

GROWING DEMAND FOR PROCUREMENT RISK MANAGEMENT

COVID-19 elevated the need of Procurement Risk Management

1. Overview

The COVID-19 pandemic has severely disrupted supply chains on a global scale due to critical factors such as unpredicted demand, production restrictions, shortage of shipping containers, and transportation restrictions. Enterprises are grappling with demand and supply risks, and other business risks such as cash flow, working capital management, and maintaining profitability. Challenges such as dependency on suppliers located in affected regions, coupled with the cost, scheduling, and shipping delays owing to lockdown and border closures, have left the supply chains at risk. In order to mitigate this risk, companies have shifted their focus towards diversifying their supply base to ensure a steady cadence and continuous flow of products and services.

2. Key impact of the pandemic on procurement strategies

Focus on Digital Transformation

- A large number of companies have already started implementing procurement risk mitigation strategies, leveraging digital capabilities and emerging technologies.
- Adoption of procurement software along with data-driven technologies such as predictive analytics, geospatial analytics, and visual mapping are critical for effective procurement management

Supplier Assessment has Evolved Significantly

- The major shift witnessed in supplier management as a result of COVID-19 is the way the suppliers are assessed and how they are continually engaged with
- The breadth of assessment has evolved significantly since the outbreak of the pandemic. For e.g., suppliers are being assessed on the practices they have put in place to deal with COVID-19 impact (supply continuity)

Increasing Supplier Engagement

- The ongoing pandemic has highlighted the need to streamline procurement activities that can improve supplier engagement process while addressing any external shock like COVID-19
- Organizations are increasing their focus on continued engagement with the suppliers. Responsive and sustainable supply relationships are growing, based on collaborative approach to tackle global pandemics

Increasing Demand for Procurement Risk and Analytic Solutions

3. Growing popularity of procurement risk solutions and advanced analytics

Due to the COVID-19 crisis, procurement managers across industries are realizing the importance of effective procurement risk management for quick procurement resiliency. Effective procurement risk management is a critical and continuous process, with appropriate risk assessment being the need of the hour, and should be reviewed and managed through out the procurement journey.



COVID-19 has brought in significant changes in relation to procurement activities and how they are managed. Rapid shift from traditional procurement methods to a technology-led model (leveraging platforms supporting analytics and artificial intelligence) is trending in the current scenario

Supply Risk Management Software

Supplier Information and risk management software gathers and manage vendor risk data along with certification status and other important information directly from suppliers, thereby ensures efficiency and accuracy.

Advanced Procurement Analytics

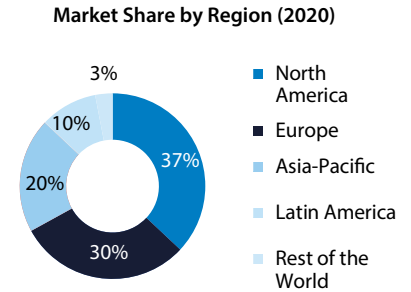
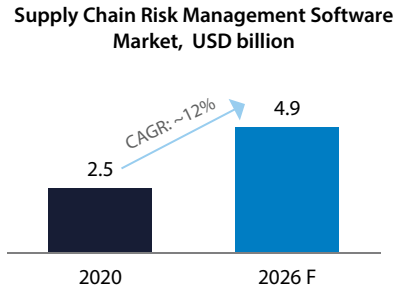
Procurement Analytics such as predictive analytics, geospatial analytics, and visual mapping have become critical to mitigate COVID-19 related risks. This also enables direct procurement and perform spend planning when demand drops out or spikes.

Recent Developments Example (post COVID-19)	Post COVID -19 demand	Recent Developments Example (post COVID-19)	Post COVID -19 demand
<ul style="list-style-type: none"> • Introduced advanced risk management tool featured by AI tool to identify risk and potential impact. • The mapping feature enable companies to pinpoint its supplier in regions where lockdown were imposed 		<ul style="list-style-type: none"> • Recently launched supply risk navigator to help companies to rapidly detect supply risk related to COVID-19 pandemic • The tool gives manufacturers rapid and easy access to AI platform for direct material sourcing optimization (coupled with real-time pandemic data). 	



4. Growing demand for supply chain risk management solutions globally

The demand of risk management software is increasing for effective supply chain management. Risk Management Software provides market players an actionable intelligence to assess, identify, analyse, and mitigate risks up and down the supply chain. The supply chain risk management software market is expected to grow at a CAGR of 10-12% in next 5-6 years.



4.1. Increased focus towards supply risk assessment and mitigation

- Many organizations have started implementing various supply risk management software to de-risk the supply chains impacted due to COVID 19 pandemic
- One of the key functions of supply chain software is focused on identifying and addressing a risk before it becomes severe
- Post COVID-19 pandemic, end users such have started using early warning software applications tools to analyze supplier risk related data

4.2 Procurement solution providers launching features concerning pandemic like event

- Many software solution providers have started launching COVID-19 related applications to tackle the ongoing crisis. These applications help companies to rapidly detect supply risk related to the pandemic and take immediate actions to mitigate the risks. The supplier can also access real-time COVID 19 related data and warnings which are directly linked to these tools
- Similarly, advanced spend planning tools enables helps devising procurement strategies when demand drops or spikes. This helps in advanced planning amidst the ongoing pandemic when demand of certain products are extremely volatile

Source: Industry articles and reports

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