



Redefining the procurement customer journey

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internal customer**

The future of procurement

2021

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1

Executive summary

Old mandates, new competition

Every forward-looking Chief Procurement Officer (CPO) is aware of the shifts that threaten the relevance of their organisations.

Their internal customers are increasingly restless, influenced by buying experiences outside the workplace. Procurement's value, perceived or real, is becoming difficult to demonstrate.

Many procurement leaders are finding themselves on the defensive, constrained by mandates that prioritise cost reduction and risk mitigation.

The traditional mandates remain important. But how does the CPO continue to deliver value when frustrated business users 'opt out' and turn to simpler but noncompliant means of getting what they need to run the business? CPOs are finding that legacy 'one size fits all' buying channel strategies, while effective at lowering procurement's cost-to-serve, are limiting the procurement organisation's ability to adapt to the business's evolving needs. The symptoms of the disjoint show up most readily in indicators like maverick indirect spend, which has now reached alarming levels in some organisations.

The new competition

When employees leave the workplace, they can use their mobile devices to purchase goods and services on easy-to-use apps from any source, track order status in real time, choose rapid delivery, and expect service focused on their satisfaction. Back in the workplace, they face legacy desktop procurement technology, with cumbersome functionality. For CPOs, the comparison is rarely favorable. So internal customers peel away, inexorably, transaction by transaction.

The providers' digital-procurement solutions acknowledge this reality and are not passive to this development, of course. Having already invested enormous sums in artificial-intelligence driven innovation, it is only a short matter of time before they repurpose these same capabilities in ways that could fundamentally — and permanently — disintermediate procurement organisations.

1. Executive summary	1
2. First things first	3
3. Bespoke procurement Self-service in channel design	4 5
4. Intelligent adoption	6
5. Beyond skills development, to behavior	7
6. Different circumstances	8
7. Who will likely win	10
8. Unlock the potential in procurement	11

A new paradigm

Leading CPOs see opportunity in the virtuous circle of C/X evolution, where digital innovation drives increased e-commerce convenience, which in turn drives ever-higher consumer expectations, which in turn push businesses to introduce yet more customer benefits. Now, CPOs are in position to adaptively replicate the technology, processes, and behavioral assumptions of the B2C marketplaces, to the procurement organisation's benefit. This paper looks at four broad convergence trends driving change and opportunity for procurement organisations:



First things first: Acknowledging the internal customer
The challenges and lessons of the C/X revolution, as they impact procurement.



Bespoke procurement: Designing customer-centric buying channels
The opportunity to combine C/X design with spend compliance to sustain value.



Intelligent adoption: Leveraging C/X procurement technology
Implications of low-cost access to advance C/X innovation, for procurement organisations.



Beyond skills development, to behavior: Addressing procurement cultures
The necessary shift to customer-centric thinking, and the implications for training, performance metrics, hiring, and incentives.

Towards a new model: User experience + spend compliance = value.

At KPMG, close market observation suggests that a paradigm shift may be at hand, which will unfold during the next three to five years. Procurement agendas built on the promise of “impersonal” — rules-based, situation-neutral, and impartially applicable — will have to become quite “personal,” attuned to the circumstance, individual preferences, and user benefits of individual customers.

Some CPOs will seize upon the confluence of opportunities to chart a new course, building organisational capabilities that can design and deliver thorough, personal experiences around the customer, and so drive sustained engagement, satisfaction, and loyalty. For them, the short list of benefits includes ability to evolve as business needs change, continued strategic value to the organisation, and differentiation from competitors.

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As CPOs pivot to customer centric strategies, they'll be faced with inevitable requirements to prioritise their investments. Investment strategies will reflect the specifics of their organization — its industry, risk profile, procurement mandates, organisation, culture, and business objectives

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2 First things first

Acknowledging the internal customer

In our experience, few employees actually argue about the importance of corporate procurement policies and the need to save money.



Broadly, they understand the general goals of cost savings and risk mitigation. But many have a difficult time articulating the value the organisation really provides — to them, individually. In the hands of corporate procurement, the internal customer feels not like a guest, but under an obligation.

