

# PULSE

of Procurement 2018

**ZYCUS**<sup>™</sup>  
GLOBAL SOURCE-TO-PAY SOFTWARE SOLUTIONS

# INTRODUCTION

Dear Colleague,

Here we present our **Pulse of Procurement 2018** study report. For the first time in some 20 years, the procurement function is facing a sea change powered by rapid advancement and convergence among a number of disruptive technologies – Artificial Intelligence, Internet of Things, Blockchain, 3D printing, and more. With this year's study, we take an initial look at how procurement professionals around the globe see these technologies reshaping their function in the years immediately ahead.

On the more familiar subject of procurement-led business performance improvement, we find headwinds continuing to develop for procurement leaders and their teams. Market leverage appears to be shifting toward suppliers in general, making cost savings more difficult to achieve. With corporate revenues and profitability also on the rise, it becomes increasingly difficult for procurement leaders to win cooperation with their endeavors from top executives and SBU/functional leaders whose primary interests lie with generating business growth, innovation, and expanding market share. As such, this year's study finds a general lack of movement in the procurement performance and technology enablement benchmarks documented annually. For the near-term future at least, procurement leaders will need to be exceptionally creative in finding innovative ways to deliver additional value to their corporate enterprises. Perhaps the Big Technology trends discussed on pages 5-10 of this report will provide inspiration.

We sincerely thank each of the 400-plus procurement professionals who took time to complete our in-depth annual **Pulse of Procurement** questionnaire. We hope you find the report useful and instructive as you assess your organization's progress and map your ongoing journey toward procurement-powered business performance improvement.

Aatish Dedhia  
CEO, Zycus Inc.

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**400+ procurement professionals participated in this year's study:**

**REVENUE**

- >5 billion ..... 24%
- 2 bil - 5 bil ..... 14%
- 500 mil to 2 bil ..... 25%
- <500 million ..... 20%
- Don't know/privately held ..... 17%

**GEOGRAPHY**

- North America ..... 36%
- Europe ..... 29%
- Asia/Pacific ..... 35%

**JOB TITLE**

- CPO ..... 6%
- VP/Director ..... 22%
- Manager/Category Mgr ..... 38%
- Analyst/Specialist ..... 27%
- Agent/Buyer ..... 3%
- Other Staff ..... 4%

# EXECUTIVE SUMMARY

- **Believe the hype!** Procurement professionals envision a broad array of uses for technologies such as Artificial Intelligence (also known as Machine Learning), Internet of Things (IoT), Blockchain, robotics, 3D printing, as well as advanced materials technologies such as graphene, nanotechnology, and OLEDs (p5-10).
- **Big pain points for procurement are remarkably intransigent.** Lack of sufficient time and resources for the work they most value doing ranks at number one. Poor visibility into supplier performance and too few standard processes round out the top three. Debuting on the pain points list this year: skilled labor/talent shortage at number eight and political/economic uncertainty at number 12 (p12).
- **Corporations worldwide continue to invest in strategic procurement** with roughly four in five procurement groups seeing stable-to-rising budgets for operating expenses, capital, and labor this year (p13).
- **Strategic transformation remains the number one priority** for procurement leaders this year, though 19% say they are shifting focus to leveraging Big Data/analytics and 15% are focusing more on achieving synergies with suppliers (p14).
- **Cost savings is still the top focus area** for procurement, though it has a far less commanding lead than in years past. Negotiating leverage in many markets has shifted from buyers to suppliers, so procurement leaders appear to be looking more to process-based savings to achieve performance goals in 2018 (p16-17). Procurement teams are tasked with delivering 9% savings overall this year with no notable variation by company size (p15).
- **On the maturity curve for strategic transformation,** one in five procurement organizations perceive themselves to have attained global best-in-class status. Large companies gain three points on this measure in 2018, mid-sized firms gain nine points, and small firms add seven (p19).
- **Lackluster showings on key procurement benchmarks** – cost savings, spend under management, and contract compliance – in this year’s study reflect a global business climate in which corporate revenues and profitability are generally rising and market conditions are becoming less favorable for achieving big cost savings and other concessions from suppliers either through competitive bidding or negotiation (p21-23).
- **A first glance, procurement groups appear to be well enabled from a technology standpoint.** More than 70%, for example, claim to have spend analysis solutions in place. Scraping away the veneer, however, reveals a somewhat less favorable picture. Only 16% of procurement professionals rate their current technology stack as state of the art (SOA) and fully one-third believe they are behind the curve on technology. Nearly 40% are still using homegrown solutions (mainly digital spreadsheets) compared to 14% investing in comprehensive, fully integrated procurement application suites (p25-35).
- **Procurement groups show little progress this year in terms of the technology adoption and utilization benchmark,** underscoring the importance of ease of use as a criteria for technology selection (p36).
- **Asked to cite the most profound change expected for procurement in the coming five years,** roughly half (53%) of procurement professionals believe it will be somehow related to technology (p37) – for example, faster, smarter, more automated, more integrated, more mobile. Some 22% of procurement professionals believe the greatest shift will come in the role procurement plays within the corporate enterprise (p38).

# **BIG** TECHNOLOGY TRENDS

# ARTIFICIAL intelligence

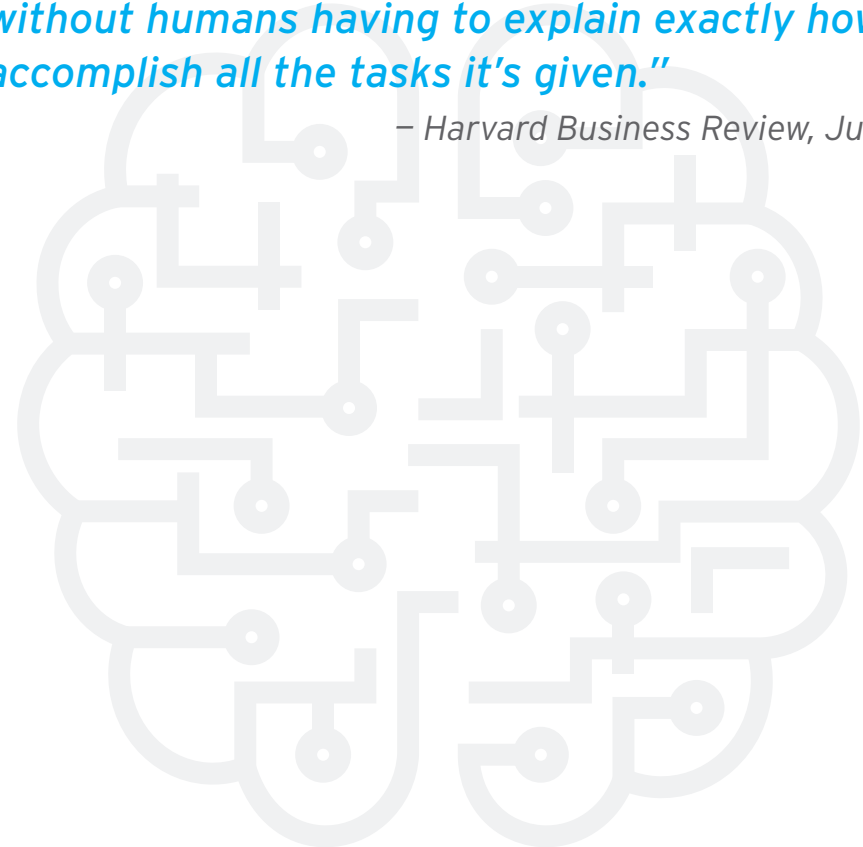
Talk of **Artificial Intelligence (AI)** – also often referred to as Machine Learning – has exploded across both business and social media of late, so it is no surprise that some 33% of procurement professionals see it as the most likely technology to influence the procurement function in the near future. While the arrival of AI may be new to many industries and business functions, the technology has, in fact, been operational within procurement for roughly two decades. It started with classification of transactions for spend analysis, then expanded to such areas as guided buying and automated identification of cost savings opportunities.

With some 20+ years worth of procurement-specific machine learning already accomplished, procurement professionals now see AI expanding into such areas as:

- Forecasting demand and market trends
- Determining true market pricing
- Negotiating contracts
- Driving sourcing events and decision analysis
- Verifying transactions and processing invoices
- Setting strategic priorities
- Driving compliance
- Improving speed to market
- Managing supply risk
- Extending spend under management (SUM) to include more lower-value spend

*“The most important general-purpose technology of our era is artificial intelligence, particularly machine learning (ML) – that is, the machine’s ability to keep improving its performance without humans having to explain exactly how to accomplish all the tasks it’s given.”*

*– Harvard Business Review, July 2017*



# INTERNET of things (IoT)

Fifteen percent (15%) of procurement professionals vote Internet of Things (IoT) – a world in which things such as manufacturing equipment, production materials, and MRO supplies, gather and transmit data about themselves and their surroundings – as the most likely technology to influence procurement in the near future. Indeed, if Artificial Intelligence (AI) is the brain, then IoT is the five senses.

Inventory, equipment maintenance, goods re-ordering, supplier performance tracking, global supply-chain, and risk management are all areas where procurement professionals see IoT being optimized to their benefit.

Not everyone is a fan, though. Some worry the costs might still outweigh the benefits at least in the near term as IoT technology matures alongside procurement's abilities to manage and leverage the resulting explosion of data and information. Others see new risks arising – namely data and network security as well as a loss of nuanced understanding as machine-automated interactions continue to supplant human relationships.

