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Procurement Application Providers Are Differentiating Themselves Through Ease of Use and Time to Value

August 2023

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Introduction

The procurement application space is vibrant and growing. Providers continue to add capabilities and functionality, while new entrants enter the space almost daily. It is important to evaluate the reasons for the continued strong investment and to understand both what providers seek to capture and what capabilities buyers want.

The procurement application space — like the entire SaaS sector — was dramatically impacted by the multiple tumultuous global events of the past two years. The reasons are now familiar to all — the global shutdown in response to the COVID-19 pandemic and the many supply chain challenges that surfaced upon reopening, coupled with an inflationary environment, geopolitical issues, and a looming recession, have all underscored the need for strong visibility and forecasting capabilities into the sourcing and supply chain spaces.

With this as a backdrop, what are the core challenges facing procurement application providers today? How can they meet the needs of their users and prospective buyers to equip them with the tools to navigate this challenging environment? Those applications that augment and enhance the attributes of ease of use, stakeholder engagement, time to value, and spend transparency will excel going forward. Further, no discussion of the procurement application landscape is complete without evaluating the perpetual question of which strategic approach is more advantageous — full-suite applications or those that are considered best-of-breed point applications.

AT A GLANCE

KEY TAKEAWAY

Procurement application providers that offer an intuitive, an inviting, and a user-friendly environment are resonating with buyers. Buyers are increasingly seeking solutions that offer time to value and improve stakeholder engagement.

Definitions

- **Suite solution:** Full-stack procurement applications that provide the capabilities of procurement, sourcing, payments, contract management, and supplier relationship management (Examples include Ariba, Coupa, GEP, JAGGAER, OneMarket, Oracle Fusion, and Raindrop.)
- **Point solutions:** Applications that provide functionality tied to one or more modules of the full-suite applications (Examples include Arkestro, Basware, Corcentric, Fairmarkit, Levelpath, ORO Labs, and Zip.)

Situation Overview

Procurement applications were born out of a need to provide greater visibility and oversight of an organization's spend. The earliest applications were point solutions created in response to specific needs and offered solutions that digitized the procurement function. The entire space gained much credibility and mindshare with the launch of Ariba in 1995, which was further enhanced by Ariba's acquisition by SAP in 2012. Just a few years later, Coupa was launched as a purely SaaS solution with an emphasis on the user experience. These actions seemingly launched a flurry of activity in the space that continues today.

The reason that the procurement application marketplace remains so vibrant with such strong growth is rather fundamental — organizations still need help. While the capability of procurement applications is dramatically advanced compared with even a few years ago, buying entities continue to invest in new applications for the simple reason that they do not manage spend as optimally as they would like. When layering in the aforementioned challenges brought about by the many global disruptions of the past two years and adding to those the growing demands to report on and influence sustainability matters, it becomes very easy to understand why buyers are voting with their wallets as they turn to SaaS solutions that can satisfy their needs.

Procurement applications are sought for several reasons. Their core function is to provide a platform from which to conduct the spend activities of requisitions, purchase orders, supplier notification and communication, payments, receipt confirmation, and overall supplier management. Other platforms add such capabilities as contract life-cycle management, risk identification and management, supplier onboarding, spend analytics, spend optimization opportunity identification, and supplier collaboration.

Procurement applications today provide capabilities that are far more advanced from those of just a few years ago. The infusion of intelligent decision-making support is becoming common across most platforms. AI capabilities support such functions as intelligent guide buying experiences, the ability to link across multiple buying catalogs, real-time sourcing implications to savings, and ESG goals and supplier recommendations. Workflow automation is another area that is becoming a common attribute provided by procurement applications. Intelligent, custom-built workflows provide the benefits of compliance to company policies, reduce errors, and decrease the amount of time that users must spend to conduct their procurement activities.