The forward-looking CPO begins by acknowledging that the internal customer is also a consumer, already familiar with advanced customer experience (C/X) functionality. As a category of stakeholder, they are knowledgeable, empowered, and demanding, accustomed to personalised purchasing experiences built around their habits and preferences. They regularly use or are at least familiar with the broad-marketplace household names and many mono-brand retail channels that constitute the CPO's competition.

Customer-centric procurement starts from that baseline of awareness, and seeks to understand the user's behaviors, circumstances, and challenges. It embraces the concept of delivering tailored purchasing experiences that meet outside-the-workplace standards of convenience, choice, and seamless commerce.

A visionary CPO shares the same goals that drive C/X leaders today: building the organizational readiness to design and deliver thorough, personal customer experiences that can drive engagement, satisfaction, and loyalty. When approaching target-operating-model and buying channel design, the working assumption is that employee-as-consumer strategies can be harnessed to deliver spend-compliance objectives.

Once a determination is made to embrace a customer-centric procurement model, market-tested solutions and lessons-to-be-learned are everywhere. For CPOs, one of the most interesting developments in the C/X world is the building out of sophisticated, benchmarked insight — much of it derived B2C

commerce — about what actually works in differentiating customer experiences. Yes, the customer experience is personal. At the same time, it is made up of discrete components that can be identified, analysed, benchmarked, aggregated, and integrated. For organisations willing to learn from the examples of peer leaders, this body of knowledge constitutes an invaluable advantage.

The forward-looking CPO begins by acknowledging that the internal customer is also a consumer, already familiar with advanced C/X functionality.

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Bespoke procurement

Designing customer-centric buying channels

As they reimagine the corporate buying experience through the lens of their end users, CPOs typically start with an intuitive sense that the ‘internal customer’ is actually many different subsets of customer, differentiated by typical spend level, types of purchase, buying habits, and need for specialised procurement support.



In response, forward-looking procurement organisations can configure their processes, service levels, and technology, and behavior away from a ‘one size fits all’ model to one that supports multiple purchase paths.

The design/test/build phase for these customized channels freely borrows from precedents used and pioneered in the behavioral psychology, marketing, and advertising worlds. One promising area of procurement innovation is the use of internal-client personas, humanised profiles based on major categories of shared procurement experience, defined by job function, spend category, purchase pattern, and decision drivers and use of specialised support. Personas are frequently used in tandem with journey maps, which granularly detail the wide-ranging purchase process — including touchpoints, hurdles, issue-resolutions scenarios, and successful conclusions.

Personas and journey maps help procurement teams empathically define the nature of their internal customer challenges (including adoption barriers), match the right solutions to the right problems, and deploy resources accordingly. This in turn can set the foundation for the

buying channel design and innovation needed to address each persona’s unique requirements within each category of spend and finally tailored by the volume of spend. Results might include the setup of separate channels for self-service and high-touch supported transactions, triaged by customer circumstances.

In conversations with some visionary CPOs, KPMG has noted an emerging interest in design thinking, a problem-solving technique that brings together cross-functional stakeholders to co-develop solutions and innovate on buying channel designs. Often supported through workshoping methods, design thinking intentionally engages with internal customers up front — to co-develop bespoke channel solutions that take into account the goals of the entire business.

The investment in up-front stakeholder buy-in — through personas, journey maps, and design-thinking — makes a crucial difference. Procurement process changes are no longer perceived by internal customers as impositions, but instead as improvements that reflect their input. The benefits typically include more successful uptake of spend-compliant behavior as well as fueling innovation.

Self-service in channel design

Increasing levels of self-service are fundamental to procurement transformation, regardless of industry or business-specific consideration. Already used to what KPMG calls “extreme self-service” in their personal lives, the internal procurement customer expects nothing less in the workplace.

A ladder of capabilities

For the CPO assessing where to begin, procurement self-service will be a journey rather than a fixed destination, with a spectrum of capabilities as customer behavior and expectations evolve.



