BUILDING A BUSINESS CASE
FOR STRATEGIC SOURCING SUITE

As organizations become increasingly complex, thanks to globalization and the liberalization of world economies, the procurement function has become a crucial linchpin for competitive advantage and improved bottom-line. Technology, along with its ability to automate and collaborate at scale, has transformed into the missing link between processes; and this has clearly spearheaded the increasing performance demand from procurement.

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The Strategic Sourcing Suite comprises the following key modules

| Spend Analysis | eSourcing | Contract Management | Supplier Management |

While point solutions greatly increase efficiency in some processes, it comes with challenges such as increased latency and diminishing organizational efficiency. Consequently many procurement organizations are exploring Generation Next solutions and frequently find them in suites. The "Suite" approach is not just a sum of different modules, but something more invaluable altogether.

According to Gartner's Critical Capability for Strategic Sourcing Application Report 2018, Strategic Sourcing Application (SSA) suites are designed to help procurement and sourcing professionals negotiate contracts with suppliers and manage supplier bases. SSA suites are often deployed by procurement team looking to:

- Improve spend visibility
- Automate their sourcing process to reduce sourcing cycle time
- Create a centralized repository for contracts and enhance compliance to contract terms
- Reduce risks from lagging supplier performance

Zycus' Strategic Sourcing Suite provides organizations the competency to cut costs, enhance quality, and boost performance across their entire supply chains.

In the following sections of this whitepaper, we will highlight both the qualitative and quantitative impact of deploying the SSA suite.

Realize possibilities with Spend Analysis

According to the Deloitte Global Chief Procurement Officer Survey 2019, spend consolidation is the top business strategy for 36% of procurement organizations. The corresponding 2018 report mentioned that, reducing cost is the most critical business strategy for 78% of procurement organizations.
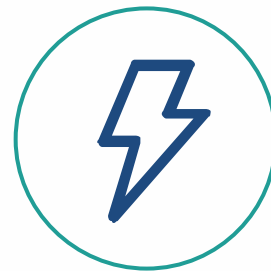
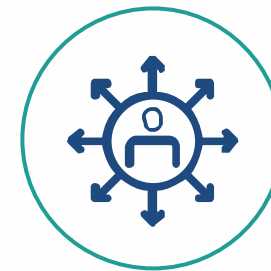### Prioritization of Business Strategies

| Reducing Cost (78%) | New Product Market Development (58%) | Managing Risks (54%) | Expanding Organically (48%) |

Source: Deloitte Global Chief Procurement Officer Survey 2018

APQCs Open Standards Benchmarking in Procurement states that organizations that have initiated spend analysis programs perform better on several metrics than organizations without spend analysis;

   a) 55% lesser procurement FTE, with 550% higher number of purchase orders processed per procurement FTE

   b) Total cost of the procurement cycle per purchase order

   c) Systems cost of the process "Order materials/services" per USD 100,000 in purchases

   d) Percentage of purchase orders approved electronically

With Zycus Spend Analysis, organizations can extract information such as materials, services, and supplier cost from varied source systems. After extraction, the data is cleansed, classified, and t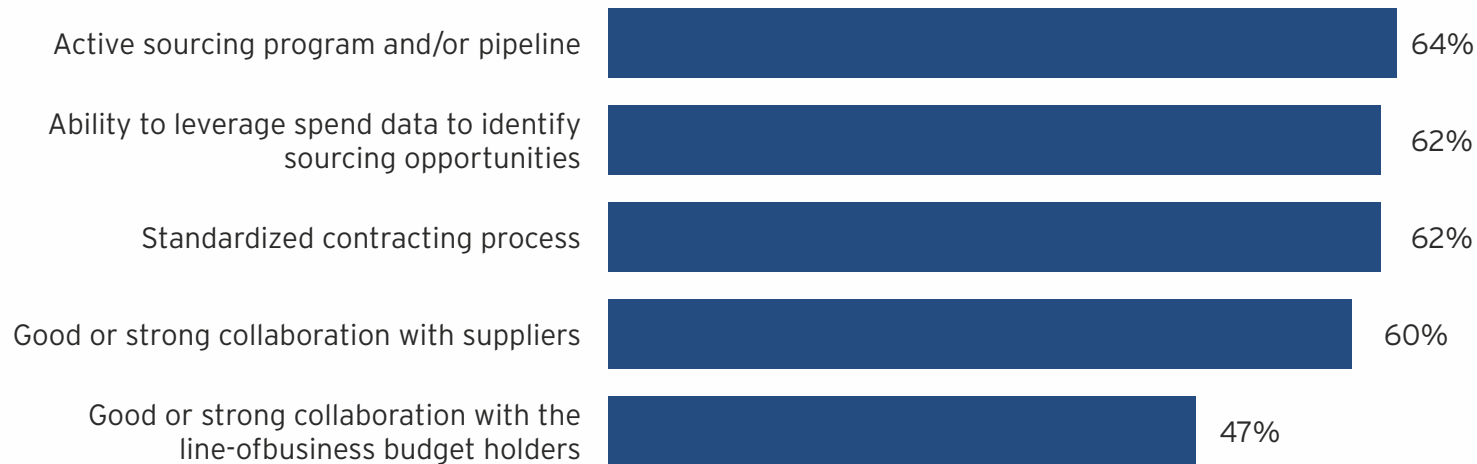ransformed into a uniform format. Zycus Spend Analysis then analyses, enhances, and converts the information into reports and dashboards for the purpose of:

