



STATUS AND OUTLOOK OF ELECTRONIC PROCUREMENT

Jana Majchráková¹, Iveta Kremeňová²

Abstract: Reliable, powerful and safe IT systems and eSolutions (electronic solutions) ensure transparent and consistent processes along the supply chain in the company. Above all, professional eTools (electronic tools) increase sustainable efficiency in procurement. Nevertheless, eSolutions in purchasing departments and in the supply chain generally are still not a standard. There is a lot of room for improvement which confirms also the newest study of Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME).

Keywords: eProcurement, Digitalization

BME eSolutions Report provides an important information about status and outlook of eProcurement

The Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME) founded in 1954, is a trade association for buyers, supply chain managers and logistics specialists in Germany and continental Europe. The main goals of the association include a transfer of know-how through a constant exchange of experience, training and further education of qualified personnel and scientific work on new methods, processes and techniques.

eSolutions Report, one of the regular BME studies, provides an overview of current trends and developments in eProcurement. The annual report presents solutions that help purchasing to meet challenges of digitization. A comprehensive market overview of eSolution providers and their systems is also included.

Actual trends and further development plans in eProcurement

The focus of the newest BME study is the current status of an electronic procurement in companies in German-speaking area and an outlook on further development trends. Furthermore, it is examined which technologies and systems are considered be relevant here.

In 2019, 168 managers from procurement area, in the period from October till December, took part in the survey. The participants mainly represent industrial companies (~ 63 percent) and almost 20 percent are from the service sector. Trade is represented by almost 10 percent and public institutions by 7.7 percent. The participation of larger companies / groups ($\geq 2,000$ employees) is almost 43 percent, that of small and medium-sized enterprises with up to 2,000 employees, 57 percent.

¹ Ing. Jana Majchráková, SIEMENS AG, Freyeslebenstr. 1, 91058 Erlangen, Nemecko,
e-mail: jana.majchrakova@siemens.com

² doc. Ing. Iveta Kremeňová, PhD., University of Zilina, Faculty of Operation and Economics of Transport and Communications, Department of Communications, Univerzitna 8215/1, 01026 Zilina, Slovakia,
e-mail: iveta.kremenova@fpedas.uniza.sk

The main goal of the study is to investigate a status of the use of eTools in the typical procurement-related fields of application and the effects of advancing digitalization on purchasing and current estimates of future technologies.

Digitization in supply chain has not been consistently implemented yet

According to the study in two out of three companies, operative procurement process will be fully automated in near future. The reason is, that these activities are no longer recognized as added value work. Purchasing is increasingly becoming a strategic task. However, there are problems with specific tools, that are essential for this step. Following the study, only around 34 percent of the surveyed companies use for example Spend Analysis. That confirms a big room for improvement at procurement departments and especially the fact, that digitization in purchasing has not been consistently implemented yet.

Use of eTools is a basic element of supply chain digitalization

Digital tools represent a basic element of supply chain digitalization. They are desired but so far there has been a lack of consistent implementation. Nine out of ten companies are certain that a Requisition-to-Pay (R2P) for central requirements as well as for supplier management will be essential in the future. All other tools follow just after – e.g. Spend Analysis / Controlling, Source to Contract. Only Quality management, Plan to Strategy and Category-specific tools fall a bit away, see figure 1.

However, the actual status of a real use of the eTools shows still a different picture. The study informs that the three first types of eSolutions, Requisition-to-Pay (R2P), Supplier Management, Spend Analysis / Controlling, are ahead but only less than half of the companies use them actively. Additionally, depending on the tool, between 6.5 percent and 18.6 percent of the companies’ state, that they own a relevant IT solution, but do not use it or use it only barely.

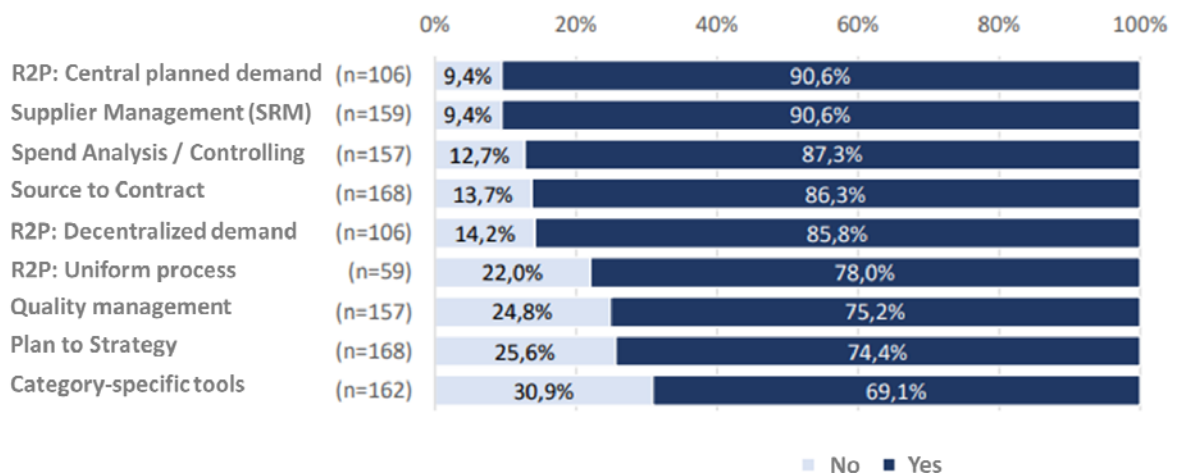


Fig. 1 Perceived need for the use of eTools [1]

