



Optimizing Sourcing Operations Through Autonomous Sourcing Tools

May 2024

Our research offerings

This report is included in the following research program:

Outsourcing Excellence

- ▶ Amazon Web Services (AWS)
- ▶ Application Services
- ▶ Artificial Intelligence (AI)
- ▶ Asset and Wealth Management
- ▶ Banking and Financial Services Business Process
- ▶ Banking and Financial Services Information Technology
- ▶ Catalyst™
- ▶ Clinical Development Technology
- ▶ Cloud and Infrastructure
- ▶ Contingent Staffing
- ▶ Contingent Workforce Management
- ▶ Customer Experience Management Services
- ▶ CX Excellence
- ▶ CXM Technology
- ▶ Cybersecurity
- ▶ Cyber Threat Detection and Response
- ▶ Data and Analytics
- ▶ Digital Adoption Platforms
- ▶ Digital Services
- ▶ Digital Workplace
- ▶ Employee Experience Management (EXM) Platforms
- ▶ Employer of Record (EOR)
- ▶ Engineering Research and Development
- ▶ Enterprise Platform Services
- ▶ Exponential Technologies
- ▶ Finance and Accounting
- ▶ Financial Crime and Compliance Operations
- ▶ Financial Services Technology (FinTech)
- ▶ Forces & Foresight
- ▶ GBS Talent Excellence
- ▶ Global Business Services
- ▶ Google Cloud
- ▶ HealthTech
- ▶ Human Resources
- ▶ Insurance Business Process
- ▶ Insurance Information Technology
- ▶ Insurance Technology (InsurTech)
- ▶ Insurance Third-Party Administration (TPA) Services
- ▶ Intelligent Document Processing
- ▶ Interactive Experience (IX) Services
- ▶ IT Services Excellence
- ▶ IT Talent Excellence
- ▶ Life Sciences Business Process
- ▶ Life Sciences Commercial Technologies
- ▶ Life Sciences Information Technology
- ▶ Locations Insider™
- ▶ Marketing Services
- ▶ Market Vista™
- ▶ Microsoft Azure
- ▶ Microsoft Business Application Services
- ▶ Modern Application Development (MAD)
- ▶ Mortgage Operations
- ▶ Multi-country Payroll
- ▶ Network Services and 5G
- ▶ Oracle Services
- ▶ Outsourcing Excellence
- ▶ Payer and Provider Business Process
- ▶ Payer and Provider Information Technology
- ▶ Price Genius – AMS Solution and Pricing Tool
- ▶ Pricing Analytics as a Service
- ▶ Process Intelligence
- ▶ Process Orchestration
- ▶ Procurement and Supply Chain
- ▶ Recruitment
- ▶ Retail and CPG IT Services
- ▶ Retirement Technologies
- ▶ Revenue Cycle Management
- ▶ Rewards and Recognition
- ▶ SAP Services
- ▶ Service Optimization Technologies
- ▶ Software Product Engineering Services
- ▶ Supply Chain Management (SCM) Services
- ▶ Sustainability Technology and Services
- ▶ Talent Genius™
- ▶ Technology Skills and Talent
- ▶ Trust and Safety
- ▶ Value and Quality Assurance (VQA)

If you want to learn whether your organization has a membership agreement or request information on pricing and membership options, please contact us at info@everestgrp.com

Learn more about
our custom research capabilities

Benchmarking

Contract assessment

Peer analysis

Market intelligence

Tracking: providers, locations, risk,
technologies

Locations: costs, skills, sustainability,
portfolios

Contents

- 4 Technology-enhanced sourcing
- 5 Challenges with traditional sourcing processes
- 6 Sourcing tools and technologies
- 8 Technology's role in enabling agile sourcing

- 9 The evolving landscape of autonomous sourcing
- 10 Automation for sourcing activities
- 14 Leveraging generative AI for sourcing

- 17 Navigating autonomous sourcing tool selection
- 18 Drivers for adoption of autonomous sourcing
- 19 Key parameters to assess the autonomous sourcing tools
- 20 Challenges in using automation for sourcing

- 21 Appendix
- 22 Research calendar

For more information on this and other research published by Everest Group, please contact us:

Amy Fong, Partner

Bhanushee Malhotra, Practice Director

Amit Lad, Senior Analyst

Copyright © 2024 Everest Global, Inc.