- **Spend Visibility:** A detailed spend analysis report will provide visibility into what and where money is being spent exactly.
- **Graphical reporting:** Multiple customer configurable and interactive dashboards will reveal spend patterns, trends, and savings opportunities.
- **Business Intelligence:** Expense reports, charts, graphs, and data extracts for publication and usage across the organization can be generated.
- **Opportunity recognition:** Increasing visibility and intelligence aids in better decision-making since one would be able to identify opportunities for reducing costs.
- **Reducing maverick spend:** Analyzing historical spend information and metadata, can help flag any potential overhead, missing, erroneous, or fraudulent transaction.

Spend Data → Extract → Cleanse, Classify, Transform → Analyze → Reports & Dashboards → Savings

Spend Analysis Workflow
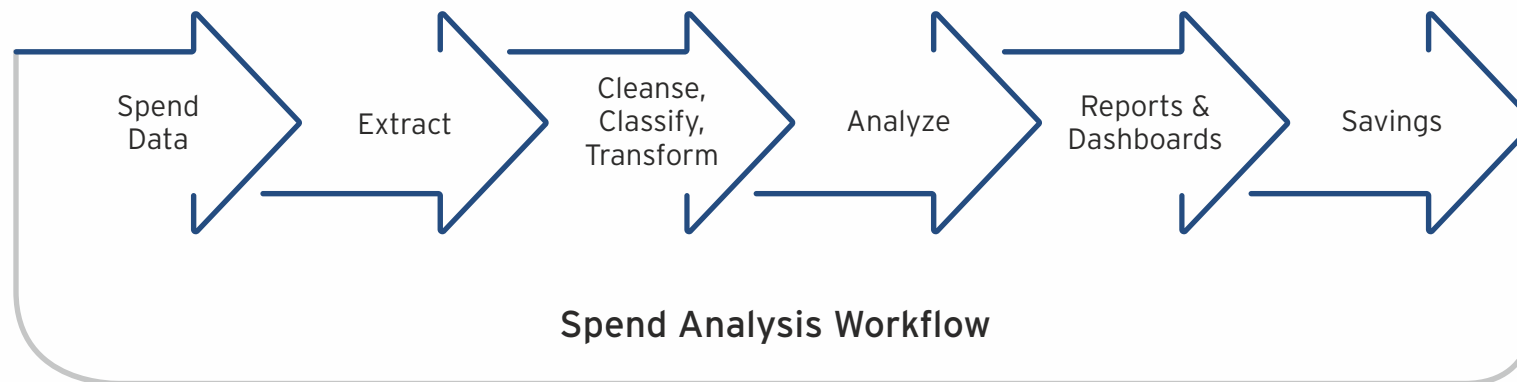
A study conducted by Ardent Partners revealed that for 66% of procurement organizations, gaining an earlier engagement on sourcing projects is the biggest opportunity to unlock more procurement value for the future. The study further revealed that with spend visibility in hand, 64% of sourcing teams can build active sourcing pipeline with the most capable, competitive, and valuable suppliers.

