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SourceToday

How AI Helps Procurement Work Better, Smarter and Faster

As artificial intelligence continues to advance and make its way into more applications, here are some of the positive impacts that it's having on procurement.

Technology that leverages computers and machines to mimic the problem-solving and decision-making capabilities of the human mind, artificial intelligence (AI) is used in mobile devices that incorporate speech recognition, by companies that have online virtual agents and also to extract and act on meaningful data from digital images and videos. Using data about past purchases, AI algorithms can also uncover trends that organizations can use to develop more relevant selling strategies.

Artificial intelligence is also being used in procurement; it can help simplify basic tasks, decode complex systems and solve issues. Contract management, procurement assistance, strategic sourcing and spend analysis can all be embedded into an algorithm that handles the heavy lifting, leaving procurement professionals to focus on more important tasks. The technology also helps those professionals to gain insights into large quantities of data analytics at a very fast pace.

Putting AI to Work in the Real World

Coca-Cola is one company that's using AI to boost supply chain procurement after years of using Excel spreadsheets and email to manage this aspect of its business. According to *VentureBeat*, the global manufacturer is using an AI-enabled platform that helps it parse out its material costs, including raw materials, conversion and logistics costs. The platform also automates the bid review process.

For example, in a category like shrink and stretch film, Coca-Cola has more that 200 suppliers invited to an event and at the end of each round it would then have "all hands on deck" to cleanse and validate these bids. "This tool has allowed us to streamline that process so that we're essentially able to collect aggregated validated bids," Coca-Cola's Brett Fultz told *VentureBeat*.

Expect to see more companies embedding AI into their procurement operations. In fact, Shanton Wilcox, U.S. manufacturing lead at PA Consulting, said that investing in AI to boost procurement and sourcing will become a priority investment area in the near future. This is mainly due to the complex challenges around business volatility and increased labor mobility. "Long gone are piece price comparisons," he told *VentureBeat*. "Decisions now include aspects like flex capacity/responsiveness, initial sustainability interests, transportation options and resulting costs."

Saving Time, Money and Hassle

Hunting for new suppliers is a time-consuming, challenging process that takes an average of about three months to complete (for each supplier), according to McKinsey & Co., which adds that a sourcing professional that put hours of work into the process can still only feasibly consider a few dozen suppliers out of a total population of thousands of options.

"Because of the time and effort required, new-supplier identification is often deprioritized," McKinsey reports. Using AI-enabled software platforms, the same procurement professionals can scan thousands or even millions of potential suppliers in a fraction of the time that it takes to manage the process manually. This can dramatically reduce the time it takes to hunt for new suppliers and lets employees focus on important tasks like locating hard-to-find products, expediting orders and developing long-term, strategic approaches to acquiring goods and services.

During the early weeks of the COVID-19 crisis, for example, McKinsey says that a regional government faced bottlenecks in testing capacity due to shortages of critical consumables, including swabs and viral-transport media. "The rapid spike in testing demand, driven by the pandemic," it reports, "had absorbed [its existing local suppliers'] excess capacity, forcing procurement personnel to look farther afield."

Using AI, the procurement team identified more than 30 high-potential, global suppliers in less than a week. "When the team contacted the suppliers on its shortlist, more than 70 percent were able to deliver," McKinsey explains. "New supply agreements were established within two weeks of the start of the search and, within a month, the organization had obtained sufficient material to double its testing capacity."

Minimizing Interruptions

According to *AI Magazine*, AI is already transforming procurement by providing better, more reliable and usable data analytics. Its algorithms can also help procurement teams make better decisions, identify new opportunities, improve their operations, automate manual tasks and optimize their supplier relationships.

Artificial intelligence is also adept at flagging errors (e.g., price changes, fraud or compliance irregularities) that may have otherwise been missed, thus saving even more time and effort for the procurement professional.

"Additionally, AI can reduce interruptions caused by one-off purchases as it can process high volumes of transactions without errors," *AI Magazine reports*. "Typically, a one-off purchase can interrupt a procurement process, but AI can ensure that the process runs smoothly despite this one-off purchase."