

Transforming Procurement through Conversational AI



Harnessing Chat-Based, AI-Powered
Assistants to Drive Operational Efficiency
and Strategic Decision-Making

Index

3

Overview

4

From Aspiration to Actuality: The Impact of Conversational AI in Procurement

5

Decoding Conversational AI

6

Beyond Cost Cutting: The Significance of Conversational AI

7

Generative AI as a Complement to Conversational AI

8

Conversational AI and Procurement: Better Together

11

Challenges of Conversational AI Implementation

12

Conversational AI and the Crisis of Low User Adoption

13

Promoting Widespread Adoption: The Imperative of Conversational AI Integration with Microsoft Teams

14

Suggestions for Smooth Conversational AI Deployment

15

Zycus' Merlin Assist: Not Your Ordinary Source-to-Pay Bot

Overview

Conversational AI has emerged as a transformative force, revolutionizing our approaches to work, communication, and innovation. The global conversational AI market was valued at approximately \$5 billion in 2020, with a projected Compound Annual Growth Rate (CAGR) of 22%, potentially reaching \$14 billion by 2025.

What implications does this technology and its growth hold for the procurement industry?

This paper delves into the mechanics and significance of conversational AI, preceding an exploration of its applications and advantages within the procurement sector.

Additionally, the paper addresses the challenges of implementing conversational AI in procurement, such as low user adoption, and provides practical strategies to overcome these hurdles.

Furthermore, explore Merlin Assist, Zycus' conversational AI bot, and gain insights into what distinguishes it from other comparable offerings.

From Aspiration to Actuality: The Impact of Conversational AI in Procurement

Throughout history, humans have nurtured the desire to communicate with machines, laying the foundations for artificial intelligence. Today, this dream is an indisputable reality.

As we interact with digital assistants like Alexa, Siri, or Google, conversational AI has emerged as a transformative force, reshaping how we work, communicate, and innovate.

Additionally, in its pursuit of facilitating nuanced interactions, conversational AI is harnessing a relatively nascent technology – generative AI. Examples include the acclaimed ChatGPT and Bard chatbots, capable of effortlessly crafting intricate conversational content.

Much like numerous technological breakthroughs before it, conversational AI transcends the confines of any single domain, spanning diverse industries, seeping into even specialized domains like procurement.

According to Gartner, the potential of chat-based AI assistants in tackling laborious, friction-laden, and repetitive tasks within procurement and sourcing is nothing short of transformative. These tools empower procurement professionals to enhance efficiency, allowing them to redirect their focus toward high-value activities like strategic decision-making and supplier management.

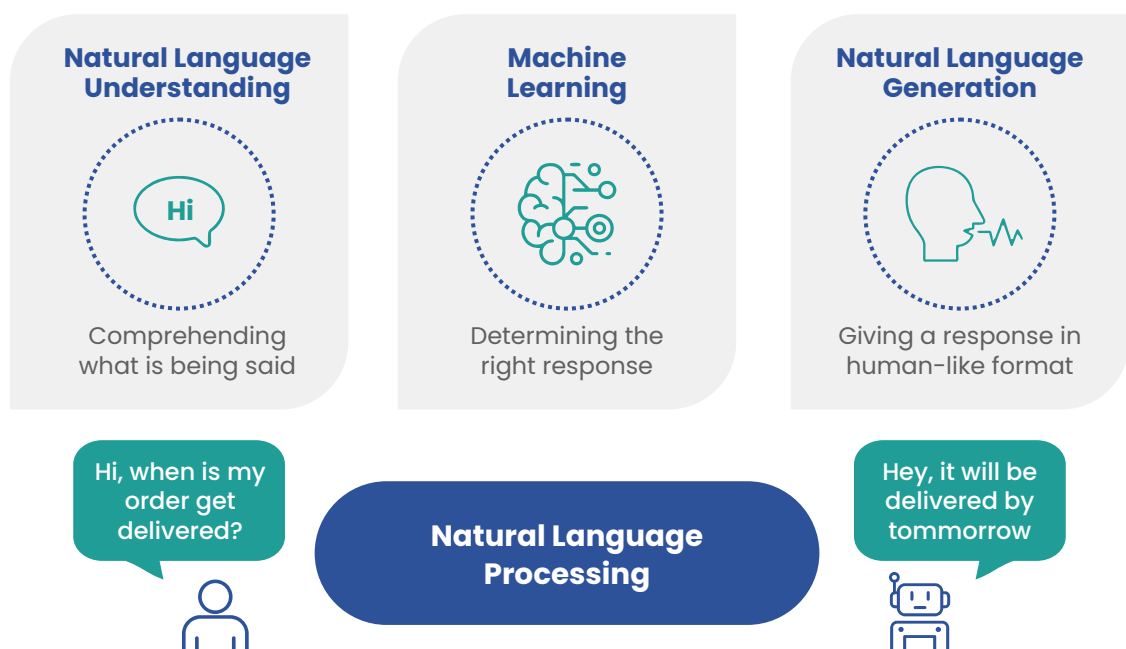
However, before delving into its pivotal role and profound impact on procurement, let's take a moment to unravel the essence of conversational AI itself.