Top Sourcing Capabilities

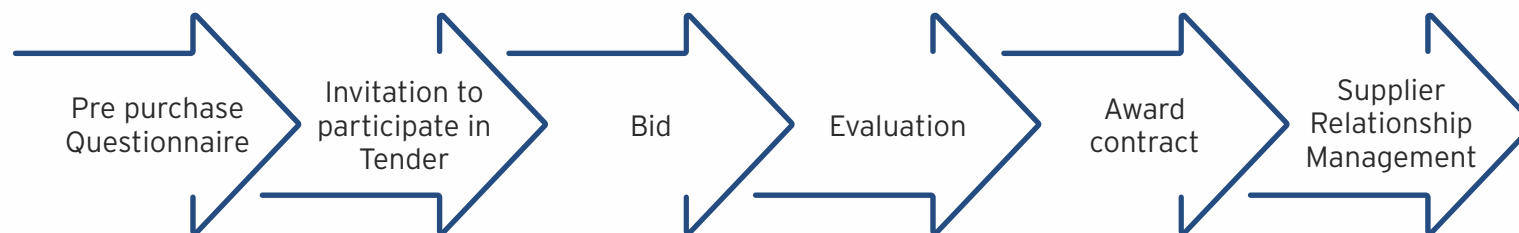| Capability	Percentage
Active sourcing program and/or pipeline	64%
Ability to leverage spend data to identify sourcing opportunities	62%
Standardized contracting process	62%
Good or strong collaboration with suppliers	60%
Good or strong collaboration with the line-ofbusiness budget holders	47%

Source: Ardent Partners

Users of eSourcing technology report the following advantages over those not relying on this sourcing enabler, as stated by an Aberdeen Group report;

a) 57% lower rate of savings leakage

b) 21% higher rate of procurement compliance

c) Nearly 20% higher rate of spend under management

With Zycus eSourcing, organizations can perform functionalities that involve assessing potential suppliers using a pre-purchase questionnaire, inviting suppliers to submit tender, holding eAuctions, analyzing and evaluating bids, awarding contracts, and finally supplier relationship management. Zycus eSourcing provides businesses with a wealth of benefits:

- **Curtailing Cost:** Accessing a broader range of suppliers and eAuction strategies provide cost savings to procurement teams.
- **Increased Speed of Procurement:** Time spent on tendering process reduces significantly and speeds up the time it takes to award a contract.
- **Reinforcing Supplier Relationship:** Increased transparency with suppliers who have access to a portal where they can view information such as tendering opportunities, status, deadlines, and other critical data.
- **Strengthened Compliance:** Leveraging a systematic approach that helps organizations stay compliant by providing control and audit trail for tendering processes.

Pre purchase Questionnaire → Invitation to participate in Tender → Bid → Evaluation → Award contract → Supplier Relationship Management

eSourcing Workflow

CONTRACT MANAGEMENT, THE PROCUREMENT LIFECYCLE IMPERATIVE

Contract Lifecycle Management (CLM) has been a crucial component for Best-in-Class procurement organizations, with adoption as high as 63%. Studies show that organizations utilizing CLM solutions have a 32% higher rate of procurement compliance than those without this enabler in place.

More than **10%** of all executed contracts are lost

- Faulkner Information Services

3.4 weeks
Average time it takes to create and approve a contract

- Forrester Research

20,000 to 40,000
Average number of contracts per organization

- PwC

60% - 80%
Business transactions governed by contracts or agreements

– Gartner Research

Organizations that have leveraged a CLM solution further derived the following benefits*;

a) Contract Approval time drops an average 82% with the use of a CLM solution

b) 90% renewal rates were seen by companies using CLM solutions

Zycus Contract Management solution enables organizations to request, author, collaborate, negotiate, sign, track, and store contracts. Plus, the availability of the Zycus CLM platform on Salesforce AppExchange, enables businesses utilizing the Salesforce Platform to execute contracting processes, directly from the CRM system. Zycus CLM solution can enhance business objectives in a number of ways:

- **Reduced Maverick Spend:** With a CLM solution in place, off-contract or maverick spending reduces from 22% to 19%*.
- **Reduced Cycle Time:** The time to process a single contract requisition-to-order, reduces from 6.3 to 5 days*. The cycle time can be additionally cutback, by using standardized templates in the contracting process.
- **Risk Minimization:** With a supplier-buyer contract in place, commitments are adhered to. If suppliers have agreed to price reduction with increase in scale, then the CLM system will trigger alerts and notification to highlight this.
- **Increased Visibility:** Improved visibility into contract utilization through automation that tracks the usage of contract scope. The probability of lost contracts also decreases with a centralized repository.
- **Heightened Security:** Elevated security with user, role, and folder based access for confidential contracts.