We encourage you to share these materials internally in accordance with your license. Sharing these materials outside your organization in any form – electronic, written, or verbal – is prohibited unless you obtain the express, prior, and written consent of Everest Global, Inc. It is your organization's responsibility to maintain the confidentiality of these materials in accordance with your license of them.

Technology-enhanced sourcing

Challenges with traditional sourcing processes

Sourcing tools and technologies

- Types of sourcing tools
- Sourcing types and the suitable tools

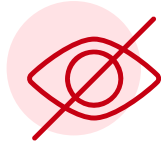
Technology's role in enabling agile sourcing

Traditional sourcing processes present numerous challenges that impede efforts to drive more efficient sourcing



Time-intensive

Manual tasks such as evaluating proposals, managing paperwork, and coordinating with multiple teams, make the process time-consuming, slowing decision-making.



Lack of visibility

Managing vast quantities of documents scattered across departments makes it difficult to track information, analyze trends, and identify potential savings.



Supplier bias

Preferring specific suppliers time and again can result in overlooking potentially superior alternatives that might offer more competitive pricing.



Inefficient collaboration with stakeholders

Long cycle times resulting from manual processes often severely impact stakeholders' ability to meet deadlines, which frustrates them.



Unnecessary buying

Relying on the recommendations of suppliers on what to buy often results in overbuying.

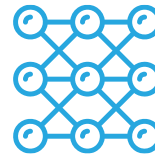
A wide variety of solutions is available to empower sourcing professionals in effectively managing their sourcing activities

[NOT EXHAUSTIVE]



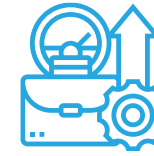
E-sourcing tools

These tools enable the collaborative execution of sourcing activities through an integrated suite of digital platforms and tools operating cohesively to streamline the sourcing process.



Autonomous sourcing tools

These tools differ from e-sourcing tools in that they operate independently within the e-sourcing framework, employing sophisticated algorithms and Artificial Intelligence (AI) to autonomously execute sourcing activities.



Sourcing optimization tools

Sourcing optimizers help to enhance e-sourcing tools by adding more advanced features such as optimizing supplier offers and award scenarios.

Examples

ORACLE
NETSUITE

SAP Ariba




Fairmarkit

Globality

JAGGAER

Keelvar

Among the diverse solutions available to handle sourcing activities, some tools align with specific sourcing types

Sourcing type	Suitable tool	Benefits
 Strategic sourcing Involves high-value, critical purchases negotiated with key suppliers to secure long-term gains	Sourcing optimizer	Sourcing optimizers enhance strategic spend management by transcending the sole consideration of the lowest price, incorporating a comprehensive bid analytics functionality for a more holistic supplier selection process.
 Tactical sourcing Diverges from strategic sourcing by prioritizing shorter lead times over the enhancement of the sourcing process	Sourcing optimizer or autonomous sourcing tool	Tactical spend can benefit from using either a sourcing optimizer or complete automation based on the criticality of the purchase.
 Tail-spend sourcing Consists of numerous low-value transactions with various suppliers, frequently overlooked despite its potential for cost-saving opportunities	Autonomous sourcing tool	For these high-volume, low-value transactions, a completely automated sourcing process helps to reduce sourcing professionals' time and effort, which can then be redirected to more strategic activities.

Agile sourcing entails cross-functional teams working on multiple sourcing activities in parallel to accelerate decision-making; technology can help to enable this process



Approach



Boosts efficiency

Agile methodology transforms the traditional sourcing process by accelerating it and making it more effective



Drives holistic decision-making

Involves cross-functional teams and close collaboration with suppliers leading to informed and balanced decisions



Accelerates sourcing

Based on an iterative and data-driven approach, which abbreviates sourcing cycles



Why adopt it?



