

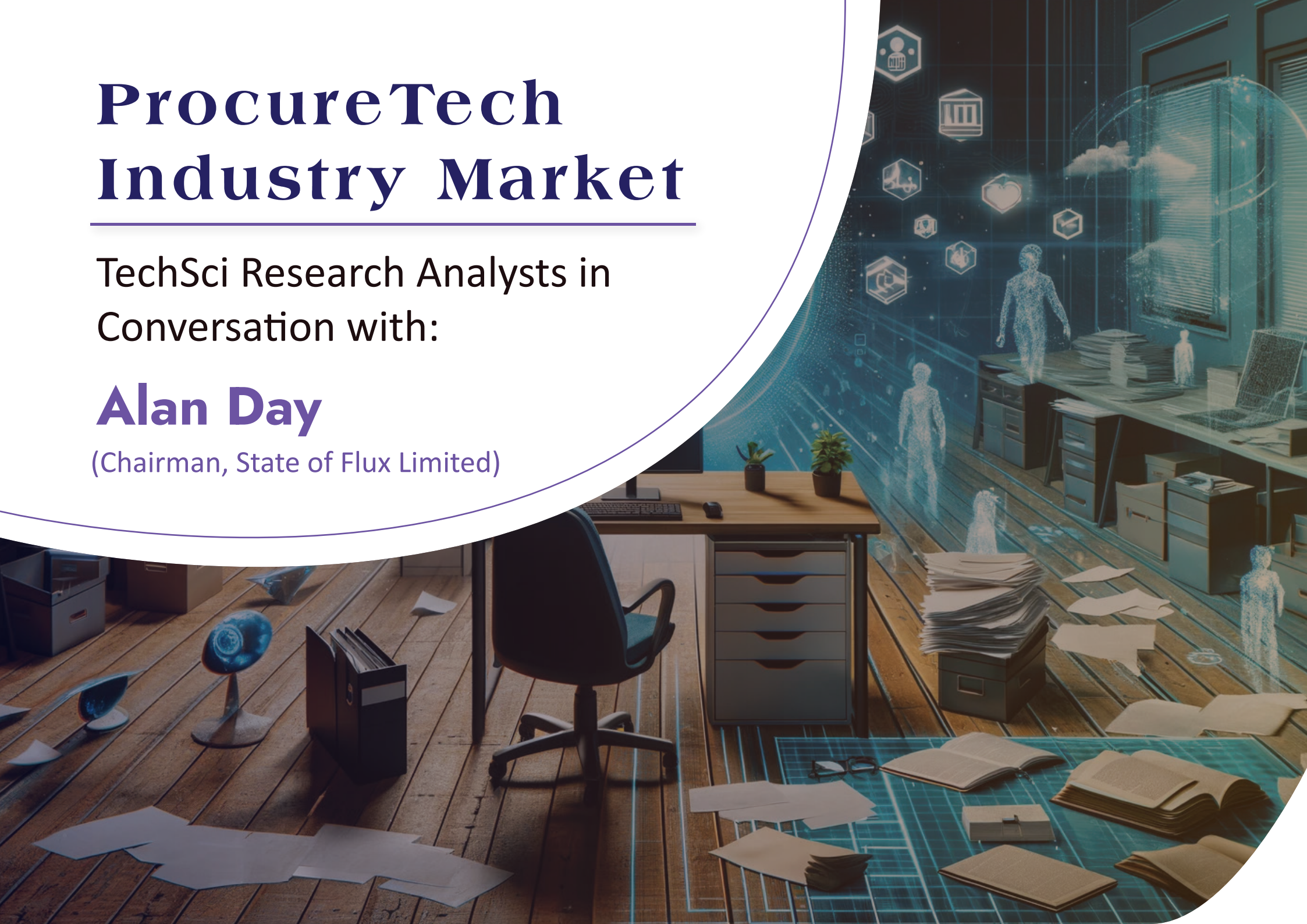
# ProcureTech Industry Market

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TechSci Research Analysts in  
Conversation with:

**Alan Day**

(Chairman, State of Flux Limited)





# In Conversation with Alan Day

Chairman, State of Flux Limited

**TECHSCI RESEARCH:** Before starting, we would like to know more about your company, your work, what State of Flux is doing in London and how it is related to ProcureTech. So, what's your company all about?