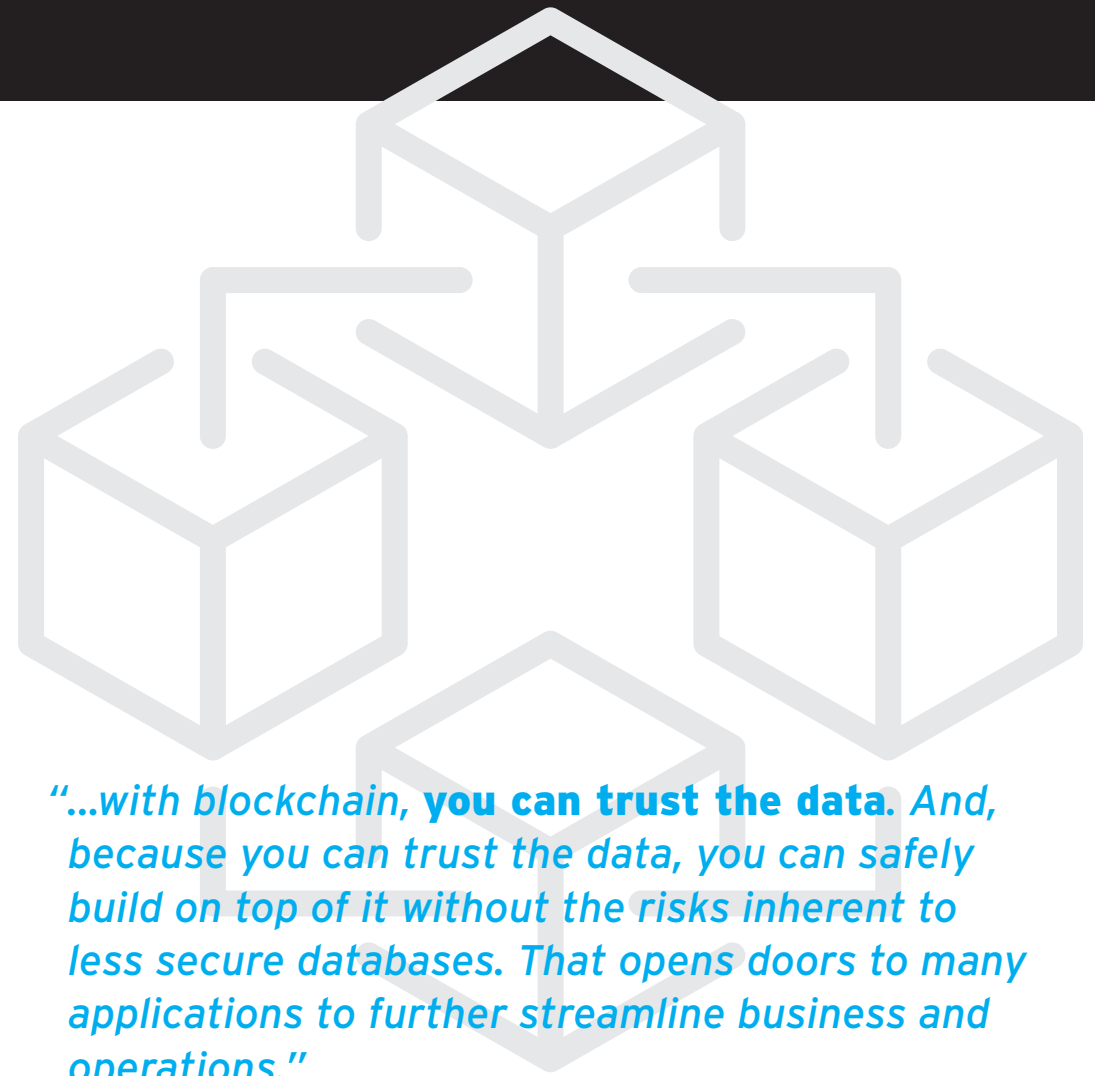


# BLOCK chain

Blockchain – most commonly known as the technology underpinning cryptocurrencies such as Bitcoin – has rapidly been identified as holding immense potential for procurement, sourcing, and supply chain management.

Some 13% of procurement professionals participating in the **2018 Pulse of Procurement** study believe Blockchain will be most influential for the function over the near future. Predicted uses in procurement and supply chain management include:

- Automating invoicing and payments
- Guarding against parts counterfeiting and other forms of supply-chain fraud
- Managing chain of custody for materials and parts in support of regulatory compliance, quality control, product recall, warranty, and so forth
- Expediting freight (for example import/export transactions), opening new opportunities for global sourcing
- Managing social/environmental standards for supplier behaviors – labor practices, exposure to conflict minerals, and so forth – across global, multi-tiered supplier networks



***“...with blockchain, you can trust the data. And, because you can trust the data, you can safely build on top of it without the risks inherent to less secure databases. That opens doors to many applications to further streamline business and operations.”***

*–Bertrand Maltaverne, Procurement Digitalist, Vienna Austria,  
Procurement Tidbits, July 2017*



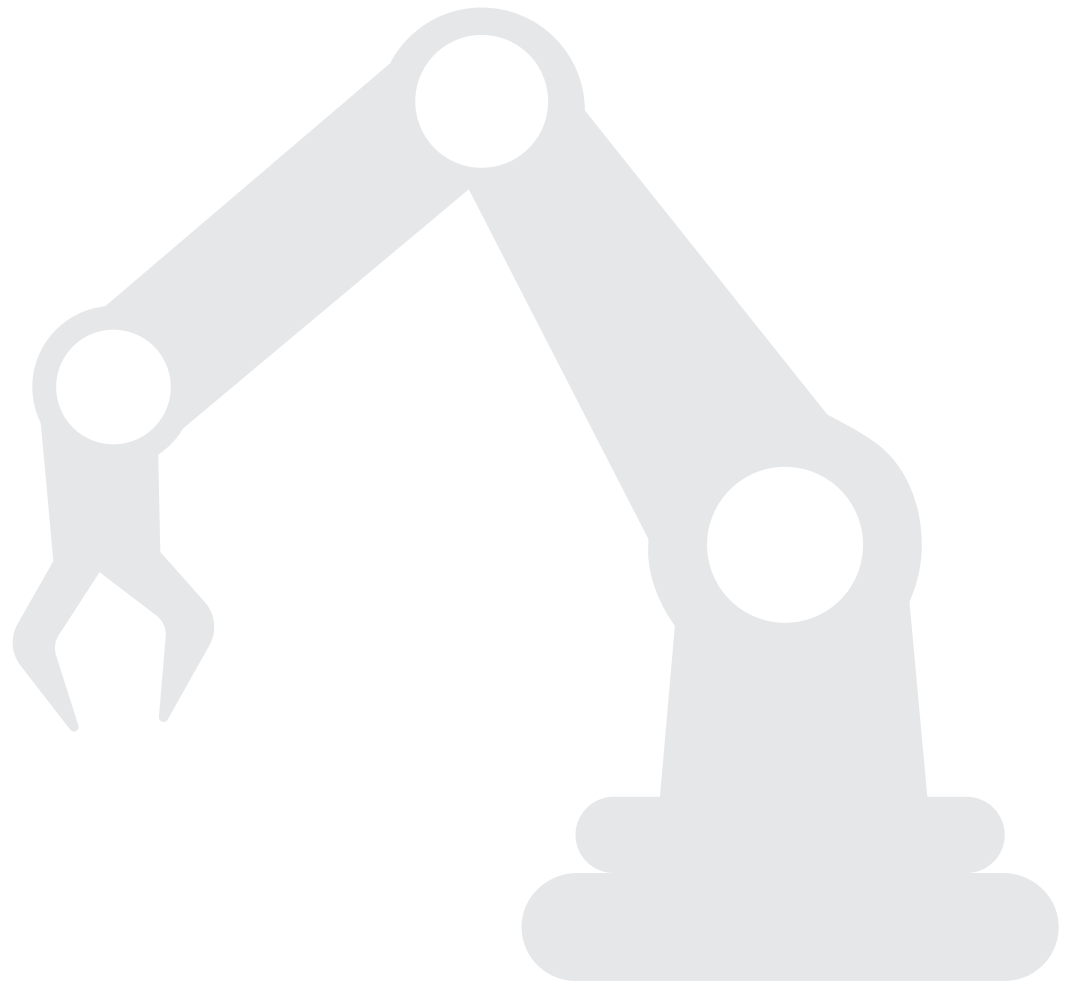
# MANUFACTURING

## robotics/automation/3D printing

In a tie for 13% with Blockchain, manufacturing robotics, automation, and 3D printing technologies have also now broken into the collective procurement consciousness as a key influencer of change in the years immediately ahead.

While these technologies are primarily centered in manufacturing facilities (versus procurement offices), they are expected to have profound effects in upending longstanding business models and procurement approaches to:

- Modeling supplier cost structures for informing negotiations
- Designing supply networks in support of new product introductions (for example, should parts be purchased and warehoused or licensed for 3D printing? Printed in-house or at a distributor's location?)
- Managing/improving parts quality
- Contingency/risk planning
- Contract authoring and risk, especially in relation to 3D printing and intellectual property
- Forecasting demand, supply availability, delivery leadtimes, and so forth



# RENEWABLE ENERGY & advanced materials



While three quarters of procurement professionals believe AI, IoT, Blockchain, and manufacturing automation and 3D printing are the key tech trends for procurement professionals to watch in the near future, two other areas have smaller, but still notable mentions.

Some 8% of procurement professionals participating in this year's **Pulse of Procurement** study cite climate change or renewable energy as likely to have the greatest near-term influence on the procurement function. They see this playing out for procurement mostly in terms of stricter regulatory and compliance requirements; cost savings opportunities via facilities retrofit, and potential for disruptions to old assumptions around energy-industry economics, impacts on price, supply/demand forecasting, and modeling of supplier cost structures.