*Aberdeen Report
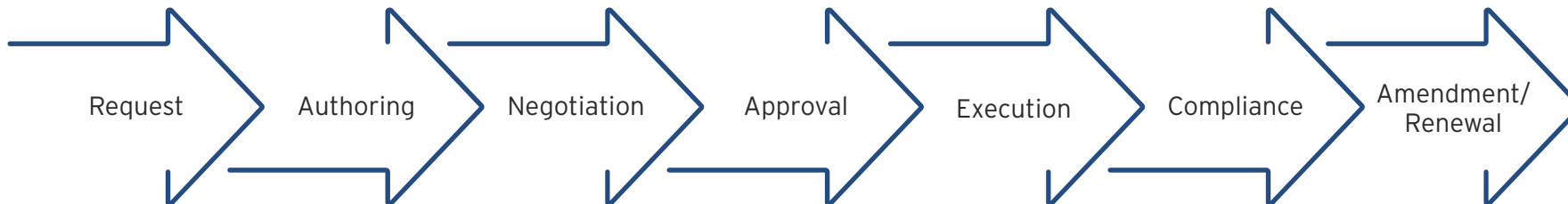
Request → Authoring → Negotiation → Approval → Execution → Compliance → Amendment/Renewal

Contract Lifecycle Management Workflow

A study has shown that organizations having an active Supplier Management program in place, have reduced the number of days and the cost required for processing a single requisition to order cycle, by 38% and 50% respectively.
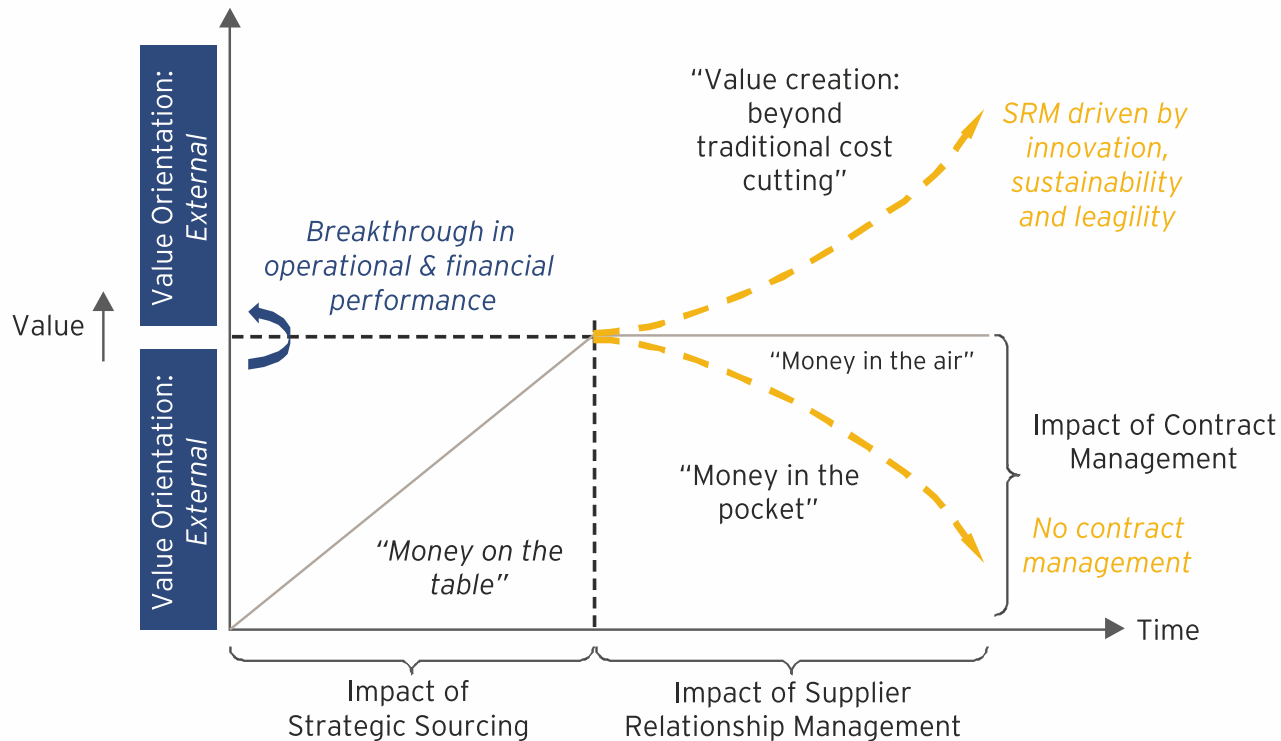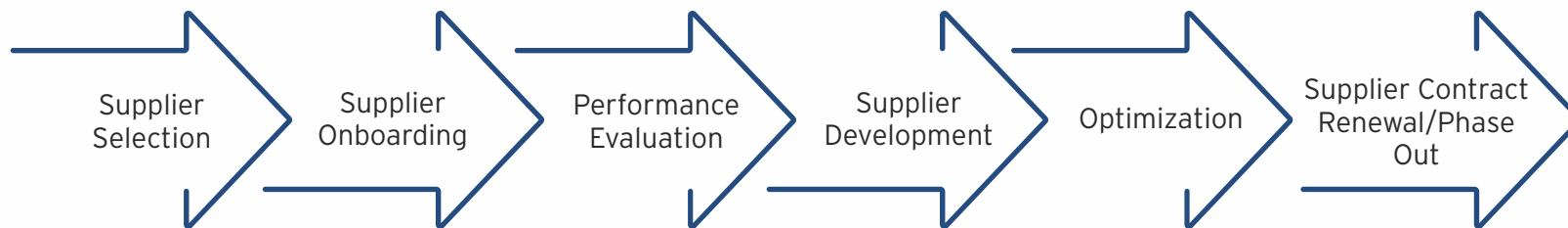