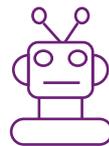
Foundational functionality

- Punch-outs for simple purchases, catalog comparator
- Selected automated approvals, automate policies
- Portal invoicing to reduce paper, supplier access
- Monitoring of supply and price shifts



Intermediate bot-enablement

- Prescriptive suggestions on when to buy, based on sensors
- Third party risk ongoing monitoring, at time of transaction
- Supplier searches to meet purchase requests
- Control tower linking demand, procurement, and distribution



Advanced and future-state “guided buying”

- Blockchain transactions-enabled complex categories
- Automated approvals based on historic behavior and intelligent process mining
- Artificial intelligence to assess needs against supply market
- Convergence of supply chain platforms, mobile and advanced technologies, allowing greater visibility

Empowering benefits to the customer, and the procurement organisation

For internal customers, self-service gives them better visibility of the entire source-to-pay process, and how this is linked to demand forecast, and inventory at-hand. For the CPC, a self-service path lets procurement re-deploy resources, shedding low-value-add tactical tasks and instead engaging with customers proactively and becoming a valuable partner to the business.

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Intelligent adoption

Leveraging customer experience (CX) procurement technology

As a baseline for technology-paced CX procurement models, digitised cloud technology is a win for all parties involved.



First off, cloud procurement platforms provide a cost-effective solution that enables day-to-day transactional support for internal customer-facing procurement professionals, by simplifying workstreams and automating many lower-value activities. Secondly, this in turn offers procurement leaders the category insights and financial transparency it requires, often in real time. Thirdly, they support continuous process improvement after initial deployment, through remote delivery of application updates and upgrades, with minimum manual intervention or disruption.

The game-changing dimension of cloud procurement solutions resides, however, in their enablement of customer-data aggregation, reporting, and analytics.

The first-to-market giants who powered the C/X revolution understood that the most valuable asset in the world today is aggregated customer data. Customer-centric procurement models require the continuous use of analytics and predictive insight to engage and execute in a responsive and orchestrated way across all internal-customer touch points.

Early-adopter leaders pioneered the underlying C/X technologies in use today, investing heavily in mobile, voice, big data analytics, blockchain solutions, IoT, and artificial intelligence.

The ability to navigate and manage technology partnerships, alliances and digital ecosystems will be an important organisational asset.

Few organisations could match the singular focus or the scale of investment brought to bear as they developed, piloted, and launched waves of new C/X innovation. Now, as CPOs look to reproduce the frictionless commerce features of external marketplace leaders, they can have easier access to the same underlying technology tools as the giants.

A dramatic, sustained Moore's Law-style lowering of price-points is taking place for leading-edge procurement 'must have' technologies. The economic path is similar to those seen in other technology arenas: a continuum of reduced cost, technology convergence and integration, increased power, and proliferating options from more market entrants.

This is good news. The advances brought about by eProcurement third-party solutions birthed in the past 15 years are powerful, and getting more so. They support cost-saving and risk-mitigation with powerful automation, standardisation, and reporting tools.

CPOs looking to leverage the power of third-party procurement solutions to create differentiating user experiences may need to acquire an ecosystem technology enabler until convergence is taking place and different advanced technologies become fully integrated. The ability to navigate and manage technology partnerships, alliances, and digital ecosystems will be an important organisational asset.

5

Beyond skills development, to behavior

Addressing procurement cultures

If the organisation or culture is ignored, no amount of investment in process redesign or sophisticated technology will likely advance a customer-centric procurement agenda. Customer-centricity at its heart is behavioral, and mastering this often-elusive dimension is likely to be a true differentiating opportunity for CPOs.



Historically, procurement professionals have been incentivised to engage using tightly defined spend-compliance criteria. For their managers, 'training' may be narrowly defined by skills mastery on chosen technology platforms. The notion that a purchase request is actually a customer touchpoint, or a value lever, is a radical concept.

So, the shift to customer-centric mind-set is not a matter of displacing this knowledge and proficiency, but amplifying its impact on the organisation. In the broadest sense, it means helping the procurement specialist think and behave differently — from the customer's viewpoint. User-centric procurement organisations should help their professionals unpack the customer journey — asking what steps, activities, questions, barriers, and emotions come up throughout it, with the goal of delivering a superlative experience.

Successful behavioral shifts at this depth and scale will borrow from the already established principles of change management: The customer-centric vision and roadmap needs to be clearly and frequently communicated to those charged with execution. Training and development will likely emphasise empathy, contextual thinking, and 'people skills.' Performance metrics will incorporate customer-satisfaction survey data.