**EXPERT :** State of Flux is a supplier management organization. We focus on predominantly how large organizations manage their suppliers. The easiest way to think about it is instead of CRM, we focus on SRM (Supplier Relationship Management). As an organization, we have four kinds of key areas. We have a whole training curriculum that we partner with the Chartered Institute of Purchasing and Supply. So, our supplier management program is a global offering. We have consulting services to help organizations transform their procurement organizations to be more focused on supply management. We have our own technology. We built a piece of software called Supplier Base, and that focuses on contract, supply performance, supply relationship, supplier innovation, supplier risk. And then we often wrap it all together for a managed service offering. In some instances, we will actually go in and run organization supply management activities using our consulting training and technology to support that team on the ground.

**TECHSCI RESEARCH:** Okay! So, as per our research, Procuretech industry, in general, which you cater to, was estimated to be over a 5 billion market as of now at least & over that and is growing at a CAGR or a growth rate of over 11%. So, my question to you is that do you think that there is a shift in terms of how companies are approaching or are using ProcureTech softwares because earlier before the COVID, I believe that there was not much of an awareness related to the ProcureTech technologies, but now there is increased awareness and innovative solutions and offerings related to that.

**EXPERT :** Yeah, so we also do research. For the last 15 years, we've done research on the supplier management market. And over the last couple of years, the focus on technology has grown 30% in supplier management. So bear in mind that my focus, you know, if you think of procurement technology, there's the sourcing technology, ERFX, e-auctions, spend analytics, that sort of thing. There's the procure-to-pay technology, and then the third bucket is kind of supplier management technology. So, our focus is far more on the supply management technology, although we do work with clients in the other two spaces. Our own technology is focused in that supply management area and we've seen through the research that there's been a 30% increase in the last two years of use of technology in organizations' supply management programs. Is it where it should be? No, it's still very low, but it's definitely increasing.



**TECHSCI RESEARCH:** So you also feel that COVID, kind of, gave it a boost? Now, are industries more informed about supply chain management technology and are gravitating more towards using it?

**EXPERT :** Yes, I think there's still a kind of challenge to get technology embedded. I still think that there's confusion around "what technology", but organizations are definitely focusing on using it, exploring it, and understanding it better. So yes, absolutely.

**TECHSCI RESEARCH:** So if we talk about AI, blockchain, cybersecurity, these technologies are interrelated with something procurative. So what do you believe that how it is going to impact in future?

**EXPERT :** Well, interestingly, I think the whole procurement market is going to be changed by it because procurement is really known for buying things. And with AI, you don't need a procurement person to write an RFP (Request for Proposal) anymore, you don't need them to go out to market and investigate what's happening in that marketplace. All of that can be automated. So really, I think as we see the world moving from the information age to the relationship reputation age, I think procurement needs to move from buying stuff to more managing suppliers and managing the reputations. There's some great examples. We just published today an article about Fujitsu and the royal mail piece. I'm not sure if you're familiar but Fujitsu built software for royal mail and it showed incorrectly that the postmasters were stealing money and a number of them got prosecuted and jailed. It was awful. Later, it turns out that it wasn't the postmaster stealing money. It was the software that was wrong. So, the whole point now is, that there's a whole supply management piece there. But the reputation part of that supplier is ruined.