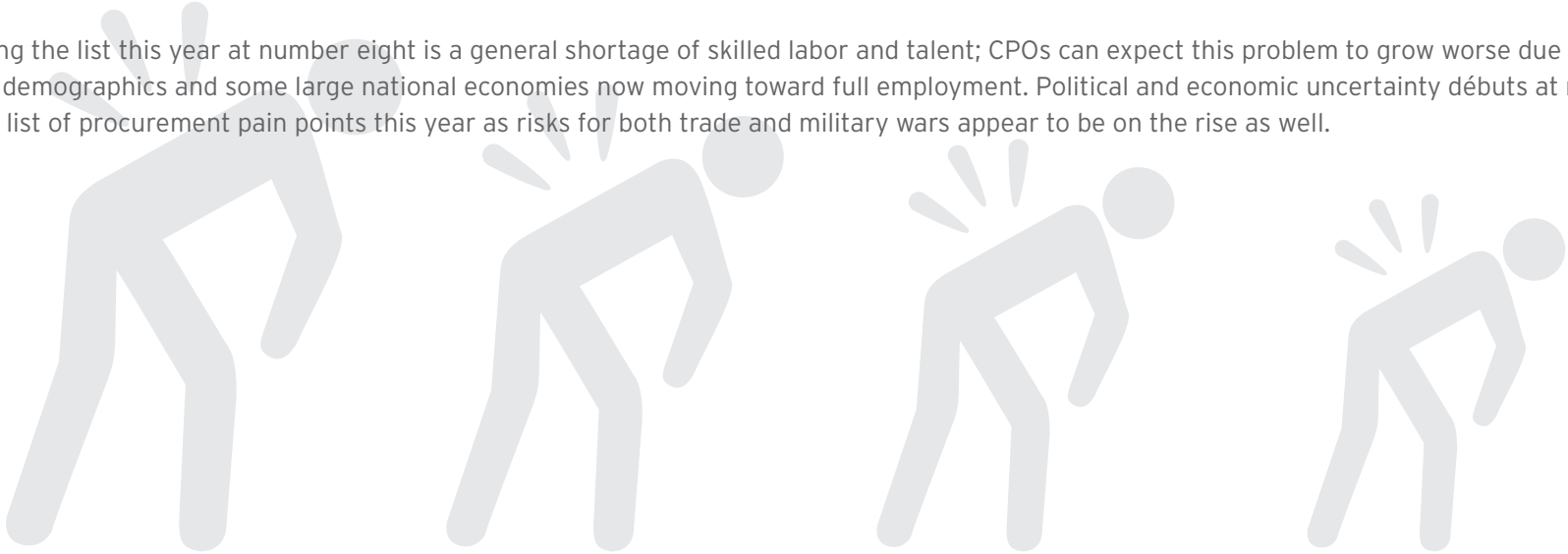
Another 5% of procurement professionals, likely those with early involvement in supporting new product exploration and design processes, cite advanced materials – such as graphene, nanotechnology, organic light emitting diodes (OLEDs), and so forth – as the most important technology trends for procurement professionals to watch.

**PROCUREMENT** PRESENT

# PROCUREMENT pain points

While there is much in terms of emerging technologies for procurement professionals to feel excited about in 2018, many longstanding pain points for the function persist as well. Concerns about poor visibility into supplier performance gains the number two spot on this year's list (up from number four in 2017). This may be a function of rising risks associated with tightening supply markets and accelerating inflation, which, in turn, mandates greater focus on the early warning signs that often show up in supplier performance data long before supply disruptions materialize. Data in disparate sources rises from number six on the pain points list in 2017 to number four in 2018.

Entering the list this year at number eight is a general shortage of skilled labor and talent; CPOs can expect this problem to grow worse due both to global demographics and some large national economies now moving toward full employment. Political and economic uncertainty débuts at number 12 on the list of procurement pain points this year as risks for both trade and military wars appear to be on the rise as well.



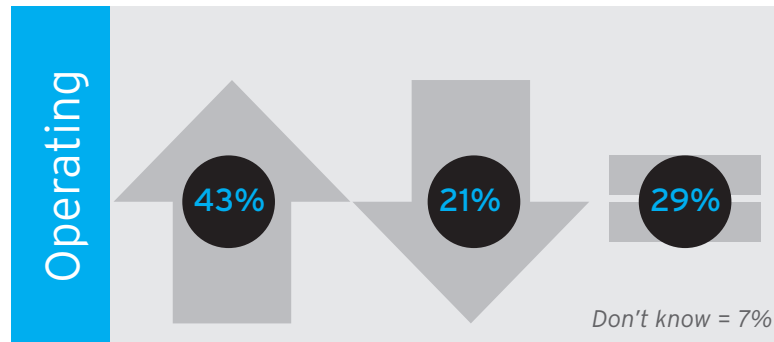
1. Lack of time and resources	5. Long, cumbersome sourcing process	9. Outdated technology	13. High dependency on IT
2. Poor visibility into supplier performance	6. Contract risks	10. Unstructured data reporting	14. Data in multilingual formats
3. No standardization in process	7. Lack of compliance	11. Lack of supplier collaboration	15. Other
4. Data in disparate sources	8. Skilled labor/talent shortage	12. Political/economic uncertainty	16. Limited data security

# PROCUREMENT budgets

How procurement budgets have changed from 2017 to 2018:

## +5pts

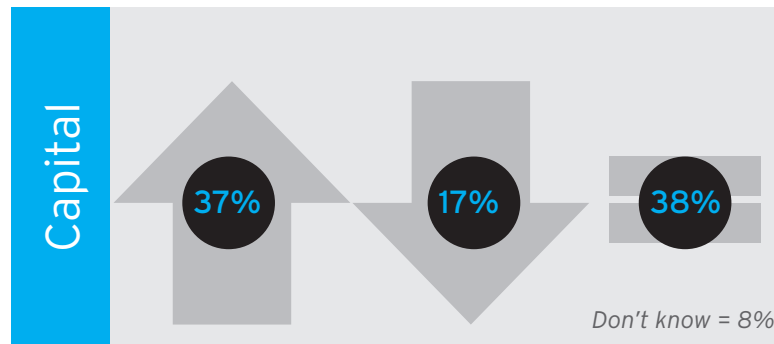
Percent reporting increasing budgets compared to 2017.



Overall, it appears that corporations worldwide continue to favor investments in their procurement functions. Some 72% of this year's survey panel report either stable or increasing procurement operating budgets. The percentage reporting higher operating budgets rises 5 points, following a 7-point leap in 2017.

## +1pts

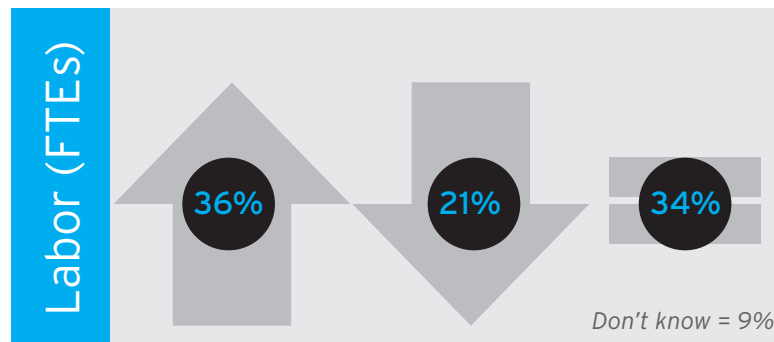
Percent reporting increasing budgets compared to 2017.



Corporate support for procurement capital investment (typically in enterprise software) remains strong as well in 2018 with 75% reporting stable to rising budgets. Over time, as procurement technology solutions continue to migrate from enterprise- to SaaS and Cloud-based, funds formerly designated for capital spending will likely migrate over to operating budgets.

## +4pts

Percent reporting increasing budgets compared to 2017.



While corporations clearly continue to invest in automation and other technologies for procurement, there is little evidence that they are trading people for technology. Some 70% say labor (full-time equivalent/FTE) budgets are stable to rising this year, and the percentage of procurement groups increasing labor budgets gains 4 points this year, following a 7-point increase in 2017.

# PROCUREMENT top priorities

Business media often likes to focus on exciting new trends – AI, Blockchain, IoT, and so forth – but the reality is that roughly half of procurement organizations continue to grapple with transforming their daily work from being mostly tactical – bidding and negotiating with suppliers, placing orders – to mostly strategic.

When procurement leaders say they want to be more strategic, they typically mean undertaking such activities as understanding markets and proactively managing supply risk; optimizing supply-chain performance to be better than the competition, and spotting important new technology trends emerging in the global supply base then establishing relationships to leverage those trends into market wins. The percentage of procurement groups focusing primarily on tactical to strategic transformation has remained relatively stable over the past several years of the **Pulse of Procurement** study. Other top priority areas for procurement leaders include:

Leveraging Big Data / analytics	19%
Achieving better synergies with suppliers	15%
Mobile procurement	6%
Green procurement	3%
Other	3%



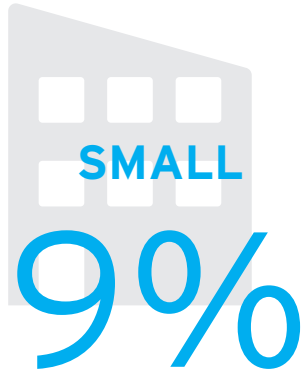
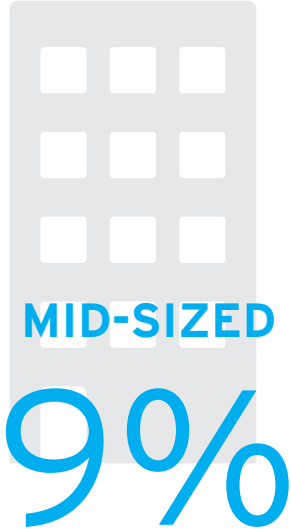
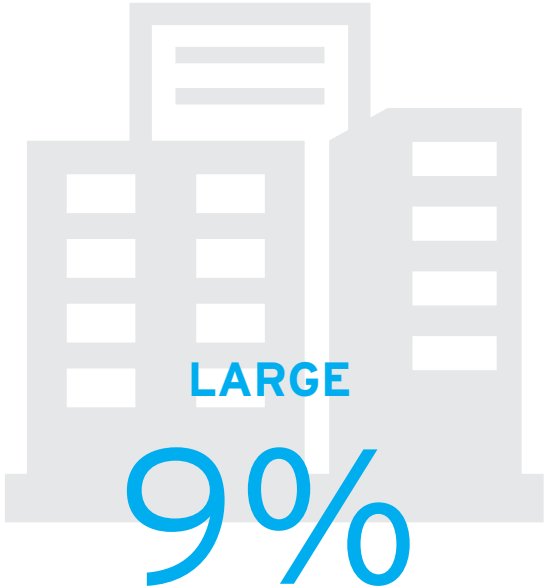
53%

**Tactical to strategic  
transformation**

*“Continued advancement to Supply Management Excellence through improved technology tools, continuously updated skills, and competency improvements.”*

*“Expanded role, integrated with the business, technology driven.”*

# COST SAVINGS objectives for 2018



Cost-savings objectives for procurement have remained remarkably stable in the 10% vicinity over the past several years. This year, there is virtually zero variation in procurement cost savings objectives by company size, despite the fact that mid- and small-sized companies typically have less leverage to actively drive down supplier pricing for goods and services.