Source: PwC

The top three benefits shared by organizations in collaborating on a supplier network*;

    a) 31% increased sales opportunities

    b) 28% improved visibility into buying organization's processes

    c) 26% accelerated order-to-cash cycle

*Supplier Networks v2.0: A Look at Commerce in the Cloud study

Supplier Management programs across businesses contribute to performance management as indicated below:

- **Increased Cost Savings and Quality Control:** Having a strong supplier management agenda, enables organizations to scrutinize the quality and quantity of supplier output, leading to identification of cost savings opportunities and ultimately improving the bottom line.

- **Bolstered Compliance:** Evaluate supplier's compliance to pre-set procurement parameters - such as credit risk ratings or supplier demographic diversity – and identify the scope of improvement to derive maximum value.

- **Mitigating Risk:** With an expanding supplier base, complexity in terms of identifying and assessing risks grows manifold. Supplier Management helps in notifying and alerting buyers before they initiate or close a deal with risk prone suppliers.

- **Leveraging Supplier Base:** Effective Supplier Management helps organizations leverage the service of geography agnostic suppliers as well as mitigate problems that arise out of increasing globalization and scale of operations.

Supplier Selection → Supplier Onboarding → Performance Evaluation → Supplier Development → Optimization → Supplier Contract Renewal/Phase Out
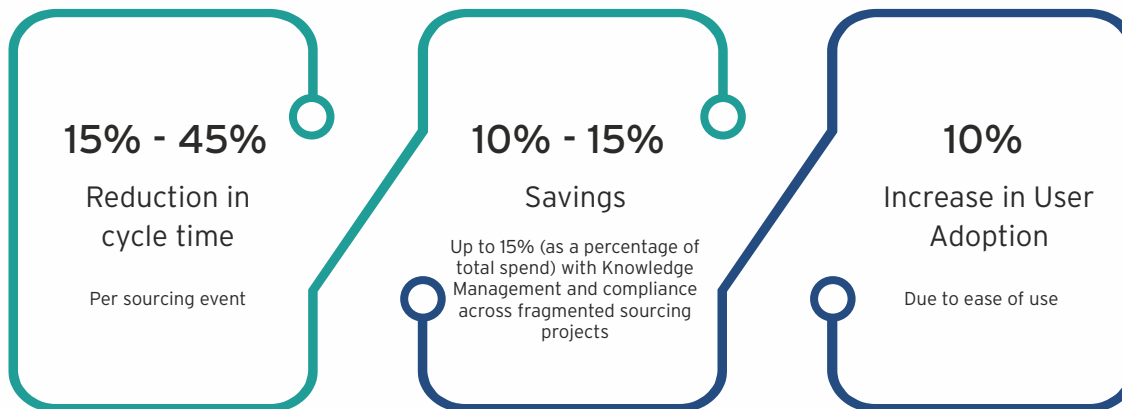
Supplier Management Workflow

Implementing a world-class Strategic Sourcing Suite has the potential to make a huge impact. Here are the effects of implementing the key SSA modules.