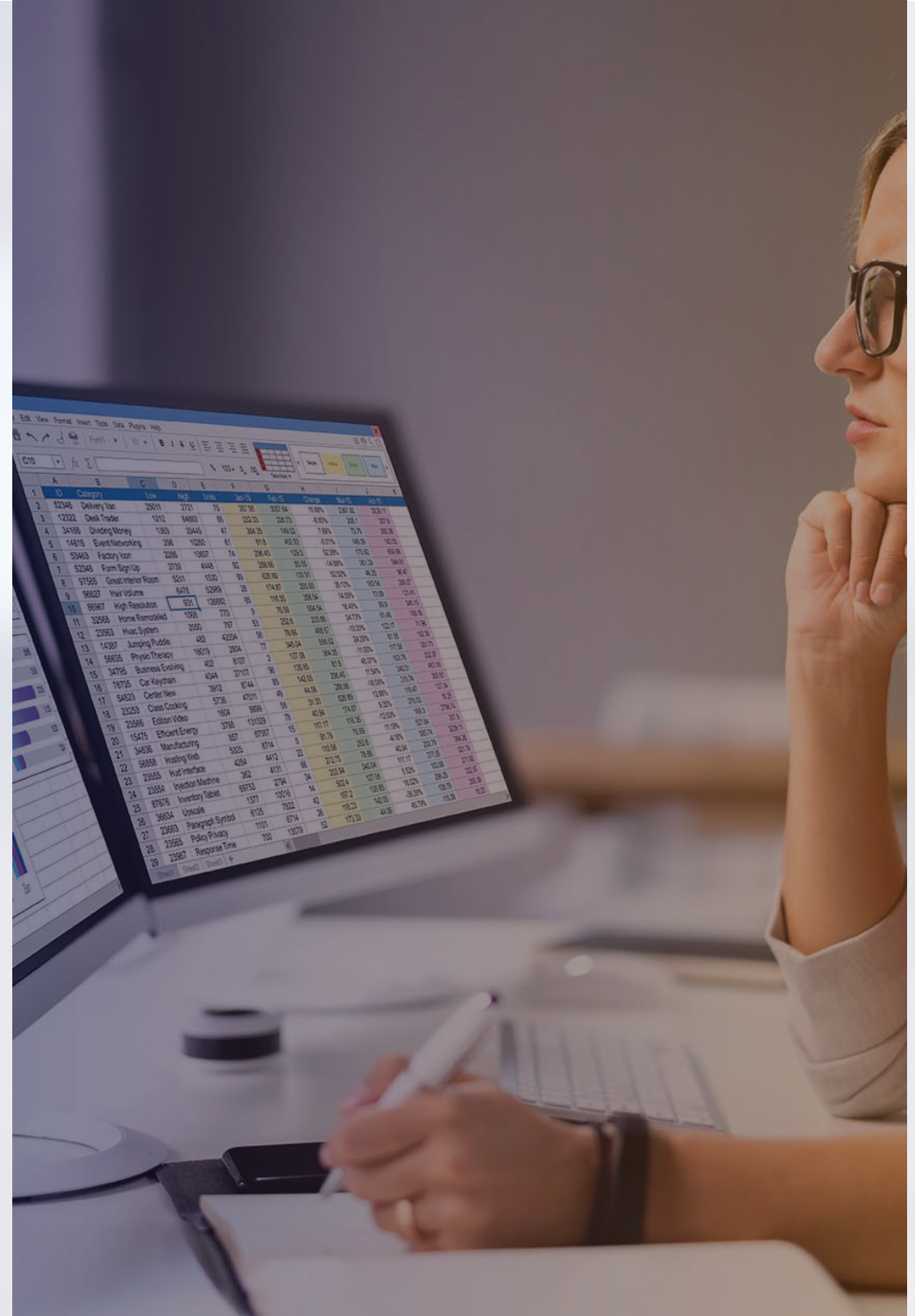
**TECHSCI RESEARCH:** Yeah, it's pretty damaged. I was coming to that part only. We were speaking to other leaders in the ProcureTech industry as well. We spoke to Lance Younger as well. We asked the same question to him as well that do you think that AI is going to disrupt the procure tech industry in general? Because we feel that since AI is emerging, as in, disruptive technology, what impact does he feel? He was also saying that it is going to cause the disruption in the procurement industry but there are still many things that we people will be doing it. We cannot completely rely on the software because

there are limitations to it and secondly, there is a human value attached to it. Whenever there is a fault, like you mentioned the case of the postmaster, they will never be able to identify it, we will still all be relevant but at the same time, these softwares and these technologies can definitely improve our efficiencies.

**EXPERT :** Look, Lance used to work for us. It's a small world. I think, as I said reputation is going to become key, both the buyer's reputation and the supplier's reputation, and the human element of that is critical. We won't lose the behavior side of working with other organizations. I think what we will see is that the data and information will no longer become quite so difficult to manage. It'll be more focused on "Am I working with a supplier that aligns to my behaviors"?

**TECHSCI RESEARCH:** Okay. So I have one more question. Again, this Procuretech industry, in general, is there to help us. I want to ask this question from suppliers point of view. How do they perceive that Procuretech industry? How the supply chain management softwares are going to help them?