With global oil and other commodity prices now trending upward, labor markets tightening, and potential trade wars brewing, procurement teams will need to be quite creative in figuring out how to get this done in 2018.

All	9%
Low savers	7%
Mid savers	10%
High savers	10%

*Of note: Procurement teams with higher historical cost-savings rates tend to also have greater ambitions for future savings, according to the study.*

# KEY FOCUS areas & objectives



54%

## Cost savings

The **Pulse of Procurement 2018** finds little change in the *order* of procurement key focus areas (by popularity), but there are interesting shifts in the numbers. For example, 63% cited cost savings as a top focus area in 2017, while just 54% say the same this year. This might signal a general shift in market leverage from buyers to suppliers as global economies appear to be hitting labor and other constraints on growth.



54%

## Process efficiency

The percentage of procurement professionals citing process efficiency as a key focus area gains 4 points this year compared to 2017 and actually ties with cost savings, marking the first time ever in the history of the study that cost savings has not been a clear leader. Again, this is likely a function of declining market leverage and a need to look elsewhere to achieve procurement cost savings objectives.



39%

## Cross-functional collaboration

While maintaining a number three rank in terms of relative popularity, pursuing cross-functional collaboration loses a few percentage points as a key procurement focus area for 2018. In general, cross-functional collaboration tends to rise during tough economic times; when various teams face budget-cutting they often turn to procurement for help. The opposite occurs, however, when companies are flush with cash.



38%

## Supplier performance

Working with suppliers to improve performance remains at number four in this year's ranking of key focus areas for procurement; its percentage of votes also remains unchanged from 2017 as supplier performance always seems to be a key concern for procurement. Of all procurement technology areas, this one shows the most upgrade/investment planning this year as well (see p.33).





31%

### Compliance

Tracking and driving compliance to standard spend processes, preferred supply relationships, enterprise supply contracts, and so forth rises from eight to six in the key focus areas ranking this year. As with cross-functional collaboration, this may be a function of economic growth and rising corporate profitability as cooperation with procurement-led cost and other performance initiatives tends to wane in times of plenty.



30%

### Risk management

Supply risk management slips one spot in the key focus areas ranking this year, but gains three points in terms of percentage citing. Given the recent dramatic rise in global political instability and posturing around tariffs and other means of waging trade wars, it is somewhat surprising that supply risk management is not seeing a bigger boost.



23%

### Contract utilization

Improving utilization of established enterprise supply contracts drops both by position and percentage in this year's ranking. This is also somewhat surprising as, with market leverage in general shifting from buyers to suppliers, the ability to deliver volume to enterprise supply contracts becomes an important lever for procurement to achieve its savings objectives.



23%

### Sourcing cycle time

Cutting sourcing cycle times moves up three spots in the key-focus areas ranking this year; it also gains five percentage points in terms of total votes received. Much like the rise in focus on procurement-process efficiency, this may signify an inward turn in the never ending hunt for procurement-led cost savings as market-based opportunities become increasingly difficult to identify and pursue.

# STRATEGIC mandate

For the past three years, the percentage of corporations worldwide empowering their procurement functions to control and manage spending from an enterprise level has been stable in the vicinity of 60%. But that figure belies diverging trends by company size.

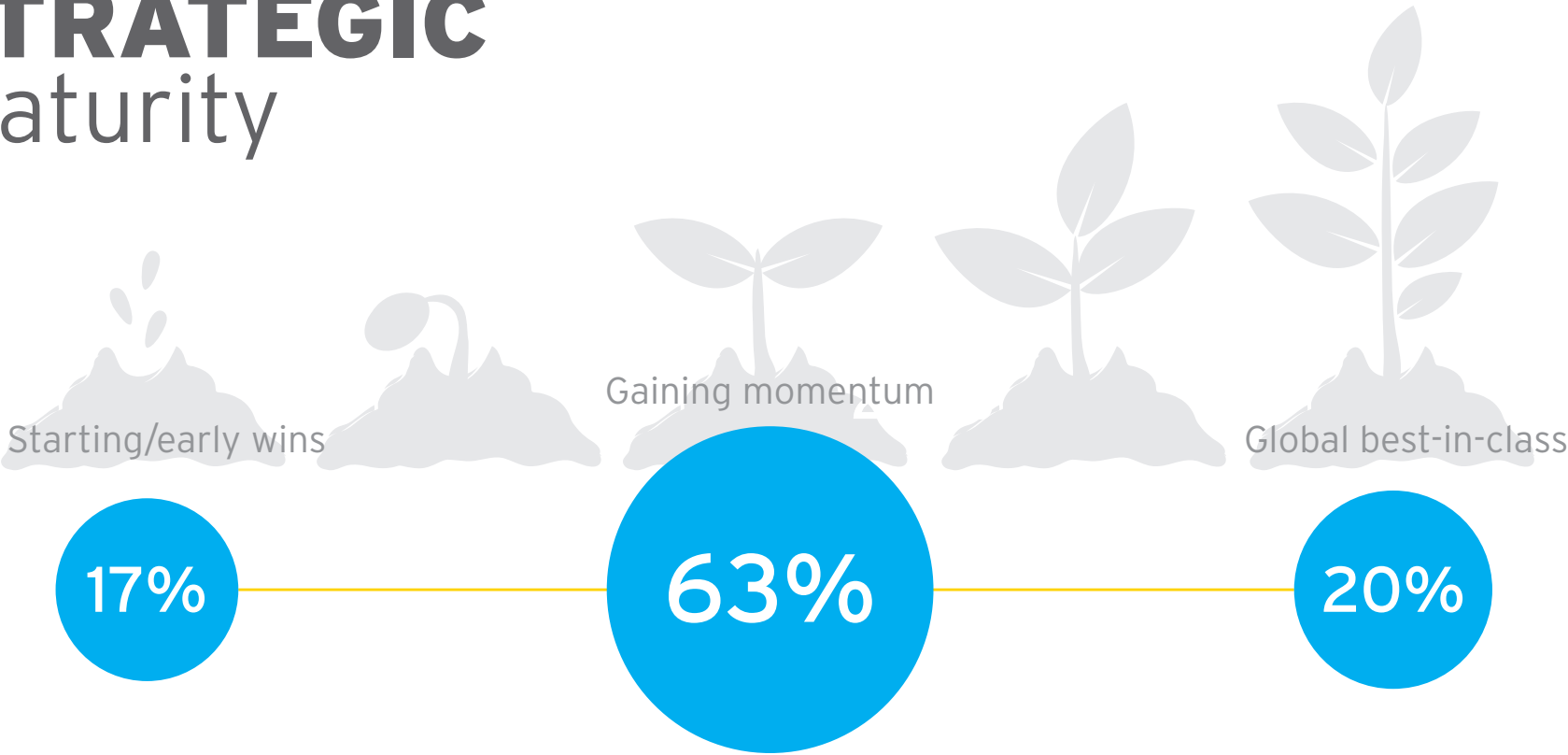
Among the largest business enterprises (\$2 billion plus in annual revenue), the percentage backing procurement-led performance improvement actually slid 5 points from 70% in 2017 to 65% in 2018. Also among large companies, the percentage of procurement pros claiming their C-Suite views procurement as important or critical to business strategy fell from 83% in 2017 to 76% in 2018.

For mid and small-sized companies, by contrast, the numbers continued to climb this year.

*Does your procurement and sourcing organization have a mandate to manage spending from an enterprise level?*



# STRATEGIC maturity



How would you rate the maturity of your organization in terms of its strategic procurement capabilities?

The big story on the strategic maturity benchmark for 2018 is a six-point gain in the percentage of procurement organizations that rate themselves as global best in class. Those gains are across the board in terms of company size, though both mid- and small-sized company tiers show the most progression up the strategic maturity curve. **Hallmarks of global best-in-class include:** strong C-Suite backing and procurement resource investment, state-of-the-art technology enablement, systematic internal/external performance measurement, standard/repeatable processes, and strong emphasis on communications, change management, and compliance.

	Starting	Extending	Global BIC
Large – \$2 billion+	10%	67%	23%
Mid-size – \$500M - \$2B	23%	59%	18%
Small – <\$500M	22%	62%	16%