Spend Analysis

67%
Increase in Spend Under Management

USD 7.7 Mn
Incremental Spend Sourced Savings

10%
Increase in User Adoption

Due to ease of use

eSourcing

15% - 45%
Reduction in cycle time

Per sourcing event

10% - 15%
Savings

Up to 15% (as a percentage of total spend) with Knowledge Management and compliance across fragmented sourcing projects

10%
Increase in User Adoption

Due to ease of use

Contract Management

87%
Reduction in Maverick Spend

600%
Increase in Savings

By doubling contract compliance

12%
Greater Savings

Errors costs the average company up to 12% of their annual contract expenditure

Supplier Management

Typical savings for direct material range from,

USD 585 to USD 760

per supplier

Typical savings for services and indirect spend, range from

USD 720 to USD 998

per supplier

Supplier management executives may find as much as a

7x improvement

in time and expense required to manage suppliers with the right technology
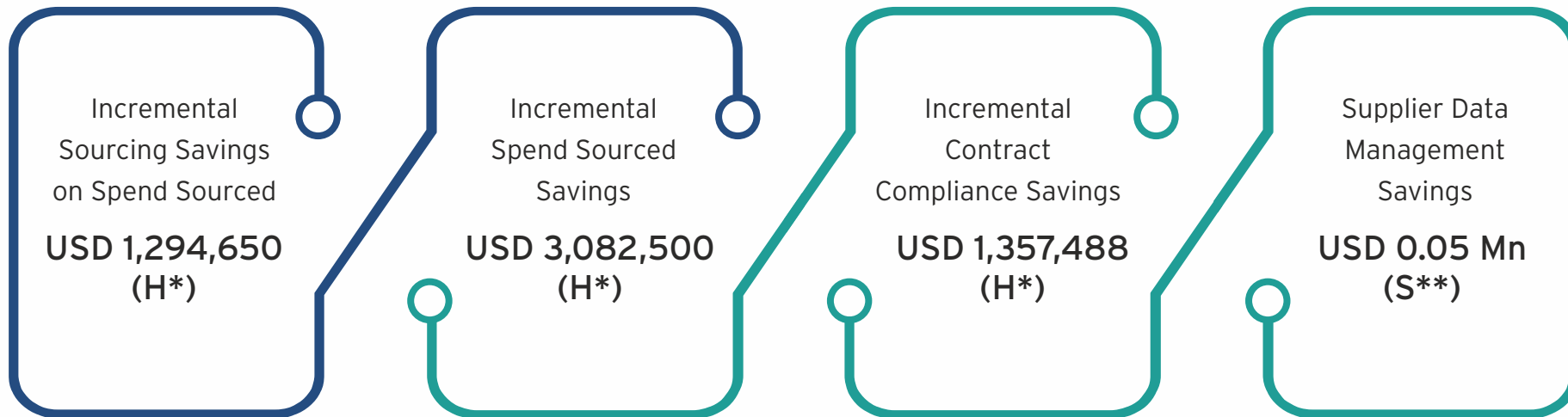
USD 5.78 Mn Total Annual Potential Savings

| Hard Savings – USD 5.73 Mn |

3.8% of USD 150 Mn Addressable Spend

| Soft Savings – USD 0.05 Mn |

Incremental Sourcing Savings on Spend Sourced	Incremental Spend Sourced Savings	Incremental Contract Compliance Savings	Supplier Data Management Savings
USD 1,294,650 (H*)	**USD 3,082,500 (H*)**	**USD 1,357,488 (H*)**	**USD 0.05 Mn (S**)**

H* Hard Savings = Spend cost reduction with direct budget impact due to lower negotiated prices, improved contract compliance, and optimized cash discounts and/or rebates.
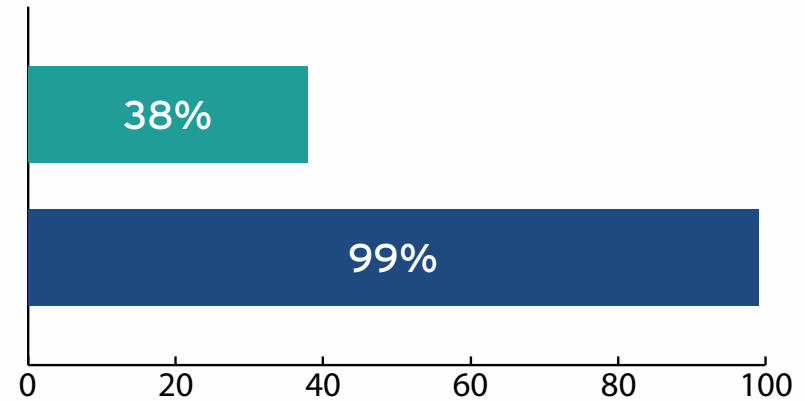
S Soft Savings** = Process efficiencies that increase employee productivity, reducing process cycle time, and cost per transaction as measures by applied effort, but without a direct budget impact as FTE applied efforts are reallocated to higher value/more strategic tasks. Also includes cost avoidance savings without measurable budget impact.
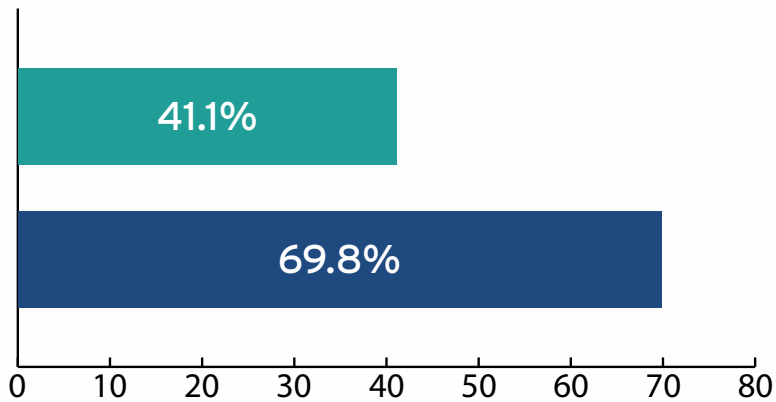
BENCHMARKING AGAINST BEST-IN-CLASS