Offers competitive advantage

Provides adaptability, which is imperative to responding quickly to the ever-changing market and stakeholder needs



Enhances supply chain resilience

Promotes close collaboration with suppliers, which facilitates risk management, helping organizations build robust supply chains



Optimizes cost

Enables an iterative approach to supplier selection and contract management, which helps in optimizing the cost



How to implement it



Supplier collaboration

Make suppliers a part of the sourcing process from an early stage; leverage their expertise to drive innovation



Monitoring and evaluation

Drive continuous improvement with frequent performance monitoring. Address issues on time and imp



Leverage data and analytics

Use data and analytics to gain real-time visibility into cost structures and market trends and improve decision-making

The evolving landscape of autonomous sourcing

Automation for sourcing activities

- Streamlining the sourcing workflow with automation
- Adoption of automation for sourcing
- Potential for automation in sourcing

Leveraging generative AI for sourcing

- Generative AI-powered sourcing bots
- Benefits of using generative AI for sourcing
- Challenges associated with generative AI's usage

Sourcing professionals rely on technology solutions to enhance and streamline sourcing activities

Source-to-contract workflow



Focus for autonomous sourcing tools (including examples of automation across the sourcing activities)



Project requirement scoping

- Collect project requirements
- Use a sourcing bot to guide scoping



Supplier identification and qualification

- Conduct supplier discovery
- Recommend best-fit suppliers



RFX preparation

Create questionnaire and pricing templates based on project brief



RFX administration

- Launch RFX and invite suppliers
- Monitor supplier activities
- Track bids



Proposals evaluation and supplier selection

- Generate insights from proposals
- Compare proposals and summarize key findings



Negotiation and awarding business

- Provide suggestions to get competitive pricing
- Generate statement of work
- Recommend award scenarios

Organizations are using autonomous sourcing tools to execute sourcing activities in low-risk scenarios in an effort to gauge the potential impact and efficacy of these tools

Automation adoption across major sourcing activities

Percentage of respondents



~75%

RFX questionnaire preparation and RFX administration

Organizations are increasingly prioritizing the automation of tasks such as RFX preparation and administration, primarily due to their low complexity. Consequently, the risks associated with any potential issues due to automation in these processes are minimal



~50%

Negotiations, award scenarios recommendations, and supplier proposal evaluation

Autonomous sourcing tools have also found interest among organizations to automate the evaluation of supplier proposals and to negotiate tactical and tail-spend activities on their behalf, as these activities are inherently time-consuming, and automating them promises significant efficiency gains



~25%

Supplier identification and qualification

Adoption of supplier identification and qualification remains low as organizations are mostly using incumbent suppliers. Automation presents an opportunity to introduce a broader array of suitable suppliers to the table, thereby creating more value for the organization

Automation adoption is **lowest in project requirement scoping**, possibly because generative AI is mostly used for this activity, and organizations are still evaluating it.