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Different circumstances, common investment priorities

As CPOs pivot to customer-centric strategies, they'll be faced with inevitable requirements to prioritise their investments. Investment strategies will reflect the specifics of their organisation — its industry, risk profile, procurement mandates, organisation, culture, and business objectives. Our conversations with CPOs suggest the following general investment guidelines:



01

Learn from the customer, continuously

Knowledge of the internal customer is a critical CPO asset, and one means procurement organisations can deliver new strategic value to the enterprise. Initiatives that seek to understand internal customer behaviors can identify vulnerabilities as well as opportunities for investment in additional process, technology, or organisational change. Building customer profiles is not a discrete event, but a continuous process, supported by analytics to align and anticipate customers' needs with procurement's capabilities.

02

Put user-experience capabilities on an equal footing with spend compliance

Customer-centric procurement can continue to take its lead from consumer-driven innovation, so think of C/X functionality as foundational investment: Create procurement paths of least resistance, with features that they already have proven to appreciate such as chat bots, text alerts, and mobile-access. Aim for simpler user experiences, with a strong emphasis on self-service. Build buying channels that keep operational details in the background so internal customers only see what they need to make decisions and resolve problems.

03

Treat data as an asset and use analytics to unlock value

Data is a strategic asset that lets CPOs unlock procurement's value as well as maintain control of the procurement agenda in times of disruption. For the customer-centric CPO, data needs to go beyond traditional "procurement data" such as suppliers, categories, and spend and include data to help profile the internal customer and their needs. The ideal analytics will yield customer spending metadata that can help both predict and influence future purchasing behavior, and deliver customer insight that can be used to improve procurement performance as well as procurement's actual and perceived value.

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04

Cultivate an agile and scalable technology ecosystem

It is unlikely that CPOs can rely on a single third-party solution to build customer-centric procurement models. They may need to evaluate and implement supplemental digital enablers such as artificial intelligence, voice, and big data analytic solutions to cultivate an ecosystem of technologies and providers. Importantly, technology investments need to have built-in scalability and adaptability, using the SaaS/PaaS/IaaS features of cloud solutions to deliver improvements with minimal disruption.

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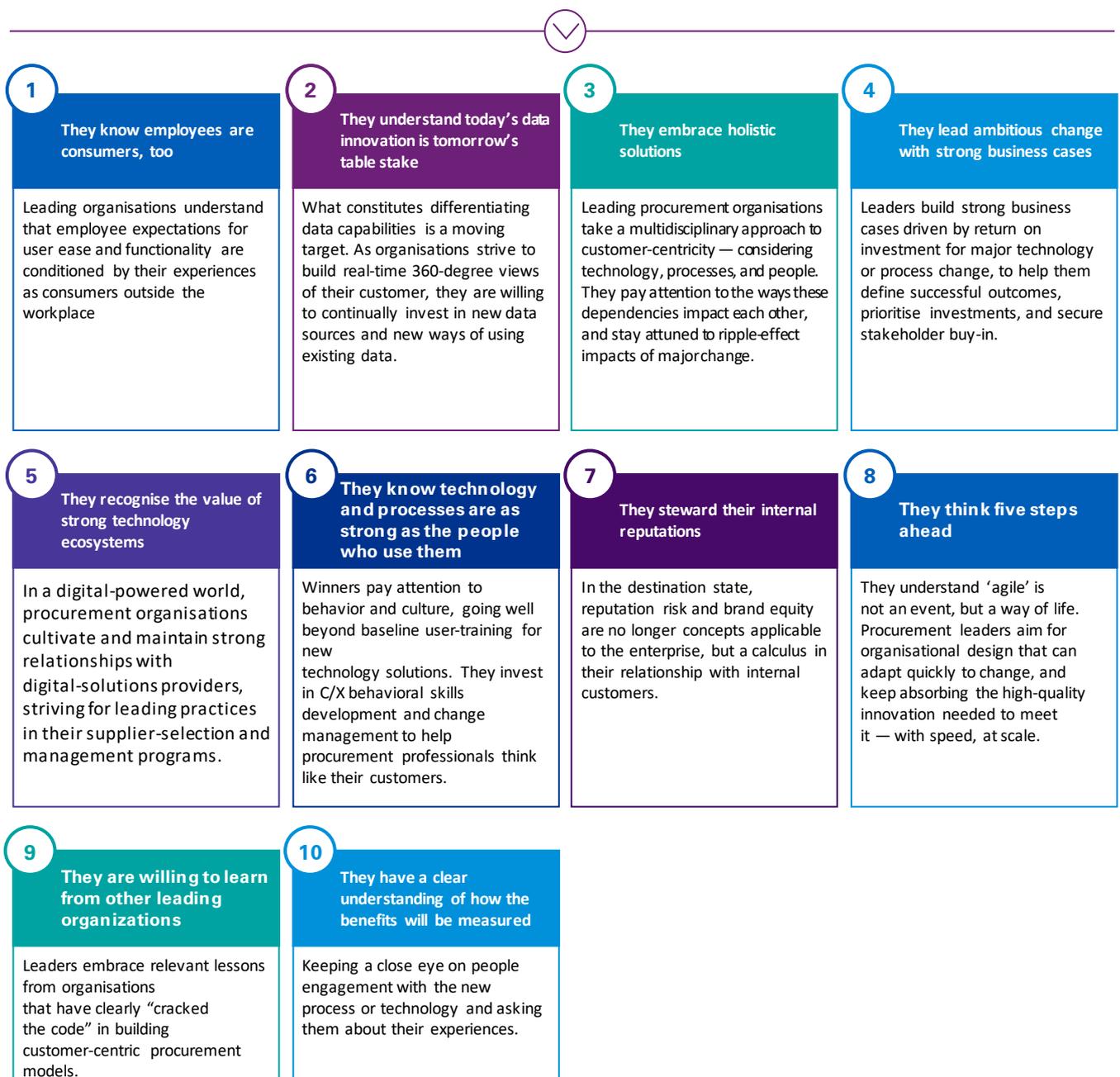
Foster a ‘business partnering’ and ‘innovation’ culture