**EXPERT :** It's a good question, because at the moment, it's quite a disparate market and there are multiple solutions. And for a number of suppliers, that means that they need to almost log into multiple solutions and things like that. But over time, I think that it will start combining. I was literally, just before this call, writing an article about the supplier experience and using technology to help manage the supplier experience. Because if you think about it, there's a lot of time, effort, and energy spent on customer experience. But I now think organizations are going to start moving to what is the supplier experience when they deal with you? And then equally, how do you create supplier loyalty? We talk a lot about how do you become a customer of choice? So what I see is technology using technology to get rid of some of those business barriers and difficulties that you have when you're interacting with an organization as a supplier, technology should help those, so that you can then focus on that behavior piece and aligning, getting that good supplier experience, creating that supplier loyalty being a customer of choice. So, that's how I think it'll move for the suppliers. I mean, specifically, you asked about cybersecurity, blockchain, etc. We're lucky enough to partner with S&P Global where they're creating shared onboarding platforms so that as a supplier, you



only need to be on boarded once into their platform and then and then you're on boarded for quite a large number of financial service organizations around the globe. So that kind of utility type model, I think, is quite clever. You can see blockchain being in place for when, you know, again, when I'm being on boarded, potentially you could use that. And, I think you're also talking about cyber security. It's not just cyber security. But, from a supplier point of view or a buyer-supplier, we need to make sure that those things are aligned. So it's not just cyber, it'll be making sure that we're aligned in our approach to know anything. It could be our approach to IT obligations, it could be all the way through to approach to modern slavery. So, for me, all of those will need to be e-enabled.

**TECHSCI RESEARCH:** Okay, you just said that supplier onboarding is going to create a ripple effect in the future, and eventually all the suppliers will be on board, at least on some software or the other.

**EXPERT :** That's one thing. But when I move into our area which is supplier management (all of the supplier), we like to think we're very strong in supplier performance management and supplier relationship management. And AI can be applied there and we're already starting to apply there. The automation is quite clever. We can already trigger events if a KPI turns red. We can slice and dice the data by 10 factorial different ways. It's quite cool already, let alone where we're and whatever the next step is coming down that way.

**TECHSCI RESEARCH:** Okay. So, Alan, if we talk about competitiveness, ProcureTech is a very competitive technology. Many players are there like GP, Jagger. So what do you feel are their new technologies upcoming with related to ProcureTech?

**EXPERT :** Well, you know, you've touched on the kind of AI side and I'm seeing more of those coming through there. We see more in the supplier management. But what I'm trying to do is build an ecosystem of partners like S&P Global. We partner with Enable who do rebate software because I think rebates in the old world used to be about demand, you buy more from me I'll give you a rebate, whereas now if you put it with supplier performance and this is why we want to partner you kind of almost, I'm not sure if this is the right term, but "weaponize" rebates so that you can really focus the supplier's attention





on a certain aspect. You can measure the performance, but then you can create rebates on certain areas you want them to focus on. And you can get rebates on rebates. So you could have three things that you want them to focus on and then an overarching rebate about the whole relationship. And then I also see risk software coming through and all of that. So, again, we're looking at partnerships more and more. We're building more and more partnerships to give that kind of ecosystem in there. So, I mean, there're new players coming through all the time, especially in that risk area. But for me, it's about how do you provide a client an ecosystem that helps solve. Our focus is about helping them solve the supplier management challenge and bring to them more information, faster speed, more innovation, better performance, etc.

**TECHSCI RESEARCH:** Okay. So now since you mentioned the ecosystem in general, I want to ask you - do you think that are there any specific rules and regulations for this industry or there should be a governing body specific for these?"

**EXPERT :** There are standards that you need to adhere to, but they're not specific to procurements. They're more kind of software development and IT standards. All our clients are very large so they all have standards that you need to meet. So, it means we couldn't create something that that didn't meet those standards. There's definitely software out there that sell things that they don't currently do. I'm not sure how you solve that problem. I wonder whether there's regulation or what, but yeah, there's definitely people out there that aren't doing what they should be doing or they're marketing themselves to do something.

**TECHSCI RESEARCH:** OK

**EXPERT :** I mean, you get SAP taking bribes, so I don't know.

**TECHSCI RESEARCH:** We'll never know.

**EXPERT :** You've seen the recent press about SAP?

**TECHSCI RESEARCH:** We actually don't know what is actually going there.

**EXPERT :** Look, do we need a governing body? In our training, we partner with the chartered institute purchasing. So arguably, that is the governing body, and certainly since standards, but that's in training. However, in technology, not so much.



**TECHSCI RESEARCH:** Okay. So, suppose, we have an existing enterprise system in our organization. So how it is easy to integrate the new procurement technology with existing enterprise system? Can you throw some light on the scene?