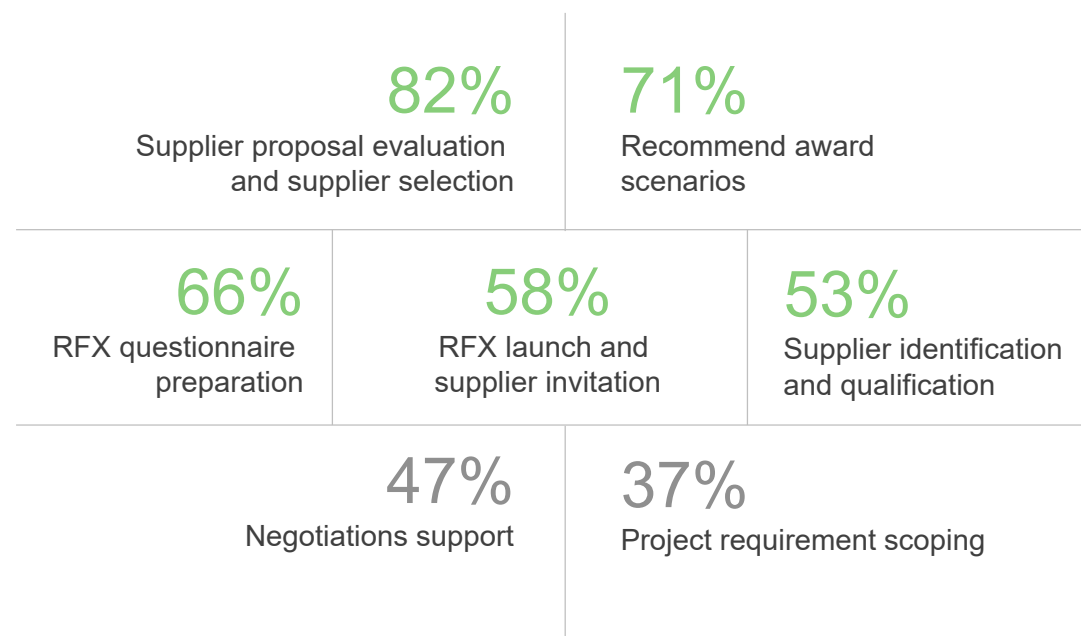
Source: Everest Group's Autonomous Sourcing Quick Poll (2024)

Sourcing professionals recognize the potential for automation in most sourcing activities; however, they prioritize managing stakeholder-facing tasks such as negotiations independently

Sourcing activities with potential to be automated

Percentage of respondents

Low potential High potential



- Sourcing professionals widely consider RFX preparation and administration activities to have significant potential for automation
- They envision the use of autonomous sourcing tools to evaluate supplier proposals with little to no human intervention. Identifying award scenario suggestions for optimal decision-making is another commonly considered use case for autonomous sourcing
- A few organizations are considering going beyond their usual suppliers to get better suppliers, not only from a cost optimization perspective but also to create a more diverse supplier set. Automating the identification and qualification process can help organizations to achieve these goals
- Activities such as negotiation support and scoping project requirements are not considered priorities for automation

Organizations are exploring the use of autonomous sourcing tools mostly for tactical or tail-spend activities, with tail-spend automation narrowly beating tactical spend automation adoption

Spend activities with automation potential

Percentage of respondents



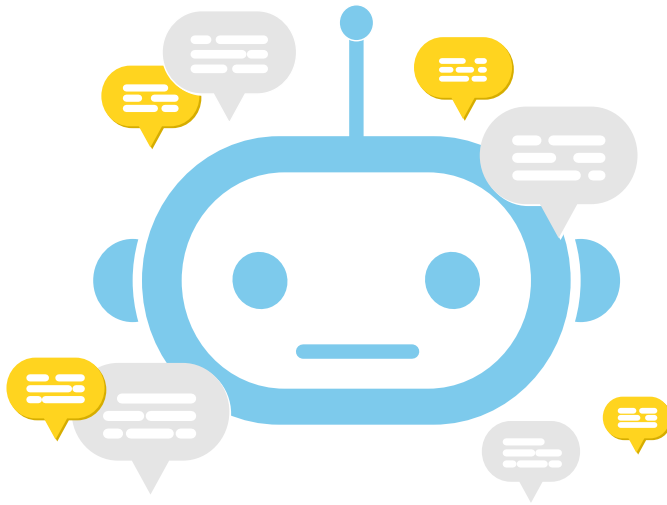
Organizations that actively manage tail spend know how difficult it is to manage huge transaction volumes, which reflected in survey results, which shows that respondents are seeking to automate it to increase efficiency

Vs



A considerable number of survey respondents are looking for tools to automate the tactical sourcing process with a focus on increasing the amount of self-service sourcing instances as well

Autonomous sourcing tools feature advanced generative AI-powered bots, offering comprehensive support to sourcing professionals across the sourcing process, streamlining its complexities



Sourcing bots

These virtual assistants can provide support to both sourcing and business stakeholders to run sourcing events. They can provide customized responses and can continuously learn and improve from user interactions.