Benefits

The benefits of procurement applications are many. Broadly, the benefits can be segmented as follows:

- Foremost is the enhanced visibility they provide to spend, allowing entities a view to spend across the enterprise, establishing and maintaining collaboration with suppliers, and facilitating the function of risk identification.
- The name of the game for procurement has been, and will continue to be, cost savings. By optimizing the purchasing process and surfacing savings opportunities, procurement applications can drive improved purchasing practices and supplier rationalization, provide for better contract negotiation practices, and support enhanced tail and maverick spend management.
- Procurement applications support improved efficiency. These platforms naturally support and drive digital transformation initiatives, migrating manual processes to common digital platforms, facilitating the replacement of manual spreadsheets that are used to track spend and activity, and augmenting collaboration by replacing communication tools such as email and phone calls to collaborative platform tools.
- Supplier management is positively impacted through the use of procurement applications. The use of collaborative supplier networks brings the benefits of improved accuracy of communication, expands the pool of available sources of supply, and provides the function of tracking supplier performance. Ultimately, these activities drive closer relationships with the supply base.
- Increased compliance is a natural benefit of procurement applications. Procurement applications can highlight noncompliant activity to alert users to take action to mitigate such practices. Built-in rules that conform to an entities' policies and practices serve to drive compliant behavior.

Trends

Several trends have surfaced in the procurement application space in the recent past. On-premises solutions are continuing to be replaced with SaaS solutions that offer the advantage of scalability, ease of maintenance, and quicker deployments. Many applications come with companion mobile applications that support easy access to procurement functions regardless of the device utilized to access the applications. Procurement applications are often utilized in environments in which they are one of several platforms utilized by an organization, and they are developed to provide relatively seamless integration with any of many other leading platforms. Another trend is the infusion of advanced AI and machine learning (ML) capabilities that are used to support opportunity identification, real-time decision support, predictive analytics, and risk identification/notification.

Ever present in the procurement application space is the suite versus point solution debate. Since the first applications became prominent in the early 2000s, there has been a perpetual discussion among prospective buyers as to which path is optimal. The trend throughout the past 10 years has been skewed to the point solution route. The argument for the point solution route has traditionally been centered on the ability to deploy specialized applications that may be unique to a given buyer's industry, the ability to

scale appropriately, a perceived lower total cost, and integration challenges that sometimes come with full suites.

The developments in the full-suite application space have come a long way to weaken these traditional arguments. Full-suite applications often come with multiple available connectors to the leading procurement applications, lessening the concerns about integration. Many full-suite applications offer industry-specific functionality and are highly customizable. They have also shown the ability to scale appropriately to meet demanding and complex requirements. The total cost argument has also been weakened when considering the many requirements — training, maintenance, administering upgrade cycles, and keeping track of functionality and use cases — that an environment with multiple point solutions presents.

Similarly, there are several trends related to the capabilities sought by buyers. Buyer expectations have shifted from merely seeking unified spend management platforms to seeking greater ease of use, time to value, platforms that drive stakeholder engagement, and platforms that ensure visibility to all addressable spend:

- **Ease of use.** While simple in concept, providing an intuitive experience that is consistent across the different functions of a procurement application is a challenge. Procurement application providers have invested heavily in this space in an effort to offer platforms that are user friendly and intuitive in nature. Ease-of-use concepts include personalization that understands a given user's persona so that the application can be predictive in the use cases for a given persona, as well as an understanding of the user's historical behavior and needs when using the tool. Further, custom dashboards derived from historical use and the user's role facilitate a pleasing user experience. Last, applications that offer and even suggest custom workflows, again based on historical use and the user's role, provide added utility.
- **Time to value.** Buyers are beginning to push back on the notion that the implementation of a platform must necessarily be an overly lengthy and complex endeavor. An application that won't be fully functional until, for example, one year after commencement of the implementation delays the savings and operating efficiencies that may be enjoyed — the very reasons for the acquisition of the platform in the first place. Applications that are developed with an emphasis on relatively quick implementations provide the benefits of lower implementation costs and, more importantly, drive the concept of time to value for the buyers. The procurement application space is beginning to yield applications that offer a "light" implementation experience with this in mind.
- **Stakeholder engagement.** As procurement has increasingly moved to a less centralized model, the functions that historically resided with a central procurement department have been pushed further out to the end users, many of whom may reside far from the central procurement function. Procurement applications that are developed to support those that don't fill the traditional "super user" or admin functions will necessarily drive increased stakeholder adoption. Ideally, these end users can intuitively use the application, thus increasing the utility of the tool and "pushing" the benefits throughout the enterprise.

- **Visibility to all addressable spend.** Procurement applications provide visibility to all addressable spend in a variety of ways. Integration with contract management functions that track contractual obligations serves to identify spend under contact and identify potential risk situations. Integration with travel and expense (T&E) platforms that include corporate card purchases can be leveraged by the platform's spend analytics function for rationalization and increased rebate opportunities. Procurement applications that provide a platform for purchasing data in a central location are ideal as they provide a single, comprehensive view to spend activity.