Decoding Conversational AI

Conversational AI enables human-like, machine interactions. It understands, interprets, and responds to human language in a manner that is both contextually relevant and conversationally natural, providing a more intuitive and interactive interface between humans and machines.

It employs a mix of different AI components, the more prominent ones being natural language processing (NLP), natural language understanding (NLU), natural language generation (NLG), and machine learning (ML).

NLP lays the groundwork, using ML and linguistic rules like sentiment analysis and language translation to analyze text and understand a human query. NLU is a subset of NLP that digs deeper into the nuances of human language, like the context or the underlying intent. NLG is responsible for crafting text that sounds like something a human would say, while ML ensures continual learning and improvement of conversational capabilities over time.



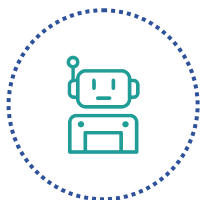
Beyond Cost Cutting: The Significance of Conversational AI

Apart from a proven track record for streamlining interactions, these smart systems can handle a variety of tasks 24/7, freeing up human staff for more strategic work.

What's more, conversational AI is always learning from each customer interaction to refine its understanding and improve future responses. Hence, it can churn out increasingly personalized and accurate service, strengthening customer engagement and loyalty over time, going beyond cost cutting to promote ease of use, ease of access, and improved collaboration.

Consequently, it is majorly used as chatbots or virtual assistants to provide advanced customer and technical support.

Types of conversational AI technology



Chatbots

Computer programs that simulate human interaction and conversations



Voice assistants

AI applications that understand voice commands and complete tasks



Interactive voice response

Automated phone systems that reply to voice and keypad commands

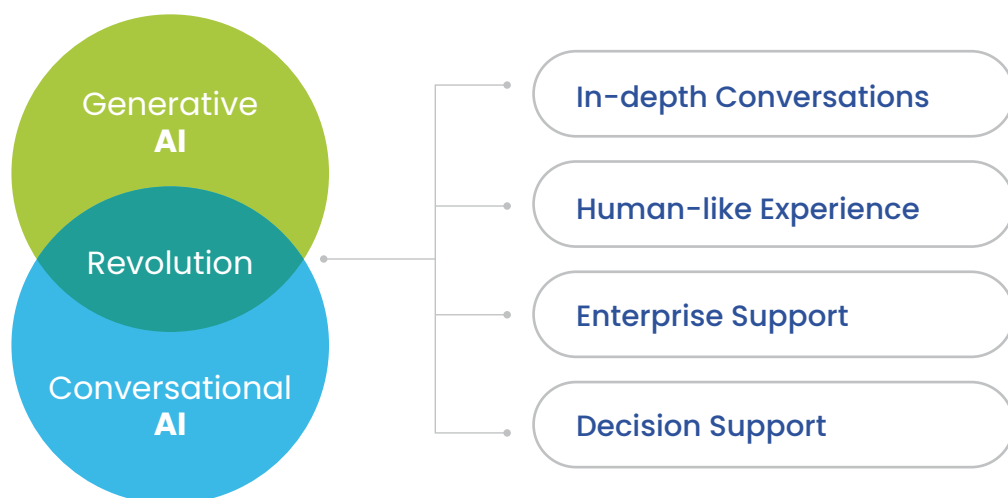
Recent studies from Accenture value the global conversational AI market at around \$5 billion in 2020, indicating a CAGR of 22%, which is \$14 billion by 2025.

Generative AI as a Complement to Conversational AI

Conversational AI is specifically designed to generate human-like dialogue. Generative AI, on the other hand, can produce human-like text while emulating the human neural network to create original content.

Generative AI capabilities augment a conversational AI agent by creating inputs apart from text like images, music, and even code. Since it can create complex content, it can better aid strategic functions.