Guided sourcing support

Sourcing bots offer invaluable assistance, from scoping project requirements to structuring the RFX and even in evaluating supplier proposals, among a host of other essential functions.



Negotiation support

Sourcing bots play a pivotal role in equipping sourcing professionals with invaluable insights to optimize supplier negotiation strategies.



Procurement helpdesk

Diverging from conventional chatbots, these sophisticated bots transcend basic inquiries from business stakeholders to actively facilitate self-service sourcing endeavors, empowering users with comprehensive support.



Cross-functional collaboration

Sourcing bots act as facilitators, fostering seamless communication between sourcing professionals and business stakeholders. This exchange of vital information regarding the services and products to be sourced strengthens their relationship and enhances collaboration and efficiency in the sourcing process.

Integration of generative AI within autonomous sourcing tools may unlock more value by leveraging advanced algorithms to generate innovative solutions and insights

Benefits of using generative AI

Percentage of respondents

Increased efficiency and time savings

98%

- Automating sourcing professionals' routine tasks reduces cycle times and increases productivity

Improved accuracy in decision-making

63%

- Generative AI's ability to analyze complex data helps to reduce errors and bias

Better risk management and compliance

55%

- Generative AI also highlights potential risks posed by suppliers on an ongoing basis, improving regulatory compliance

Cost reduction and savings

55%

- With its ability to optimize spending patterns and help sourcing professionals to negotiate better contracts, generative AI significantly reduces cost and increases savings

Enhanced supplier collaboration and relationship management

40%

- While some sourcing professionals believe that it can contribute to enhancing their relationships with the suppliers, a majority do not yet see it playing that role

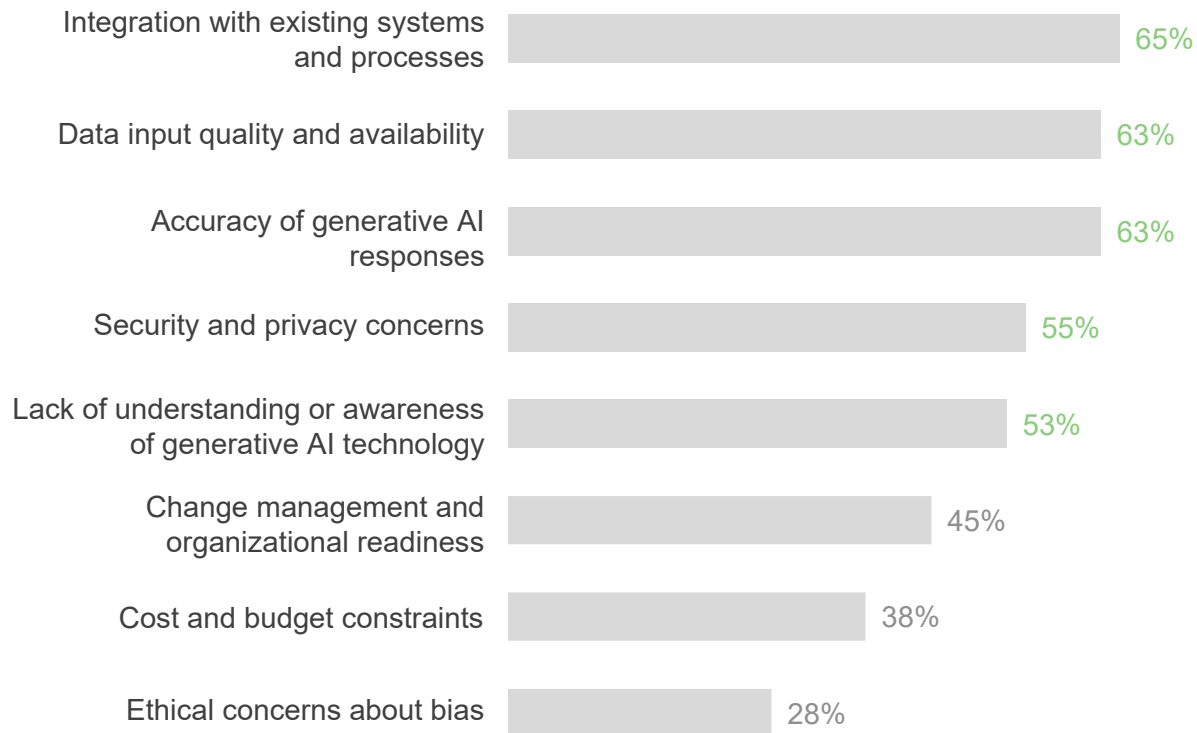
Source: Everest Group's Generative AI in Procurement Quick Poll: (2023)