Considering Raindrop

Raindrop is an industry-disruptive digital spend management platform, designed to act as the central hub capable of managing all outflow of funds from a customer's company. Founded by highly experienced procurement practitioners, technologists, and operational experts, Raindrop brings a fresh user experience to a mature industry in need of change. Raindrop is designed for ease of use and speed-to-value attainment with a highly flexible ability to get information in and out of other multiple third-party systems. Implementation times are measured in weeks, not months or years, with an agile deployment approach that offers "out of the box" use cases with prebuilt templates, process and approval workflows, and industry-specific best practices.

Raindrop is a comprehensive suite of modular "upstream" and "downstream" procurement functionality, including analytics, dynamic spend orchestration, planning, supplier management, strategic sourcing, contract management, purchasing, accounts payable automation, and electronic payments. Each module can be purchased separately or combined as needed.

Raindrop's key benefits include four principles: ease of use, speed-to-value attainment, ease of getting information in and out of third-party systems, and commercially competitive to market. These four key components differentiate Raindrop from industry full-suite and point solution providers. Clients consistently rate Raindrop highly on these four key principles.

The Raindrop platform is built on a modern architecture in a unified code base hosted by Google Cloud. Raindrop embeds Google AI and ML directly in the platform to power budget forecasting, contract ingestion, invoice processing, category benchmark intelligence, procurement cycle-time performance, and savings tracking. A collaboration portal enabling real-time communications between internal stakeholders and suppliers provides a perpetual audit trail. Raindrop uses modern JSON webhooks and REST API to connect seamlessly with popular ERP and third-party SaaS applications.

Raindrop customers range in size from start-ups and small and medium-sized businesses to large global enterprises. Retail, life science, fintech, transportation, and manufacturing customers can manage the entire procurement life cycle and gain actionable intelligence in a "single pane of glass" for direct, indirect, and services spend.

Challenges

There are a number of challenges Raindrop faces including the following:

- **Market exposure.** It is a noisy and stressful time for procurement professionals who are seeking digital solutions. There is an explosion of well-funded point solution providers that only offer a subset of the breadth of functionality available with Raindrop as well as traditional competitors with large sales teams and extensive partner networks. Raindrop needs to clearly communicate its message to ideal customers to make its presence known.
- **Multiple stakeholders.** Procurement leaders must persuade their executives in IT, finance, and legal when they launch a digital procurement transformation. Stakeholders in these areas can have different perspectives, biases, and priorities that can delay or derail these initiatives. Getting buy-in from these executives earlier in the evaluation process is critical to ensure budget approval and implementation resources will be available.

Conclusion

The procurement application space remains extremely active. Both full-suite and point solution providers continue to enhance their offerings, and the capabilities in both spaces are dramatically advanced compared with their respective capabilities of just a few years ago. Buyers have many quality options as they assess how to best manage enterprise spend. Full enterprise spend visibility, compliant purchasing, increased supplier collaboration, and applications that remove some of the workforce burdens of the procurement department are trends that are expected to remain prevalent.

Procurement application buyers want simple — transparent, functional, and intuitive tools they can extend across the enterprise. Providers that can meet this need will win.

Procurement application providers will continue to add functionality that encompasses the full spend management space, with tight integration to financial applications and contract management tools. The applications will continue to become more predictive in nature and will come infused with AI throughout the suites that provides intelligent, real-time decision-making tools. Providers will enhance their platforms with a strong emphasis in the user experience, providing clean, intuitive tools that facilitate quick time to value and stakeholder engagement and spend visibility across the full enterprise. Application providers that differentiate their offerings with these capabilities in mind will gain share and drive increased cost savings and operation efficiencies. Minimally, point solution providers will need to ensure ease of integration to other platforms and seamless implementation experiences.

About the Analyst

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Patrick Reymann is research director for Procurement and Enterprise Applications responsible for the worldwide procurement applications market. Mr. Reymann's core research coverage includes the worldwide research of purchasing, procure to pay, sourcing, buy-side contract management, spend analysis, and supplier relationship management (including supplier information, risk, and performance management) applications, among others that the procurement function touches within an organization. He is also focused on procurement digital transformation use cases, the procurement buyer's journey, innovative workflows, and the issues faced with technology selection, implementation, and usage as organizations add or integrate with other solutions.

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