SUM

55.2%

92%

| 0 | 20 | 40 | 60 | 80 | 100 |
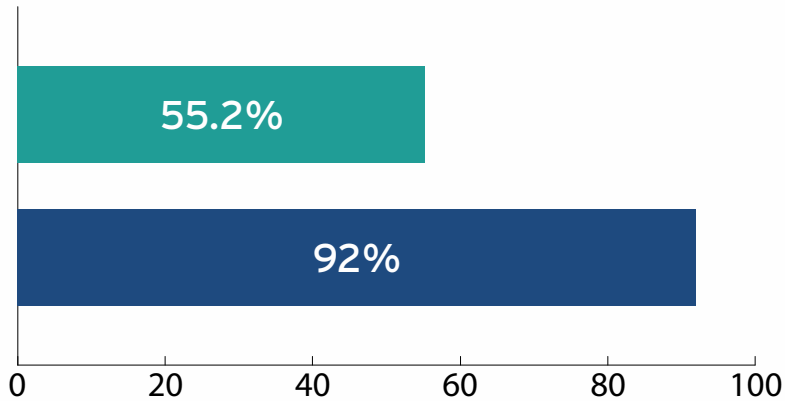
Source: Ardent Partners Benchmark

Spend with Line Item Visibility

38%

99%

| 0 | 20 | 40 | 60 | 80 | 100 |

Source: Hackett Group Benchmark
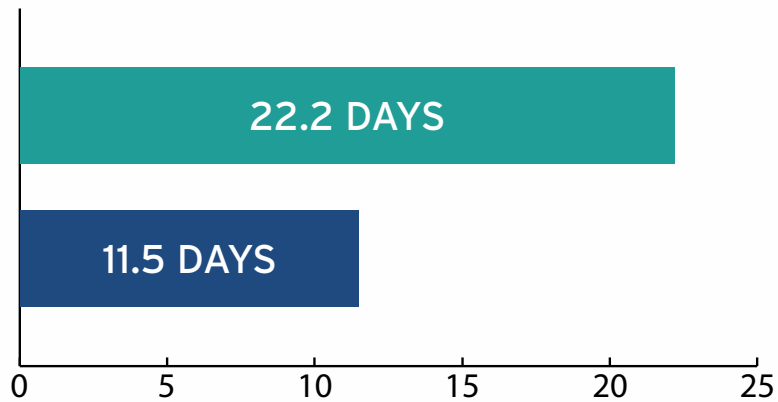
Spend Sourced

41.1%

69.8%

| 0 | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 |

Source: Ardent Partners Benchmarks

Sourcing Savings

5.6%

7.1%

| 0 | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 |

Source: Ardent Partners Benchmarks
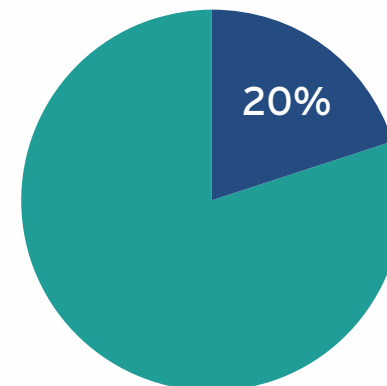
Average   Best-in-class