Despite the transformative potential of generative AI, sourcing professionals anticipate several challenges associated with its implementation and use

Challenges associated with generative AI's use

Percentage of respondents

Other challenges Major challenges



- A major challenge that sourcing professionals foresee regarding generative AI is how it can be integrated with existing sourcing systems and processes
- Procurement has always struggled with data visibility issues because of organizational silos. To get accurate insights from generative AI, it is imperative to have good quality input data as inaccurate data can lead to unreliable outcomes
- Despite the immense potential of generative AI, lingering doubts persist regarding response accuracy, fueled by concerns of hallucinations
- Organizations often grapple with pressing issues of data security, particularly concerning the safety of their sensitive information. The underlying concern stems from the potential risk of their data being used to train generative AI models, raising significant apprehensions about security breaches and privacy infringement

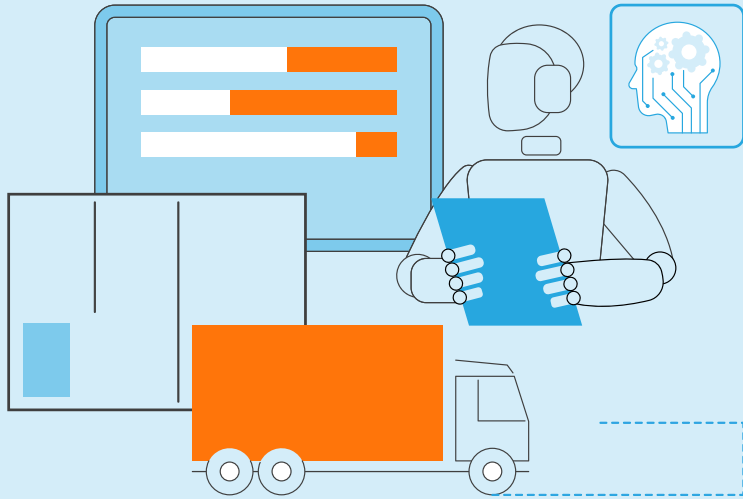
Source: Everest Group's Generative AI in Procurement Quick Poll: (2023)

Navigating autonomous sourcing tools selection

Drivers for adoption of autonomous sourcing

Key parameters to assess the autonomous sourcing tools

Challenges in using automation for sourcing



Automating sourcing activities enables organizations to become more agile and efficient to adapt to changing business requirements

Key autonomous sourcing tool adoption drivers



Increased efficiency

Automation of repetitive tasks can reduce manual effort and time required, in turn helping sourcing professionals to focus on more strategic activities.



Standardized processes

Automation facilitates the standardization of processes across numerous sourcing projects, paving the way for better quality.



Easy scalability

Automated sourcing seamlessly adjusts to evolving business needs without the need for additional personnel; this adaptability helps in better navigating dynamic market landscapes.



Increased transparency

Stakeholders can gain better visibility into sourcing project status and supplier relationships, which can help promote better decision-making.



Improved compliance

Automation safeguards sourcing activities against the pitfalls of human error, thereby upholding rules and regulations with precision.