In a nutshell, generative AI enables versatility and creativity while conversational AI automates and enhances experiences.



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You Know?

Gartner predicts that generative AI for procurement will hit mainstream adoption in two to five years.

A study by McKinsey suggests that nearly 20% of procurement roles could be rendered obsolete by generative AI.

Conversational AI and Procurement: Better Together

Procurement professionals often find themselves consumed with highly operational tasks like answering supplier enquiries, manual purchasing, ensuring compliant buying, tracking & follow-ups, catalog navigation, and the like.

Leveraging conversational AI in procurement is the necessary game-changer, simplifying procedures across the Source-to-Pay lifecycle. For example, instead of manual catalog searches, customers can chat with an AI assistant to find approved purchase options. The agent presents choices in a visual format, helps finalize details like quantity and delivery date, and even initiates the Purchase Requisition (PR) in the backend system.

Conversational assistants also provide analytical insights that help in making better vendor choices, uncovering savings, and improving overall purchasing strategies.

Apart from streamlining procurement processes, AI assistants help with supplier management, invoice management, contract management, negotiation, approval process, and a lot more.

Some vital applications of AI assistants in procurement include:



Guided Buying: Conversational assistants guide buyers through the purchasing process, helping users navigate through product catalogs, compare prices, and suggesting alternatives based on real-time inventory data.



Intelligent Sourcing: An AI assistant can rapidly perform in-depth market analysis of supplier information, market trends, and pricing variations to provide actionable insights. Imagine the bot alerting a procurement team about a sudden drop in raw material prices, suggesting an opportune time to negotiate contracts.



Risk Management: In procurement, mitigating risks related to supply chain disruptions, compliance, and supplier reliability is critical. AI bots can continuously monitor various risk factors and alert the procurement team of any irregularities. For example, in case of a natural disaster affecting a key supplier, the AI can instantly notify the team and suggest alternative suppliers.

Overall, the benefits of conversational AI platforms cannot be understated.



Instant responses



Enabling real-time decision making



User-friendly responses



Training on policy and guidelines



Improving productivity



Ensuring compliance



Multi-language and multi-channel support



Proactive alerts

And these advantages scratch the surface of what companies stand to gain.

Challenges of Conversational AI Implementation

It helps to keep the following roadblocks in mind while considering an AI assistant:

Data Privacy and Security: Conversational AI is designed to collect and analyze vast amounts of data, a lot of which is sensitive or personal in nature. Compliance with data privacy laws like GDPR is a must to ensure secure storage and handling of information, and to avoid penalties and reputational damage.

Integration with Existing Tech Stack: The AI agent needs to work in tandem with current enterprise systems, whether it's CRM, ERP, or procurement systems. Achieving this integration can be complex and time-consuming if the existing systems are outdated or not designed to work with AI technologies.

Scalability: It is crucial that the conversational AI system grows with your organization. Scalability challenges can arise, particularly when it comes to handling increased data volumes, more complex queries, and a growing user base.

System Maintenance: AI is not a "set-it-and-forget-it" solution. It requires ongoing maintenance to update its knowledge base, improve its algorithms, and fix any emerging issues or bugs.

User Adoption: A formidable challenge in conversational AI adoption is getting team members to shift from traditional processes. Employees need adequate time to adapt to the conversational AI interfaces, which may initially lead to resistance or lower productivity.

Conversational AI and the Crisis of Low User Adoption

The advantages of using conversational AI in procurement are clear: automating responses to common queries free up employees to focus on more strategic activities. The efficiency gains and workflow enhancements are there for the taking.

Yet, puzzlingly, it hasn't achieved universal acclaim, even though procurement teams spend considerable time answering questions that could be easily automated.

AI assistants offer substantial ROI potential, from operational streamlining to cost-cutting and enhanced decision-making. However, low uptake among employees, particularly among staff not directly involved in procurement, continues to hinder the full realization of these benefits.

Users' frustrations often stem from complicated interfaces that fall short of modern digital standards. Additionally, incorporating procurement processes into daily operations is treated as an afterthought. As a result, organizations experience fragmented workflows, limited analytics capabilities, and unregulated sourcing, all of which adversely impact the bottom line.

Promoting Widespread Adoption: The Imperative of Conversational AI Integration with Microsoft Teams

Microsoft Teams is undoubtedly the major communications player in the market, witnessing a staggering growth in daily active users globally year-on-year. Its figures for FY23 Q2 reveal more than 280 million users (up from 75 million in 2020), and this number is only set to increase over time.