| Components	Index Number	Component	Current
Key Assumptions	a	Total Addressable Spend	USD 15,00,00,000
	b	Estimated Spend Under Management (SUM %)	55.20%
	c	Estimated Realized Savings on SUM (%)	5%
	d	Estimated Spend Sourced (%)	41.10%
	e	Estimated Contract Compliant Spend (%)	52.80%
	f	Number of Days in a Contracting Cycle (Creation to Approval)	22.2
	g	Number of Supplier Management FTE	1
	h	Annual Supplier Management FTE Compensation	USD 1,00,000
Target Benchmarks	i	Targeted Spend Under Management (SUM %)	92.00%
	j	Targeted Realized Savings on SUM (%)	7.10%
	k	Targeted Spend Sourced (%)	69.80%
	l	Targeted Contract Compliant Spend (%)	70.90%
	m	Targeted number of Days in a Contracting Cycle (Creation to Approval)	11.5
	n	Target number of Supplier Management FTE	0.5

Business Value	S.No	Current Performance (in USD)		Incremental Improvement	S.No	Target Performance (in USD)	Serial Number	Incremental Savings (in USD)
Incremental Sourcing Savings on Spend Sourced	1.1 (a*c*d)	30,82,500	1.2 [(j-c)/j]	42%	1.3 {[100+(1.2)]*[1.1]}	43,77,150	1.4 [(1.3) - (1.1)]	12,94,650
Sourcing Savings on Incremental Spend Source	2.1 (a*c*d)	30,82,500					2.4 (2.1)	30,82,500
Incremental Contract Compliant Spend Savings	3.1 (a*c*e)	39,60,000	3.2 [(l-e)/e]	34%	3.3 {[100+(3.2)]*3.1}	53,17,488	3.4 [(3.3) - (3.1)]	13,57,488
Supplier Management Productivity Savings	4.1 (h)	1,00,000	4.2 [(g-n)/g]	50%	4.3 [(4.2)*(4.1)]	50,000	4.4 [(4.1) - (4.3)]	50,000
Total Savings							5 [(1.4) + (2.4) + (3.4) +(4.4)]	57,84,638

ZYCUS
COGNITIVE PROCUREMENT

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.
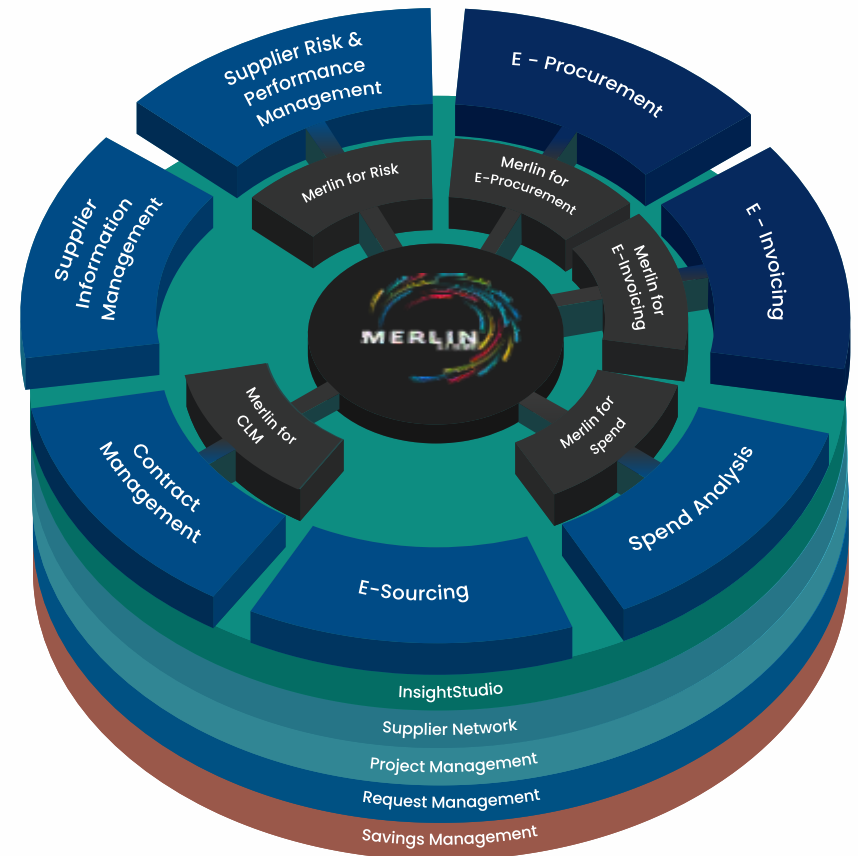
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