Multiple parameters should be considered when evaluating autonomous sourcing solutions, ranging from the tool's core functionalities to its intuitiveness for the user

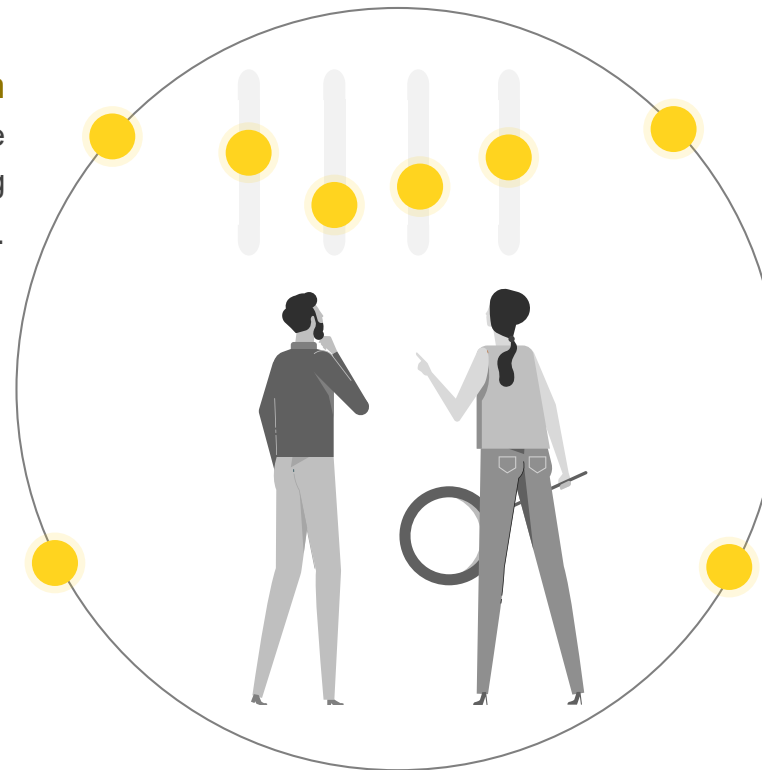
Parameters for assessing the autonomous sourcing tools

Scope of automation

The solution should have the ability to automate various sourcing activities while ensuring comprehensive coverage across each activity.

Integrability

The solution should easily integrate with existing solutions to enable visibility of all the data related to sourcing activities and the suppliers.



Analytics and reporting

A configurable dashboard provides real-time insights into performance related to the sourcing event, which can help drive continuous improvement.

User experience and customizability

Tools that are easy to navigate and intuitive are crucial as both business and sourcing stakeholders use them; also, the tools' customizability is important as it will help streamline the sourcing workflow.

Automation has several challenges related to data security and biases in the solutions, among other things. Hence, it is important to have robust safeguards in place



Ethical concerns

Complete automation could result in non-compliance with responsible sourcing practices; some human intervention is necessary.



Data security issues

Automation can potentially expose sensitive company data to security vulnerabilities.



Lack of adaptability

If faced with a complex sourcing event, the tool's generic approach might not be sufficient.



Ambiguity around ROI

Companies should first choose a performance-based pricing model to measure the impact of these tools.



Biased recommendations

Inherent bias from the data can seep into the AI model; robust measures need to be in place to address them.



Lack of transparency

There can be doubts about the viability of recommended solutions.