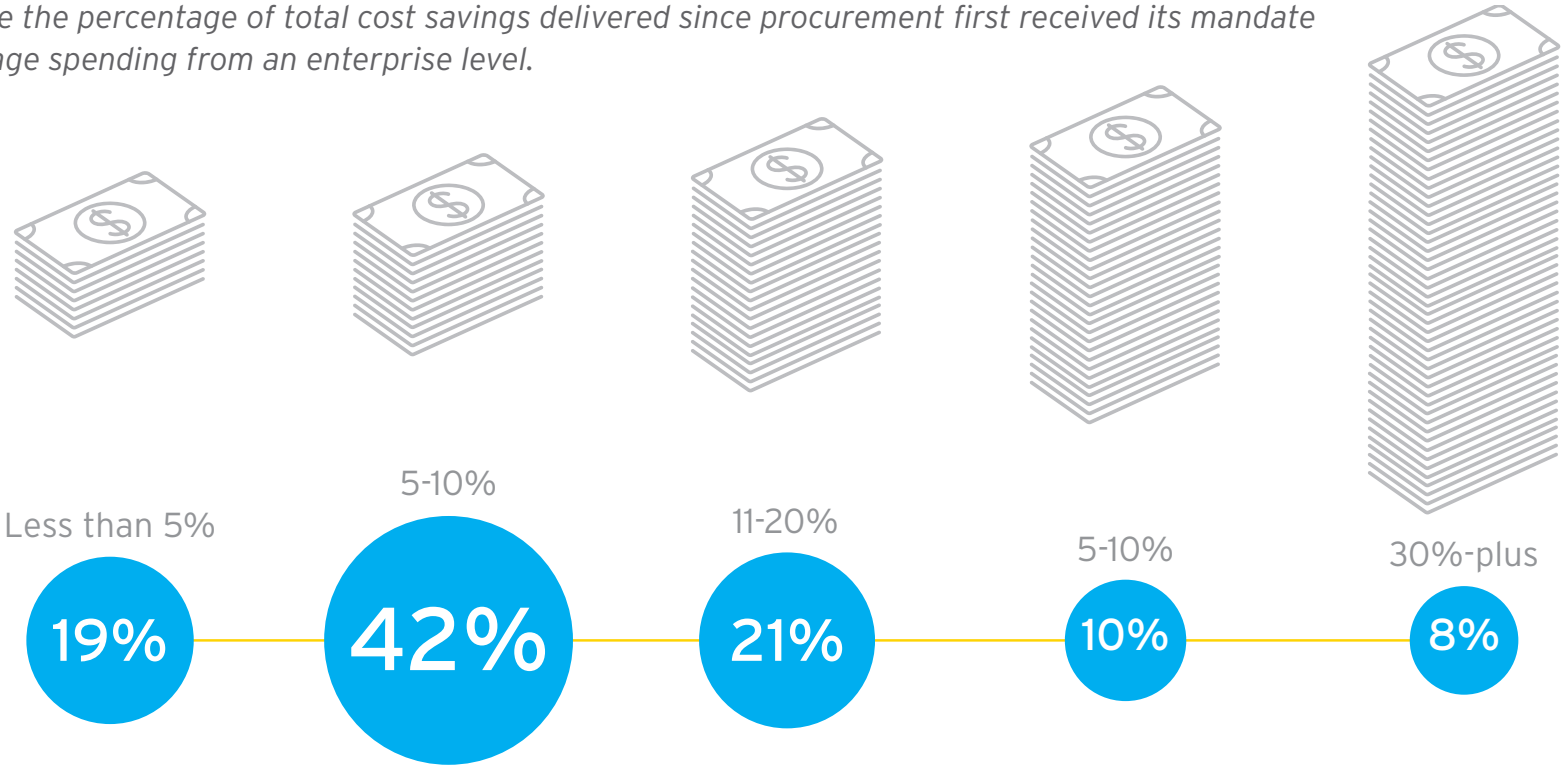
# **PERFORMANCE** BENCHMARKS

# COST savings

Headwinds for procurement-led cost savings have been strong over the past two years. This is reflected in the global benchmark for cumulative cost savings achieved through strategic spend management, which was unchanged at a weighted average of 12% this year. World Bank data show energy commodity prices rising 24% in 2017 while non-energy commodities rose 5%. Latest forecast calls for continued, albeit slower, commodity price inflation in 2018 (however, that was before the latest surge in oil prices and round of trade-related threats). Though wages have, so far, been impervious to tightening labor markets, that will also change eventually, meaning the emphasis for achieving procurement-led cost savings may need to shift from volume and leverage to more process-focused collaboration with suppliers.

	Weighted Avg	vs. 2017
All Global	12%	-
Large – \$2 billion+	13%	-1
Mid-size – \$500M - \$2B	11%	-
Small – <\$500M	11%	-

*Estimate the percentage of total cost savings delivered since procurement first received its mandate to manage spending from an enterprise level.*

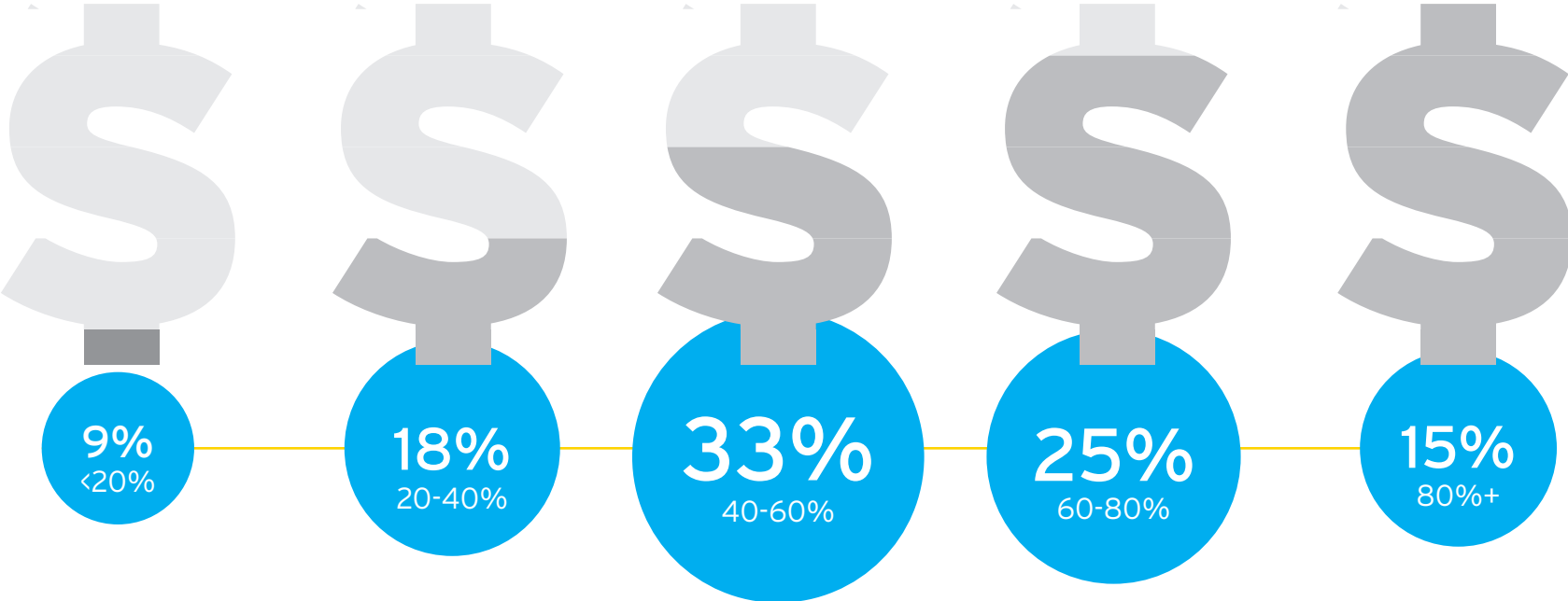


# SPEND UNDER management (SUM)

At a weighted average of 54%, the global benchmark for spend under management (SUM) by corporate procurement has regained the single point it lost last year, but the indicator remains three points lower than its 57% high recorded in 2014. Both mid- and small-sized companies continued to show SUM increases this year, while larger firms were responsible for the slippage. **Three strategies for increasing SUM:** ensure spend analysis covers all direct, indirect, and even low-value categories; revisit so-called nonaddressable spend categories; consider utilizing AI-powered solutions to automatically mine spend data for less obvious types of sourcing opportunities.

	Weighted Avg	vs. 2017
All Global	54%	+1
Large – \$2 billion+	56%	-2
Mid-size – \$500M - \$2B	52%	+2
Small – <\$500M	51%	+4

Estimate the percentage of total corporate spending currently under management by procurement:

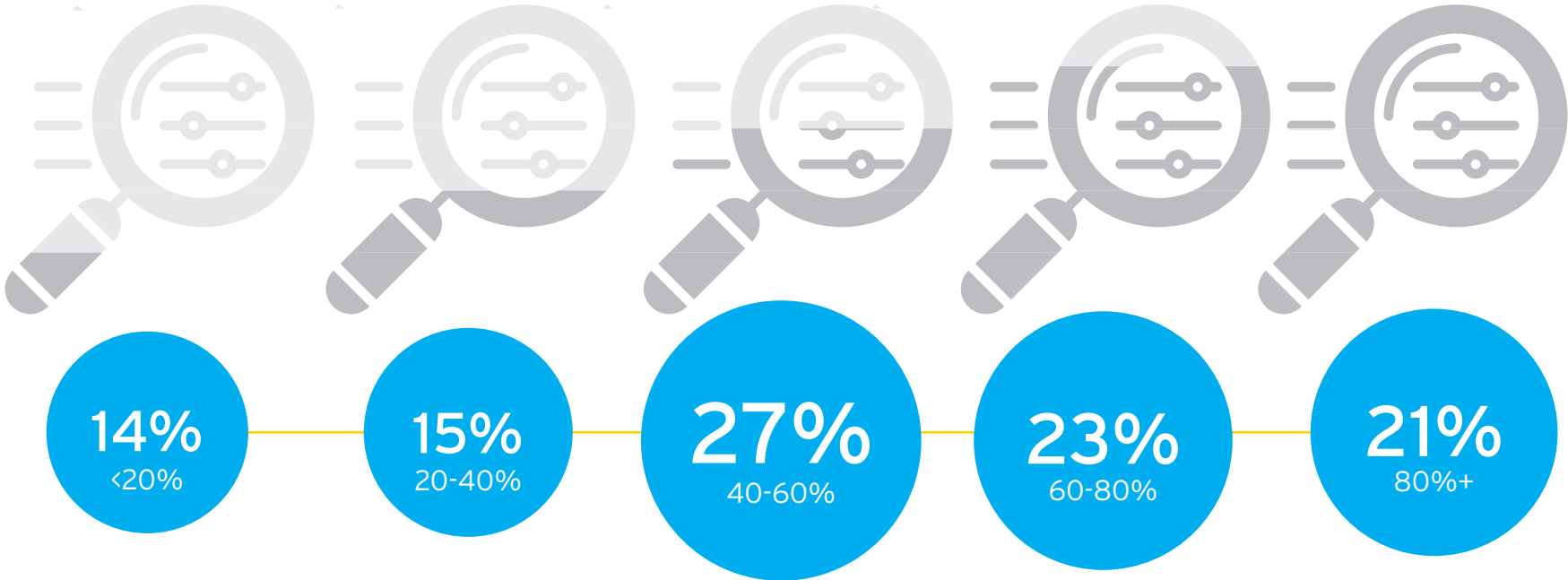


# CONTRACT compliance

This year, the weighted average global benchmark for compliance to procurement strategic supply contracts regains two of the six points it lost between 2014 –2017 with large companies leading the increase and mid-sized firms adding a slight drag. With economic growth on the rise around the globe, the impetus for supporting procurement-led spend management can wane. **Strategies for promoting contract compliance include:** involving key stakeholders in sourcing and selection processes; measuring and communicating benefits consistently throughout a contract's lifecycle, and tracking, validating, and reporting out (and up) on compliance statistics.