Obstacles to further digitization of supply chain

The main reasons of the inconsistent implementation were investigated and analyzed as a part of the study as well, see figure 2. Six out of ten companies state that there are reasons that hinder the further expansion of the digitalization activities. Lack of internal data transparency (Master data management) has been in the first place over the years and confirmed by the newest study again. This is followed by internal resistance and a lack of management support. Not only the first positions but also most of the rest of stated obstacles to further digitization of supply chain, belong to “homemade” issues. In order to eliminate them and move further a lot of internal effort must be generated.

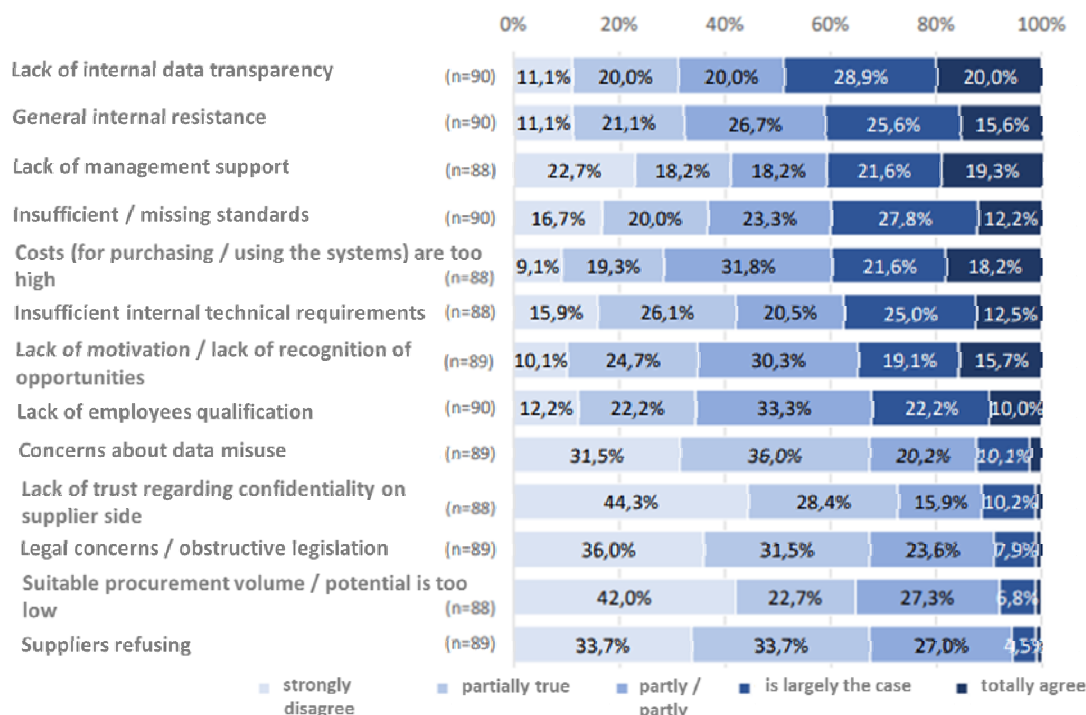


Fig. 2 Obstacles to further digitization [1]

AI (artificial intelligence) is an important part of actual and future eTools

Use of intelligent search algorithms in combination with Big Data Analytics to create a high level of transparency about global procurement markets is one of the recognized goals of the companies. Additionally, there is an expectation of supply risks identification due to AI, as well as compliance monitoring along supply chain and automatic supplier evaluations in real time. Automated negotiation agents are used only occasionally and only 11.6 percent expect this to be a common process in the future. Nevertheless, the study confirms that AI is seen and has been recognized as an unavoidable element of actual and future eTools.

The study of The Bundesverband Materialwirtschaft, Einkauf und Logistik e.V. (BME) examines the current status of digitization and future developments in selected areas of procurement and supply chain management. Companies that already digitalized their supply chain processes and actively use eTools such as supplier management, sourcing or collaboration modules, benefit greatly from stable processes, high transparency and cost advantages. Nevertheless, the current result of the study shows that the implementation and

expansion of electronic solutions in purchasing and SCM has not been implemented in every fourth surveyed company yet. That shows clearly a big room for improvement and own internal development potential on companies' side. In order to win an advantage against own competitors, digitalization should be given a top priority.

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