Moreover, MS Teams is tightly integrated with Office 365, making it easily accessible to organizations already using Microsoft's suite of productivity tools.

But here's the twist: the integration between a procurement chatbot and MS Teams is relatively rare and can primarily be attributed to the complexity of implementation. Users often find themselves overwhelmed, perpetually operating in "production mode" just to keep up. They are burdened with pressing responsibilities, such as processing orders, advancing contracts and approvals, and reducing backlogs, leaving little room for smoothly integrating new systems.

Plus, let's not forget, every organization's procurement needs are unique, making a one-size-fits-all chatbot a pipe dream.

But overcoming these barriers will unlock significant benefits: Imagine all your procurement chats, documents, and updates centralized in a platform you're already using daily. It's not just convenient; it's a game-changer that makes adopting new technology a breeze.

Suggestions for Smooth Conversational AI Deployment

Consider these Gartner-recommended guidelines to simplify the roll-out of conversational AI solutions:

To start, come up with a clear plan and guidelines for utilizing AI technologies, making sure they align with your organization's policies on privacy, security, and intellectual property rights.

Additionally, allocate resources for data management tools to enable uniformity and seamless data integration throughout procurement and other departments.

Furthermore, encourage your workforce to seize ongoing educational prospects and rethink or enhance existing procurement processes through data-driven insights and the mechanization of mundane tasks.

Finally, and most importantly, evaluate procurement platforms for their proficiency in conversational and generative AI. Select tools that are compatible with your existing operational workflows and provide modular specialties, speeding up the fine-tuning and implementation of AI in specific procurement activities.

Zycus' Merlin Assist: Not Your Ordinary Source-to-Pay Bot

Zycus's AI-enabled Merlin Assist has been extensively trained using over two decades worth of data, specifically focusing on the Source-to-Pay cycle. Throughout this period, we identified recurring challenges in the procurement sector through customer interactions, executive discussions, and industry research.

Merlin Assist is heavily focused on business users and automates 95% of all frequent & mundane tasks. It's like having an additional team member that effortlessly enhances both group and individual productivity.

Additionally, its seamless integration with MS Teams simplifies S2P management like never before:

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Users are spared the hassle of switching between multiple applications, as Merlin Assist provides real-time answers to their queries.

It centralizes procurement data, making it easy for employees to navigate through Zycus' platforms, such as eProcurement, eInvoice, iSupplier, iContract, iSource, and iRequest.

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For international teams, the multilingual support extends to mobile devices, adding to its convenience.

Accessible via the MS Teams mobile app, Merlin Assist is aimed at making procurement democratic and straightforward.

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Other benefits of Merlin Assist include:

Easier access to information

Real-time access to information by querying right in MS Teams

Order status and tracking

Faster updates on order status and delivery tracking, reducing contact to support teams

Expense notifications

Notifications to the relevant approvers, tracking approvals, and status updates

Automated approval workflow

Track approval progress from multiple stakeholders directly from MS Teams

Unified data response

Facilitate data exchange between ERP, CRM and other systems integrated with S2P

Supplier collaboration

Clarify details of purchase orders or resolving invoice discrepancies

Furthermore, Zycus is committed to the ongoing enhancement of Merlin Assist, with plans to incorporate cutting-edge technologies like generative AI to expand its capabilities.

Selecting the right vendor is often a straightforward solution to tackle the challenges involved in conversational AI adoption and implementation. This decision is critical for unlocking the full advantages of AI-powered chat assistants.

Transforming your procurement operations doesn't need to be postponed.

Experience the benefits of Merlin Assist firsthand: [Try the product yourself](#) or [view our datasheet](#) for additional details. To see how Merlin Assist can meet your specific procurement needs, [contact us for a customized demo!](#)

Zycus is the pioneer in Cognitive Procurement software and has been a trusted partner of choice for large global enterprises for two decades. Zycus has been consistently recognized by Gartner, Forrester, and other analysts for its Source to Pay integrated suite.

Zycus powers its S2P software with the revolutionary Merlin AI Suite. Merlin AI takes over the tactical tasks and empowers procurement and AP officers to focus on strategic projects; offers data-driven actionable insights for quicker and smarter decisions, and its conversational AI offers a B2C type user-experience to the end-users.

Zycus helps enterprises drive real savings, reduce risks, and boost compliance, and its seamless, intuitive, and easy-to-use user interface ensures high adoption and value across the organization.

Start your #CognitiveProcurement journey with us, as you are #MeantforMore.