	Weighted Avg	vs. 2017
All Global	55%	+2
Large – \$2 billion+	59%	+4
Mid-size – \$500M - \$2B	50%	-2
Small – <\$500M	50%	+1

Estimate the overall rate of compliance to enterprise strategic supply contracts in your enterprise:



**TECHNOLOGY** ENABLEMENT



# OVERVIEW

The annual **Pulse of Procurement** study from Zycus finds few notable shifts in the procurement technology landscape over the past several years with half to 70% of procurement teams reporting at least some degree of technology enablement across nine common procurement solutions tested (full details on pages 26-34 and breakouts for company size appear on page 35). A few summary stats:

16%

Rate their current technology stacks as state of the art (SOA).

Fifty-two percent (51%) rate current technology capabilities as middle of the curve, and 33% believe they are behind the curve across nine common procurement solutions tested in the study.

37%

Use custom solutions developed in house.

Typically such solutions utilize common desktop spreadsheet or database applications or may have been built in-house using IT development resources.

31%

Rely on procurement-specific modules related to installed ERP systems for spend analysis, contract management, procure-to-pay, eSourcing, and other functions.

18%

Have invested in dedicated procurement solutions, which are not integrated across the source-to-pay continuum.

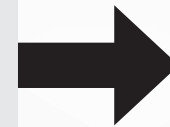
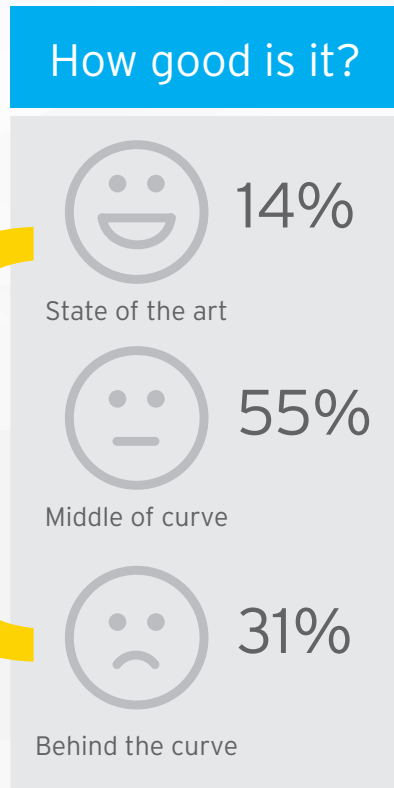
While such solutions may comprise best of breed functionality, moving information from one process step to the next is still often manual, and operational visibility for procurement leadership is limited.

14%

Have invested in integrated procurement suites. Key benefits associated with suites include: fast, automated flow of information from one procurement process step to the next; reduced risks of data error due to manual re-entry; advanced capabilities for generating a wide variety of performance metrics, compliance-tracking, and 360-degree operational and performance-related visibility for procurement leaders.

# SPEND analysis

**71%**  
Have it



## What it means to be SOA:

- Artificial Intelligence (AI) powered data classification
- Captures 100% of spend
- Real-time data/frequent refresh
- Easy, intuitive report creation
- Automated identification of savings opportunities

**21%**  
Planning to upgrade

**17%**  
Planning initial investment



Homegrown  
**44%**



ERP-Based  
**27%**



Standalone  
**16%**



Integrated Suite  
**13%**

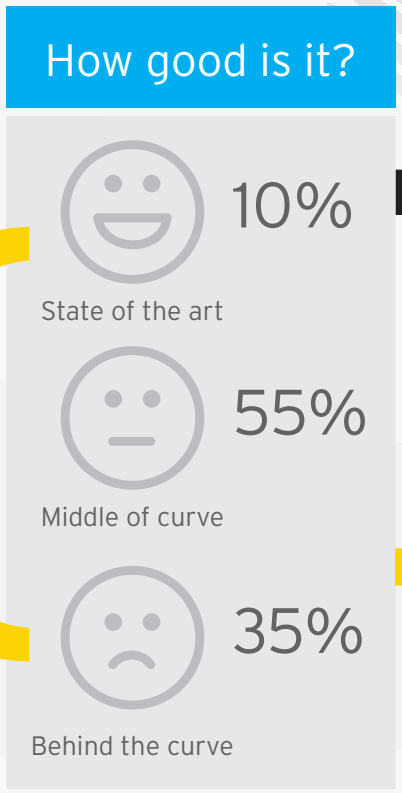
## Key benefits/value

Empowers procurement organizations with information to:

- **Identify and prioritize** savings opportunities
- **Strategize** and negotiate with suppliers based on market-driven insights to increase cost efficiency.
- **Track and promote compliance** to approved spend methods, contracts, approval workstreams, and so forth.
- **Create** understanding around how market trends influence movements in major corporate financial metrics.

# CONTRACT management

**70%**  
Have it



## What it means to be SOA:

- Multidirectional workflow
- Collaborative authoring
- Negotiation/revision of terms
- Customizable access control
- Automated expiry alerts
- Performance tracking
- Integration with spend analysis, procure-to-pay (P2P), etc.

**25%**  
Planning to upgrade

**17%**  
Planning initial investment



Homegrown  
**34%**



ERP-Based  
**26%**



Standalone  
**27%**



Integrated Suite  
**13%**

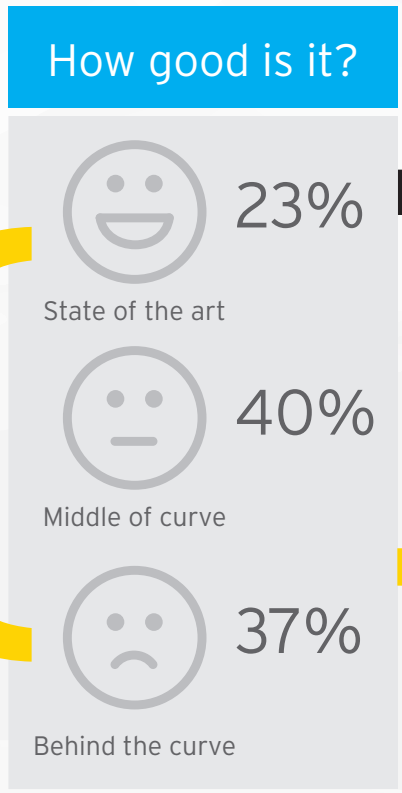
## Key benefits/value

Enables procurement organizations to:

- **Centralize and control** contract/document record keeping.
- **Collaborate** with legal teams in minimizing contract risk.
- **Extract and structure** contract data for analysis and reporting.
- **Track and promote compliance** to negotiated contract terms – both commercial and performance related.
- **Reduce contracting cycle times**, ensuring capture of benefits negotiated in dynamic markets and enabling more spend to be linked to the contracts

# ELECTRONIC (e)Sourcing

**55%**  
Have it



## What it means to be SOA:

- Handles simple to highly complex bidding events
- Covers all forms of eRFx and multiple bid formats
- 24/7 Web access with easy flow of information from on- to offline apps
- Rigorous workflow and communications capabilities
- Sophisticated, yet easy-to-use bid/award analysis tools

**16%**  
Planning to upgrade

**22%**  
Planning initial investment



Homegrown  
21%



ERP-Based  
27%



Standalone  
29%



Integrated Suite  
23%

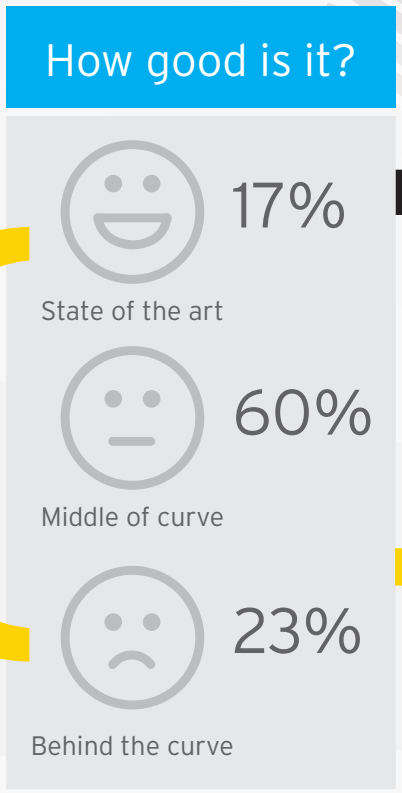
## Key benefits/value

Digitalizes and accelerates standard strategic sourcing process, enabling procurement organizations to:

- **Involve stakeholders** in writing requirements and analyzing RFx.
- **Bid more categories across** more suppliers, covering larger geographies.
- **Expand analysis** to include non-price related and subjective factors.
- **Capture knowledge/business intelligence** over time.
- **Test and understand** commercial impacts of requirements.
- **Create transparency** and fairness through bid, analysis, and award processes.

# PROCURE- to-pay

**65%**  
Have it



## What it means to be SOA:

- Consumer-like user experience
- Guides users to best-cost/preferred choices
- Minimal reliance on costly eCatalog technology
- AI-powered classification of spend transactions in real-time
- Easily customized for varied req, PO, and invoice workflows

**22%**  
Planning to upgrade

**14%**  
Planning initial investment



Homegrown  
**16%**



ERP-Based  
**53%**



Standalone  
**15%**



Integrated Suite  
**16%**

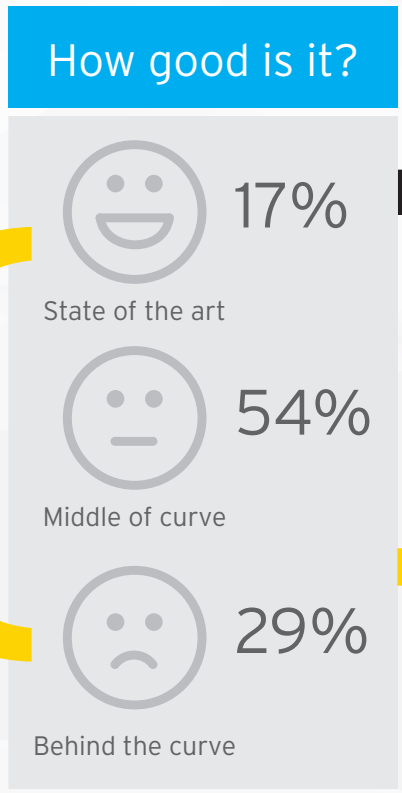
## Key benefits/value

Enables procurement organizations to:

- Improve visibility and transparency with real-time, accurate data across every transaction
- Obtain user adoption with Amazon-like user interface
- Promote supplier-side automation using comprehensive and complimentary supplier portal
- Achieve robust compliance by linking contracts to transactions
- Improve approval management and efficiency with multi-conditional, dynamic workflows
- Increase portal-based invoice generation and capture

# PROJECT management

**58%**  
Have it



## What it means to be SOA:

- Seamless info flow from spend analysis and opportunity ID to evaluation and prioritization, sourcing, contracting, supplier onboarding, and performance management apps.
- Milestone tracking/alerts
- Real-time, 360-degree visibility for procurement leadership

**19%**  
Planning to upgrade

**12%**  
Planning initial investment



Homegrown  
**42%**



ERP-Based  
**25%**



Standalone  
**20%**



Integrated Suite  
**13%**

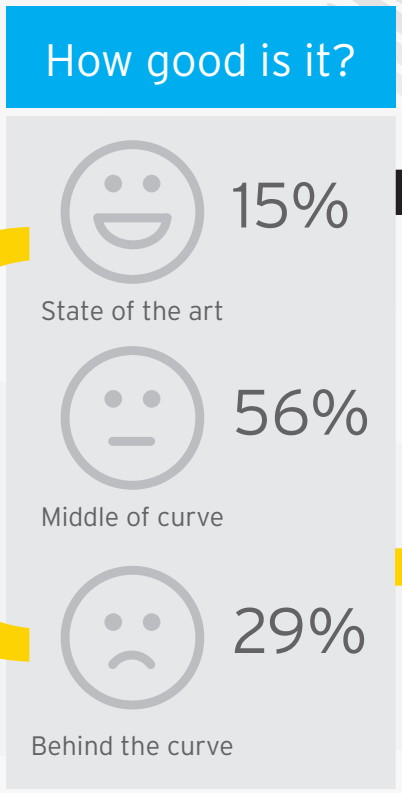
## Key benefits/value

Enables procurement leaders to:

- **Evaluate, prioritize, and assign** strategic sourcing opportunities.
- **Manage actively** to specific organizational objectives for cost savings and other value delivery.
- **Ensure compliance** of category managers to standard strategic sourcing process steps and organizational requirements for information and analytical rigor.
- **Identify and address** process bottlenecks if and when they occur.

# REQUEST management

**62%**  
Have it



## What it means to be SOA:

- Accommodates virtually any desired approval process, financial governance, or compliance workflow
- Multidirectional workflow (requests can move forward, backward or sideways)
- Easy to use
- Generates detailed audit trails

**20%**  
Planning to upgrade

**15%**  
Planning initial investment



Homegrown  
**36%**



ERP-Based  
**36%**



Standalone  
**17%**



Integrated Suite  
**11%**

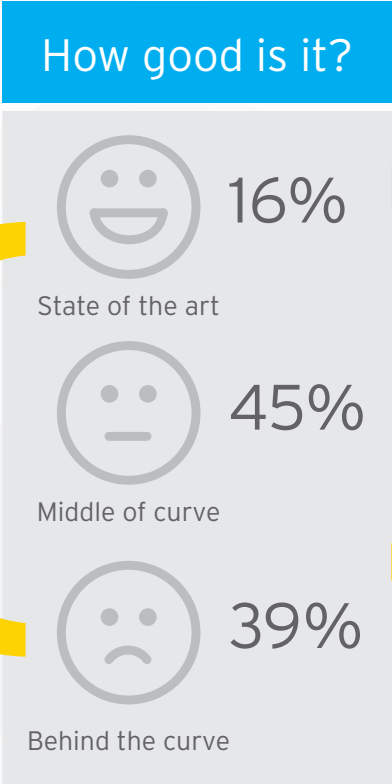
## Key benefits/value

Enables procurement organizations to:

- **Extend procurement influence and control** over one-time, off-contract, and other spending requirements that do not otherwise fit into standard eProcurement, p-card, or direct-sourcing workflows.
- **Improve service and satisfaction levels** among internal stakeholders by minimizing errors, making it fast and easy to engage procurement and to track request progress (ultimately increasing total spend under management by procurement).
- **Track and understand** request volumes and types; allocate procurement resources accordingly.

# SAVINGS tracking

**65%**  
Have it



### What it means to be SOA:

- Allows for high complexity and nuance in savings definition
- Enables tracking by projected, realized, actual and classification of savings types (negotiated, market-based, hard/soft/avoidance, etc)
- Workflow for savings validation, disposition (budget down, reinvest, etc), and allocation

**19%**  
Planning to upgrade

**16%**  
Planning initial investment



Homegrown  
**64%**



ERP-Based  
**18%**



Standalone  
**10%**



Integrated Suite  
**8%**

### Key benefits/value

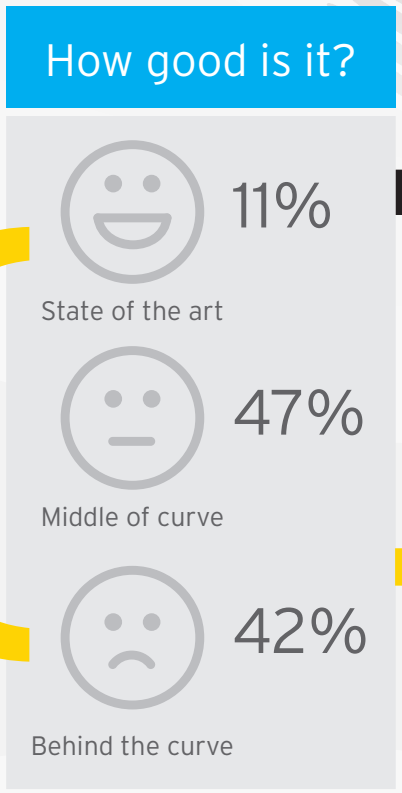
With cost control being a lead objective for more than half of procurement organizations worldwide, savings tracking solutions:

- **Consistently define and control** measurement and validation of procurement cost savings.
- **Enable valid linking of procurement cost savings** to corporate financial metrics and balance sheets.
- **Measure and report on procurement performance** in ways that are accepted and respected by enterprise leadership.
- **Extend** procurement influence by documenting value delivery.



# SUPPLIER management

**61%**  
Have it



## What it means to be SOA:

- Supports all categories and both direct/indirect spend
- Flexible metrics design
- Consistent weighting, KPI rollup for comparability
- Workflow for stakeholder input
- Empowers suppliers to enter and maintain basic info and have voice in SPM process

**28%**  
Planning to upgrade

**21%**  
Planning initial investment

## Key benefits/value

Empowers strategic procurement organizations to:

- **Ensure consistently clean, up-to-date information** around supplier capabilities, certifications, regulatory compliance, etc.
- **Identify top-performing suppliers** for long-term contracts, process/technology integration, and collaborative relationships.
- **Identify and address supply risk** before it manifests in crisis.
- **Enhance supplier relationships** by collaborating on problems, driving continuous improvement and ensuring that commercial transactions are executed accurately and on time.
- **Award business** on total cost of ownership versus price only.



Homegrown  
**46%**



ERP-Based  
**29%**



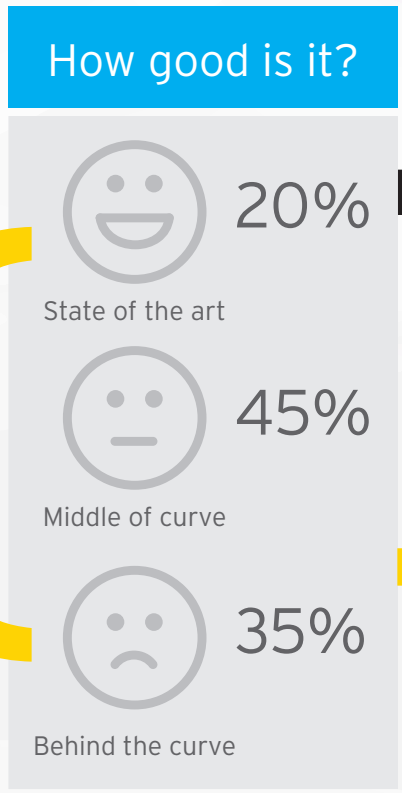
Standalone  
**12%**



Integrated Suite  
**13%**

# SUPPLIER network

**55%**  
Have it



- What it means to be SOA:**
- Seamless extension of eSourcing, P2P, and SIM/SPM solutions for supplier discovery
  - Enables suppliers worldwide to document capabilities and demonstrate eligibility and interest in participating in sourcing/bidding events
  - Rapid supplier onboarding

**23%**  
Planning to upgrade

**14%**  
Planning initial investment

## Key benefits/value

- Enables procurement organizations to:
- **Rapidly discover suppliers** for new product competitive bids.
  - **Build** local supplier networks in expansion regions or markets.
  - **Improve service levels** on one-time or unique requests.
  - **Rapidly onboard new suppliers** by automatically pulling supplier maintained and/or third-party data (such as DUNS numbers) into eSourcing, SIM/SPM, and financial transaction systems.
  - **Keep a pulse on innovation** taking place in global marketplace.
  - **Offer affordable means of interacting digitally** for receiving POs, submitting invoices, etc.