**EXPERT :** Yeah, good question. It depends which enterprise system you've bought. Most of us have APIs that will connect to most enterprise systems. However, again, this is an area where people say they have more APIs than they really have. But yeah, that's becoming less of an issue. Probably the bigger issue, if you don't mind me saying, and it's slightly off your topic, is actually getting, how do you make sure that organizations are actually using the procurement tech correctly? I mean, we've had five RFPs sent to us recently and you open up the RFP software and basically it's just a Word document and an Excel. They could have just sent it on email. They aren't actually using the software to create the questions, to create the scoring. And, I mean, that's RFP software that's been around nearly 20 years now. So when we're trying to get people to do more complex things like supplier management, there's quite a behavior shift, I think.

**TECHSCI RESEARCH:** I believe that this is just one way, like you just mentioned that the same information can be shared over an exit. It's just maybe a new form of a business for making money for them, that they are coming up with something like this.

**EXPERT :** Well, this is why we move to managed services because we get a lot of clients wanting to automate SRM, but maybe not having the people or the processes in place. So we actually found that it was easier to bring, bring it all for them and help them operate it together. So, that's why we've embraced managed services as an offering to clients. Because, otherwise, there's all sorts of funny ones out there.

**TECHSCI RESEARCH:** Okay. Now we are talking about the end use applications. I was recently reading an article, maybe yesterday. It had mentioned that with the supply chain relations or the emergence of new software and supply chain, there also emerges new end-use applications. Now, people who are not actually involved or part of the supply chain or with the chemical or the petrochemical industry and are starting out their management consulting funds or divisions which only cater to offering these kinds of services which is about tracking prices of a particular chemical or petrochemical and providing with the insights to the vendors or the suppliers.

EXPERT : what's your question? Sorry, I didn't understand the question you want me to answer.

**TECHSCI RESEARCH:** I want to understand that what do you feel about this thing that earlier this was not a trend. but now what is happening is, with these procure tech solution and softwares, which are being used for tracking chemicals or different commodities, there are management firms, emerging management firms. What they are doing is they are selling this kind of data, only this data to the vendors or the suppliers. Do you think that this is a new application or a new end use for you as the vendor?

EXPERT : Yeah, as I said, we're very strong in the kind of apex of contract performance relationship, specifically around performance relationship. And what's interesting is I could tell a supplier how well they're performing because I can look across multiple clients and see how they're performing across all their clients. And that insights I think could be pretty valuable for them. So, I think what you're talking about is selling more kind of that performance data back to the supplier and saying, look, you know, this is how you're performing and this is how you could improve. We have thought about that, but at the moment, there's enough to do with the procurement people. We're just focusing on that at this stage and getting more procurement people to embrace supply management. We haven't looked at it from a commodity point of view, although if I look at where we sell our software, we have very large oil and gas. We have financial services. So there's probably, you know, health care, airlines. There's probably some interesting insights that we could sell back to those industries. But as I said, at the moment, we've got enough to just focusing on procurement people and the thousands of them that need to improve their technology and supply management.

**TECHSCI RESEARCH:** So like you said, we are using ProcureTech for different end-use applications to digitalize the Procuretech process. So don't you feel there are security concerns related to that and how we address those security concerns?

EXPERT : Yeah, I mean, there's huge security concerns and a number of the ProcureTech, at a very basic level, will hold personal data that needs to be reviewed, let alone commercially sensitive data and that sort of





thing. So, I was looking at a ProcureTech software and just through a simple Google search, you could pull out their whole pricing book. Someone had published an RFP, they had responded to it and you could see all their pricing structure. So, yeah, from the procure tech players, there's a security concern. From the end users, there's an even bigger security concern because, I certainly know of a very large bank being hacked via their procure tech at one point. It was a few years ago now and is a concern. It probably comes back to your standards and governing body question, and who's doing the double checks on that. If I look at our clients, it's always a very rigorous check to get your software through the onboarding process. But I'm sure probably smaller organizations aren't as rigorous.

**TECHSCI RESEARCH:** Being the director of the State of Flux for over 20 years, I want to understand and ask you that what are the challenges you think that companies are facing in the procurement industry or will face in the coming years?