Appendix

Research calendar

Research calendar

Outsourcing Excellence

Published **Current release** Planned

Reports title	Release date
Transforming Supplier Relationship Management with Technology – Market Overview and Provider Landscape	January 2022
Talent Readiness for Next-generation IT Services – Provider Compendium 2024	January 2022
RFP Questionnaire: Identity and Access Management (IAM) Services	January 2022
Webinar Deck: Key Issues in EMEA: Addressing 2024's Challenges and Emerging Sourcing Trends	February 2022
Leveraging Generative AI for Procurement Excellence	February 2022
Talent Demand Trends India IT Services – H2 2023	February 2022
Webinar Deck: Impact Sourcing: Empowering Communities, Transforming Business, and Creating Long-term Impact	March 2022
Modern Infrastructure – Review of Google Next '24 Product Launch	April 2023
Optimizing Sourcing Operations Through Autonomous Sourcing Tools	May 2024
Supplier Management in GBS Organizations	Q2 2024
Security – Review of Google Next '24 Product Launch	Q2 2024
RFP Questionnaire: Procurement Outsourcing (PO) Services	Q2 2024
Category Strategy - Insurance Business Process Services (BPS)	Q2 2024
Managing the Hybrid Resourcing Model in Global Business Services (GBS) Organizations	Q2 2024
Service Provider Health Check	Q2 2024
Vendor Management Organization (VMO) Structure: Overview and Best Practices	Q2 2024

Note: [Click](#) to see a list of all of our published Outsourcing Excellence reports

Stay connected

Dallas (Headquarters)

info@everestgrp.com
+1-214-451-3000

Bangalore

india@everestgrp.com
+91-80-61463500

Delhi

india@everestgrp.com
+91-124-496-1000

London

unitedkingdom@everestgrp.com
+44-207-129-1318

Toronto

canada@everestgrp.com
+1-214-451-3000

Website

everestgrp.com

Blog

everestgrp.com/blog

Follow us on



Everest Group is a leading research firm helping business leaders make confident decisions. We guide clients through today's market challenges and strengthen their strategies by applying contextualized problem-solving to their unique situations. This drives maximized operational and financial performance and transformative experiences. Our deep expertise and tenacious research focused on technology, business processes, and engineering through the lenses of talent, sustainability, and sourcing delivers precise and action-oriented guidance. Find further details and in-depth content at www.everestgrp.com.

Notice and disclaimers

Important information. Please review this notice carefully and in its entirety. Through your access, you agree to Everest Group's terms of use.

Everest Group's Terms of Use, available at www.everestgrp.com/terms-of-use/, is hereby incorporated by reference as if fully reproduced herein. Parts of these terms are pasted below for convenience; please refer to the link above for the full version of the Terms of Use.

Everest Group is not registered as an investment adviser or research analyst with the U.S. Securities and Exchange Commission, the Financial Industry Regulatory Authority (FINRA), or any state or foreign securities regulatory authority. For the avoidance of doubt, Everest Group is not providing any advice concerning securities as defined by the law or any regulatory entity or an analysis of equity securities as defined by the law or any regulatory entity.

All Everest Group Products and/or Services are for informational purposes only and are provided "as is" without any warranty of any kind. You understand and expressly agree that you assume the entire risk as to your use and any reliance upon any Product or Service. Everest Group is not a legal, tax, financial, or investment advisor, and nothing provided by Everest Group is legal, tax, financial, or investment advice. Nothing Everest Group provides is an offer to sell or a solicitation of an offer to purchase any securities or instruments from any entity. Nothing from Everest Group may be used or relied upon in evaluating the merits of any investment. Do not base any investment decisions, in whole or part, on anything provided by Everest Group.

Products and/or Services represent research opinions or viewpoints, not representations or statements of fact. Accessing, using, or receiving a grant of access to an Everest Group Product and/or Service does not constitute any recommendation by Everest Group that recipient (1) take any action or refrain from taking any action or (2) enter into a particular transaction. Nothing from Everest Group will be relied upon or interpreted as a promise or representation as to past, present, or future performance of a business or a market. The information contained in any Everest Group Product and/or Service is as of the date prepared, and Everest Group has no duty or obligation to update or revise the information or documentation. Everest Group may have obtained information that appears in its Products and/or Services from the parties mentioned therein, public sources, or third-party sources, including information related to financials, estimates, and/or forecasts. Everest Group has not audited such information and assumes no responsibility for independently verifying such information as Everest Group has relied on such information being complete and accurate in all respects. Note, companies mentioned in Products and/or Services may be customers of Everest Group or have interacted with Everest Group in some other way, including, without limitation, participating in Everest Group research activities.