Homegrown  
**34%**



ERP-Based  
**36%**



Standalone  
**16%**



Integrated Suite  
**14%**

# TECH ENABLEMENT by company size

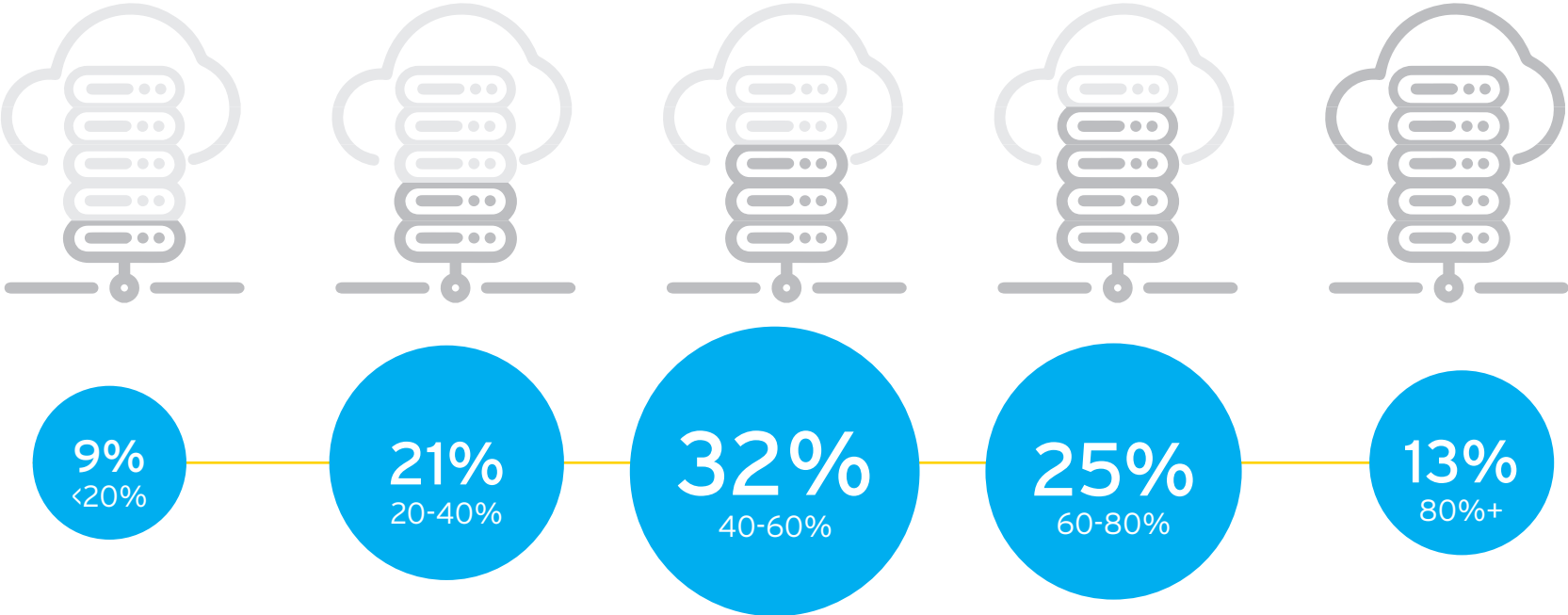
	Large			Mid-size			Small		
	Have it	Will invest	No plans	Have it	Will invest	No plans	Have it	Will invest	No plans
Spend Analysis	78%	13%	9%	67%	18%	15%	64%	23%	13%
Contract Management	77%	12%	11%	70%	16%	14%	61%	25%	14%
eSourcing	65%	16%	19%	43%	26%	31%	49%	27%	24%
Procure to pay	70%	12%	18%	64%	13%	23%	57%	19%	24%
Project Management	57%	11%	32%	59%	8%	33%	57%	16%	27%
Request Management	62%	16%	22%	56%	15%	29%	67%	16%	17%
Savings Tracking	72%	14%	14%	59%	16%	25%	57%	21%	22%
Supplier Management	68%	18%	14%	50%	24%	26%	61%	22%	17%
Supplier Network	55%	13%	32%	54%	18%	28%	56%	13%	31%

# TECHNOLOGY adoption/utilization

The weighted average benchmark for procurement technology adoption and utilization, which measures the average percentage of total available functionality being used routinely, regains two of the four points it lost in 2017. Where utilization remains low, difficulty driving change management around technology rollout remains, by far, the number-one culprit. **Winning strategies for overcoming this obstacle include:** fixing process flaws before adding process-automation technology; identifying likely power users and making them mentors, and making training and success-share sessions an integral part of team work and social culture.

	Weighted Avg	vs. 2017
All Global	53%	+2
Large – \$2 billion+	53%	-2
Mid-size – \$500M - \$2B	53%	+4
Small – <\$500M	52%	+4

When considering your company’s total available procurement technology portfolio (standard and advanced functions), estimate the percentage of total available capabilities being actively utilized at this time.



# PROCUREMENT next 5 years

Asked to offer predictions for where the procurement function is headed over the next five years, three quarters of verbatim comments sort into one of two categories. Fifty-three percent predict more and/or different uses for technology in procurement, while 22% foresee major shifts coming in the procurement function's essential corporate role. Within the 'more technology' segment, there are several threads running through the various predictions:

## Disruption

As discussed on pages 5-10 of this report, many believe disruptive technologies such as AI, Blockchain, and IoT are poised to explode on the procurement scene in the coming five years.

## Automation

Continued automation of manual procurement tasks is a foregone conclusion for a large percentage of the procurement professionals making predictions. And they have eyes wide open about what that will mean for many currently working in the procurement field. Fortunately, as noted on page 38, many also see new, more sophisticated roles emerging for those procurement professionals who make the effort to evolve their skills and capabilities.

## Analytics

Procurement professionals participating in this year's study see an immense leap forward coming soon in both sophistication and ubiquity of advanced (Big Data) analytics capabilities in procurement.

Excelling in this area, some suggest, will be one way to remain employed in procurement for the foreseeable future.

## Connectivity

A close reading of pages 25-35 of this report shows that many procurement functions remain far from fully connected or integrated technologically with other corporate functions such as manufacturing, warehouse, and Accounts Payable. What is more, many lack even basic integration among the various procurement technology solutions on which they rely for daily work. The belief is strong, however, that this state of disconnectedness will soon change for the better.

## Cloud

While receiving far fewer mentions than other areas, at least a few study participants foresee continued migration in technology enablement from enterprise (behind-the-firewall) solutions to those hosted and accessible 24/7 from anywhere in the world via Cloud technology.

# PROCUREMENT next 5 years

With the elevation of procurement from a tactical to strategic function remaining the number-one priority for procurement leaders this year, it is interesting to see how different procurement professionals see their roles changing over the coming five years. Here is just a small sample of what they foresee:



*Procurement will shift from savings/cost cutting to business collaboration and [obtaining] solutions from suppliers..."*



*New supplier eco-systems and eco-system managers. Procurement of more advanced and bundled services and solutions. Shift toward performance- and value-based contracting."*



*I see more horizontally structured organizations where procurement is the main component of many businesses..."*



*A more balanced approach and view of the value procurement brings to the business; becoming end-to-end supply chain management (not just procurement), addressing sourcing and supply risks, contract risks, commercial and cost risks, internal customer service as a full business partner from the earliest stages of business strategy and planning through to considerations for utilization, performance, safety, environment, disposal and clean-up."*



*I believe procurement will be trimmed down to only supplier relationship management role. All the other processes within procurement will be automated and will need no human intervention."*

**Z**ycus is a leading global provider of complete Source-to-Pay suite of procurement performance solutions. Our comprehensive product portfolio includes applications for both the operational and the strategic aspects of procurement – eProcurement, eInvoicing, Spend Analysis, eSourcing, Contract Management, Supplier Management, Financial Savings Management, Request Management and Project Management. Our spirit of innovation and our passion to help procurement create greater business impact are reflected among the hundreds of procurement solution deployments that we have undertaken over the years. We are proud to have as our clients, some of the best-of-breed companies across verticals like Manufacturing, Automotive, Banking and Finance, Oil and Gas, Food Processing, Electronics, Telecommunications, Chemicals, Health and Pharma, Education and more.

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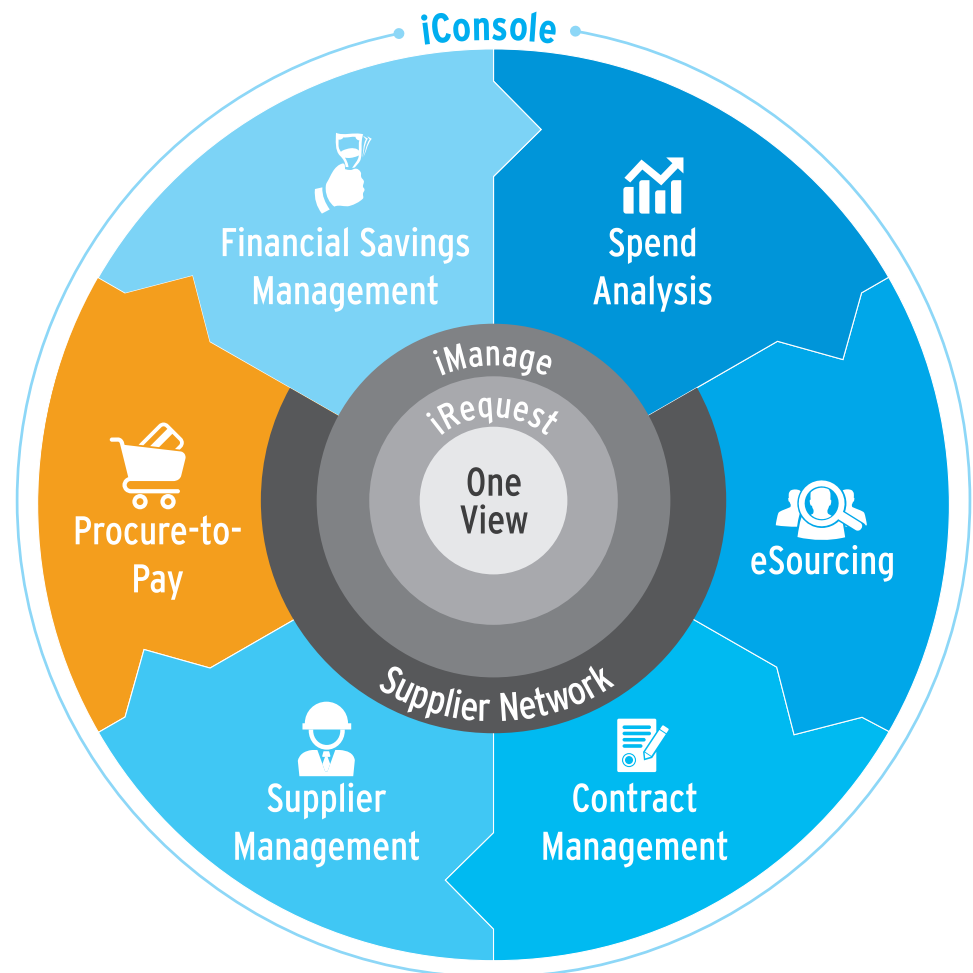
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