**EXPERT :** Well, I think we've got an aging population. So, getting new talent is a challenge. We also have a population that has grown up buying stuff, so if we talk about focusing on the RFP, I don't know if they're ready for that shift from information age to relationship reputation age. So I think that's a challenge. I think there's talent, and you can put them both under talent. There's digitization, there's a huge need for procurement. Though we've started, there's so much more that needs to be digitized in procurement. I don't know if there's enough skills around the globe to support the need for that so I think that's a challenge but for me, the biggest one is - "will we survive if we don't change from writing RFPs to managing what I call the extended enterprise?" When I started the company, procurement used to buy goods and products. But now, most of the time, they buy services. And buying services mean buying people. But who's motivating the people? These people work for the buying company, but they're not employed by the buying company. They're employed by the supplier. But how do you make sure that those people that are employed by the supplier, but all they do is work for you. How do you make sure that they're motivated, their behaviors are aligned, and their goals are the same as yours. So, I think procurement needs to move from buying stuff to managing that extended enterprise and that extended workforce. So yeah, big change.





**TECHSCI RESEARCH:** Also, what are the key trends that you are anticipating in the procurement industry in the coming years to come?

**EXPERT :** Yeah, there has been outsourcing of procurement. People outsourced indirect procurement and low-value procurement. And, you know, there's lots of organisations that have set that up. But I also think that actually more and more procurement may end up being outsourced, like I talked about our managed service around supply management. And there are organizations already doing it. They will create an organization's category, strategies, and approaches for that. So I think one of the other things that may happen is, you know, you may get almost like virtual procurement functions where it's all provided as a service. So I think that might kind of change the industry a bit where this whole virtual procurement function will happen.

**TECHSCI RESEARCH:** Alan, what do you believe that these procurement, procure tech solutions are scalable and whether they can be customized with regarding to the organization? What do you feel?

**EXPERT :** Well, those two points are almost like counter to each other, right? The more you scale, the less you can customize. So I think that's always a challenge. But I actually think that it's interesting. So our supply management, platform, supply base, the way we've built, it is we've made it, and we've made it very customized to each of the clients. Our clients like it bespoke to them. But as people mature, I think you can standardize a lot more of that. And you can say, no, this is the way you should do it. So I think as procurement and procurement tech matures, I think the standardization would mature. But right now, it tends to be quite bespoke. I think most of the time it's bespoke.

**TECHSCI RESEARCH:** I was just watching one interview yesterday. There are some misconceptions about ProcureTech technology, like they are just about cost savings, they are only for large enterprises. So what do you believe? Are there any misconceptions among the enterprises, among the organizations related to the ProcureTech technology?

**EXPERT :** Yeah, I think that is a misconception. I mean, if I look at our supplier management software, yes, organizations will look at it to save cost or maintain cost savings that they might have achieved through some strategic sourcing, but they need the performance and the relationship



management to make sure that they get those savings that they've achieved. But most of the time, it's about risk management or risk mitigation and access to, for us, access to supplier innovation, and harnessing that and getting innovation or scarce resource first. So that's a misconception that it's all about cost. The other one is the size of the organization. It doesn't matter whether you're a small organization or a large one, the principles are exactly the same. You need to have a contract, you need to have performance, and you need to have factor on relationship.

**TECHSCI RESEARCH:** Okay. So I have one last question for you. We ask this question to all of, in all of our interviews that what do you want to say to those young entrepreneurs who want to get into the ProcureTech industry as a word of advice for them who are trying to enter into it?

**EXPERT :** Yeah, have fun. It's a lot of fun. There's a lot of opportunity to collaborate, partner, etc. Don't wait till the product's perfect before you release it. That's probably it. I think the other thing is kind of "know your trade." There is software out there that's been built by someone who doesn't know procurements. And I think if they're a young entrepreneur, it's probably worth them. Walking a mile in the buyer's shoes to understand before they go and try and automate it. I often see procurement technology that's been built by someone who doesn't really understand how procurement works. And sometimes that means it just doesn't fit perfectly.



## ABOUT TECHSCI RESEARCH

**TechSci Research is a global market research and consulting company** with offices in the US, UK and India. TechSci Research provides market research reports in number of areas to organizations. The company uses innovative business models that focus on improving By Productivity, while ensuring creation of high-quality reports. The proprietary forecasting models use various analyses of both industry-specific and macroeconomic variables on a state-by-state basis to produce a unique 'bottom-up' model of a country, regional and global industry prospects. Combined with the detailed analysis of company activity and industry trends, the result is a uniquely rich evaluation of the opportunities available in the market.

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