

AI in procurement – The 4 latest trends

A 2025 overview

AI


ARTIFICIAL INTELLIGENCE

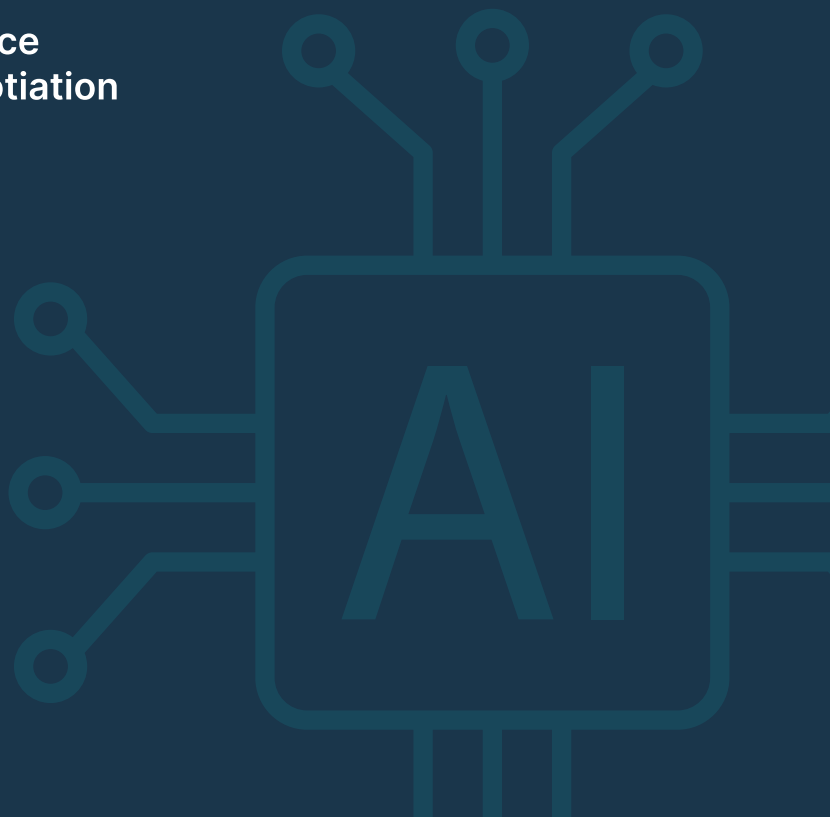
Overview

In the past year, artificial intelligence (AI) has made tremendous advancements and started to revolutionize various industries and business functions, including procurement.

Procurement specifically – with its high data dependency and historic propensity to rely on excel as the main working tool – can greatly benefit from incorporating AI technologies into its daily work. It can streamline analytics, improve decision-making, and drive significant cost savings as a result.

Below we outline the four most apparent aspects of procurement that is benefitting from and will be impacted by AI in the next few years:

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- 1. Data Analytics**
 - 2. Supplier Selection and Supplier Relationship Management (SRM)**
 - 3. Risk Management and Compliance**
 - 4. Contract Management and Negotiation**



Data Analytics

AI-powered systems can gather and analyze vast amounts of procurement data, providing valuable insights and predictive analytics.

By leveraging machine learning algorithms, these systems can identify patterns, trends, and anomalies in purchasing behavior, supplier performance, and market conditions.

This enables procurement specialists and purchasing managers to make data-driven decisions and optimize their procurement strategies for improved efficiency and cost savings.

For example, AI algorithms can accurately predict demand patterns, allowing procurement teams to proactively adjust their inventory levels and avoid stockouts or excess inventory.

Solutions on the analytics side of procurement have been around for quite some time with companies such as **Beroe**, **Ivoflow** and **SpendHQ** providing interesting new platforms.

Supplier selection & SRM

AI technologies can also enhance supplier selection and the Supplier Relationship Management processes. Traditionally, identifying and qualifying potential suppliers involves substantial manual research and analysis, which tend to be both time-consuming and subjective.

With AI, procurement teams can leverage algorithms to evaluate suppliers based on various criteria such as quality, pricing, delivery times, and compliance records.

These algorithms can quickly analyze supplier data from multiple sources, including public databases, social media, and online reviews. By automating supplier selection, AI reduces the chances of bias and human error, allowing procurement professionals to make more informed decisions.

Furthermore, AI-enabled systems can continuously monitor supplier performance by analyzing real-time data from various sources, such as price compliance & development, delivery accuracy, quality control reports etc.. This enables proactive supplier management, as potential issues or risks can be identified and addressed promptly, reducing disruptions and ensuring smooth procurement operations.

Interesting SRM solutions include **Scoutbee**, **HICX** and **Sourceday**.

Risk management & compliance

When it comes to procurement, managing risks and ensuring compliance with regulations are crucial. AI can play a significant role in mitigating such risks and strengthening compliance processes. By leveraging AI technologies, procurement specialists and purchasing managers can automate risk assessments, monitor suppliers' financial stability, and identify potential red flags.

AI-powered algorithms can analyze financial statements, public records, and other relevant data to assess the financial health and stability of suppliers. This helps organizations minimize the risk of dealing with financially unstable suppliers that could potentially cause disruptions or delays in the supply chain.

In addition, AI can assist in regulatory compliance by monitoring supplier adherence to legal, ethical, and environmental standards. By analyzing supplier data and conducting regular audits, AI can help ensure that procurement processes align with applicable laws and regulations, mitigating the risk of non-compliance and associated penalties.

Following the wake of new regulations there are a number of solutions such as **Ecovadis**, **CO2 AI** and **Daato** that focus on ESG and sustainability.

Contract management & negotiation

AI technologies can also revolutionize contract management and negotiation processes, which are integral parts of procurement. AI-powered systems can review and analyze the terms and conditions of contracts, highlighting potential risks, inconsistencies, or outliers. This allows procurement professionals to identify areas of improvement and negotiate more favorable terms.

Zycus is a leading solution when it comes to analyzing the terms and conditions of multiple contracts in order to identify areas of exposure, ensure compliance with negotiate pricing, rebates, service levels etc. Another contract management focused solution is **SirionLabs**.

Furthermore, AI can automate parts of the negotiation process by suggesting optimal negotiation strategies based on historical data, market trends, and predefined parameters. This enables procurement professionals to optimize contract terms, achieve better pricing, and drive cost savings.

Our own **Digiproc** platform is leading the way when it comes to automating the actual negotiation process.



DigiProc's perspective & conclusion

Deploying AI might seem like a daunting task and advise such as outlined above can easily feel like generic mumbo jumbo filled up with buzzwords. What we share above is our perspectives on the four areas where we see AI will have the most profound impact in the coming years and then it will be up to the individual organization to decide where to focus first. The very simple deciding factor is to focus your automation/AI initiatives on your most time-consuming tasks. At DigiProc we have a number of such rather trivial tasks which we successfully have eliminated through AI implementations with limited resources.

DigiProc in itself is a solution that fits into point 4 above with our AI powered approach to mass negotiations with tail suppliers. At DigiProc we deploy AI to various parts of the process that constitute our solution and as a user of DigiProc our clients are certainly deploying AI to remedy an omnipresent problem which spells “un-negotiated suppliers” or equally, “the tail spend problem”.

To sum it up, AI is transforming procurement processes and offering significant benefits. From streamlining operations through data analysis and predictive analytics to enhancing decision-making with supplier selection and risk management, AI is revolutionizing the procurement landscape. By embracing AI technologies, organizations can improve efficiency, drive cost savings, and remain competitive in today's fastpaced business environment.