for vulnerable third parties as a way of gaining access to more lucrative prizes

Oliver Pickup

Less than two years ago, in June 2018, when Ticketmaster UK revealed cybercriminals had stolen data from up to 5 per cent of its global customer base via a supplier, it set alarm bells ringing.

The following month, a CrowdStrike report laid bare how ill-prepared organisations all around the globe were against hackers seeking to exploit third-party cybersecurity weaknesses. Two thirds of the 1,300 respondents said they had experienced a software supply chain attack.

Almost 90 per cent believed that they were at risk via a third party. Yet, approximately the same number admitted they didn't deem vetting suppliers a critical necessity.

Given Symantec's latest *Internet Security Threat Report*, launched early last year, highlighted that supply chain attacks had increased by 78 per cent in 2018, one hopes organisations heeded the warning signs and shored up their third-party cybersecurity policies well before COVID-19 hit businesses.

Experts fear companies that failed to bolster their cyber

defences are now even more exposed because supply chains have become fragmented, and hackers, like great white sharks, smell blood. "Criminal groups have recognised that to catch the big fish they need to catch some smaller fish first," explains James McQuiggan, security awareness advocate at KnowBe4.

To extend the fishing – or rather phishing – analogy: to net the whopper organisations hackers are scooping up the tiddlers in the supply chain, McQuiggan says, as they "may not have the robust security programs and often unable to afford adequate cybersecurity resources or personnel."

"As such, they are potentially more susceptible to social engineering scams or attacks. The criminal groups will attempt to gain access and then leverage the connection to attack a larger organisation."

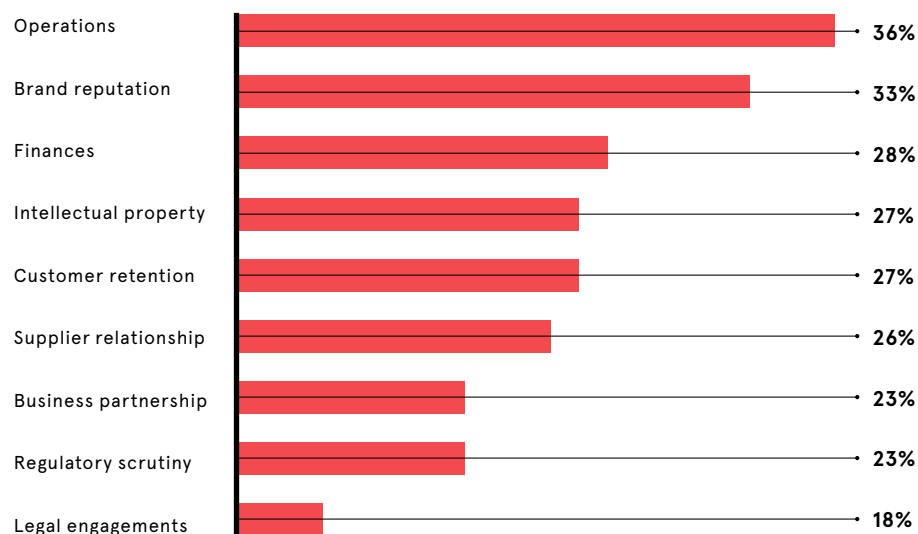
Predators know when to attack vulnerable prey, and COVID-19 has weakened the cybersecurity of countless organisations. "Coronavirus passes from person to person, and a percentage of victims are asymptomatic, yet can infect others – cyberattacks work in a similar way," says Matt Lock, UK technical director at Varonis.

"A smaller supplier that's fallen behind on their basic cyber hygiene can become infected with malware and unknowingly spread it to their business partners."

Alluding to the issues presented by lockdowns enforced because of the pandemic, he continues: "At first, we were seeing cases where companies took shortcuts to get their employees online to keep their businesses running. Now companies are starting to settle

## TOP NEGATIVE IMPACTS OF A DATA BREACH

Survey of security professionals from a range of industries



Cisco 2020

into their new normal. They're taking a step back, actively trying to rein in access and resolve security issues that cropped up in their race to get everyone the access they needed to do their work."

Chris Sherry, a regional vice president at Forescout, argues there has never been a more vital time to have a cyber-resilient supply chain. "COVID-19 is the ultimate stress test for many supply chains," he says. "The demand for critical supplies has never been greater, and it's the biggest challenge. It's a marathon to continue with 'business as usual' while trying to achieve an output of 150 per cent. Industry 4.0 and the industrial internet of things are driving improvements in operational efficiency, but also leaving suppliers more vulnerable than ever to downtime or data loss if critical processes are interrupted."

"The benefits of operational technology and automation are clear, but they also significantly increase the potential attack surface of any organisation. As bad actors look to take advantage of the crisis, the cybersecurity strategy of any supplier should ensure this is well understood, continuously monitored, and appropriately secured."

If an organisation's cybersecurity is only as sturdy as its weakest link in the supply chain, what could – and should – be done in the face of an increasing number of attacks?

"Ultimately, the relationship of 'trust' many organisations once had with their third-party

suppliers is no longer enough," says Sherry. "The National Cyber Security Centre puts out a huge amount of guidance on the right questions to ask, as well as the right parameters to measure the security of your supply chain."

Nigel Stanley, chief technology officer at TÜV Rheinland, agrees that the NCSC is a good source of information, and points to its Cyber Essentials certification scheme, which offers a "base level of cybersecurity assurance". For him, streamlining supplier assessments is crucial, as is how deeply the supply chain network is traversed.

However, he notes: "Managing this is a challenge as presenting suppliers with 150 questions to answer every month can be a real turn-off. Using supplier contracts to enforce cybersecurity controls can be useful as it links payments and contracts to cybersecurity performance. The problem is how such a program can be implemented proportionately, balancing supplier and customer requirements."

The 'zero-trust' certification offered by analyst firm Forrester is worth the money to improve cybersecurity across the supply chain, suggests Patrick Martin, head of threat intelligence at Skurio. "Securing the supply chain is key," he says. "Look for suppliers with certifications like Cyber Essentials Plus and BS 10012 ISO/IEC 27001, and don't be afraid to ask suppliers and partners to provide proof of their practices."

Serving up a final piece of expert advice, he adds: "Another great first step is to monitor the deep and dark parts of the web for breached data, credentials and mentions in attack planning scenarios. In this way, businesses can be much better prepared to mitigate an attack if they see it coming."

Considering Ticketmaster UK's supply chain breach was almost two years ago, it's fair to say organisations have had ample time to prepare, but those who failed need to move quickly with the fallout from COVID-19 likely to be long and painful. ●

**Criminal groups have recognised that to catch the big fish they need to catch some smaller fish first**



Nariman Mesharafa/Unsplash



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