CPOs set on building customer-centric procurement models will need to reconsider their human capital strategy, at every level of the organisation. They may be willing to invest in the development of behavioral skills — communication, situation resolution, collaboration, innovation — and also risk management, financial analysis and data analytics, that augment traditional technical proficiencies such as sourcing and contract lifecycle management.

7

Who will likely win: Differentiators for customer-centric procurement leaders

As both catalyst and participant in the trends we've outlined, here are some of the traits that KPMG observes about organisations likely to 'win' in the race to build customer-centric procurement models.



8

Unlock the potential in procurement

With KPMG Powered Enterprise | Procurement you can:

- **Transform** the way you run your business
- Build **agile functions** that evolve as you grow
- Help your people to **adopt and embrace change**
- **Exploit new technologies** for value and performance
- **Drive future success** with the latest leading practice
- **Optimise service delivery** and use of data for competitive advantage
- **Accelerate** the rollout of leading technology platforms with pre-configured leading practice solutions

KPMG Powered Enterprise | Procurement

Integrated procurement practices can generate huge value. But achieving it can mean replacing legacy systems and broken processes. For many organisations this can seem a daunting challenge. KPMG Powered Procurement can unlock the transformation of your procurement function. Reaching beyond cost efficiencies, it creates a more agile operation, using cloud technology, mobile functionality and automation.

What's in the box?

- Powered Procurement provides a combination of leading practices and processes, tested technology solutions and a next-generation delivery framework. Adapted together with you, the pre-configured approach provides a fast-track towards value creation and benefits realization.
- **KPMG Target Operating Model** shapes how transformation plays through every layer of your organisation. It's breadth helps to ensure that the transformation is business and function led, enabled by technology
 - **KPMG Powered Execution Suite** is an integrated platform of next generation tools to help deliver functional transformation
 - **KPMG Powered Evolution** provides access to specialised resources to drive continuing evolution

The KPMG Target Operating Model



How KPMG can help

KPMG's Operations Advisory teams can help your organisation discover the potential benefits of a closer supplier relationship. Embracing new technology that disrupts business as usual is not always easy. Our tailored approach incorporates strategy, security, cost, privacy, performance, risk management, and more.

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Contact us



Andrew Underwood
Powered Procurement
Partner

T: +44 (0)7971 550 796
E: andrew.underwood@kpmg.co.uk

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