

The background of the slide features a blurred office scene. A man in a dark suit and glasses stands on the right, gesturing with his hands towards a large digital screen. A woman in a striped shirt is seated in the foreground, looking at the screen. The screen displays a bar chart with four bars of increasing height, labeled with percentages: 34%, 28%, 15%, and 12%. The Zycus logo is positioned in the top left corner.

ZYCUSTM

PULSE OF PROCUREMENT

2019

PART 1

INTRODUCTION

Dear Reader,

Here we present Part I of our annual **Pulse of Procurement 2019** study report. Each year since 2011 we have been reaching out to procurement professionals across the globe to:

- Ascertain their current objectives and concerns.
- Benchmark how procurement teams are driving business performance improvement.
- Document procurement's technology-enablement landscape.
- Gain a glimpse into how procurement professionals see their futures unfolding.

Over the last few years of the study – as global economic expansion has continued to deliver strong profits and to enable many corporations to pay down debt and otherwise improve their balance sheets – our study had been picking up signs that procurement's hard-won influence over enterprise spending might be starting to wane. This year, however, with storm clouds gathering on the economic horizon, we see signs that procurement is, once again, gearing up to take the reins on cost, risk, and other forms of procurement-led business performance improvement initiatives. Here in Part I of our report, we see this in strong executive support for the function, budgeting, and in the objectives that procurement teams are prioritizing. In Part II, we shall see the same in how corporations are adding new enabling technologies for procurement and/or upgrading to improved second- and third-generation versions of procurement technologies.

We sincerely thank all of the 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.

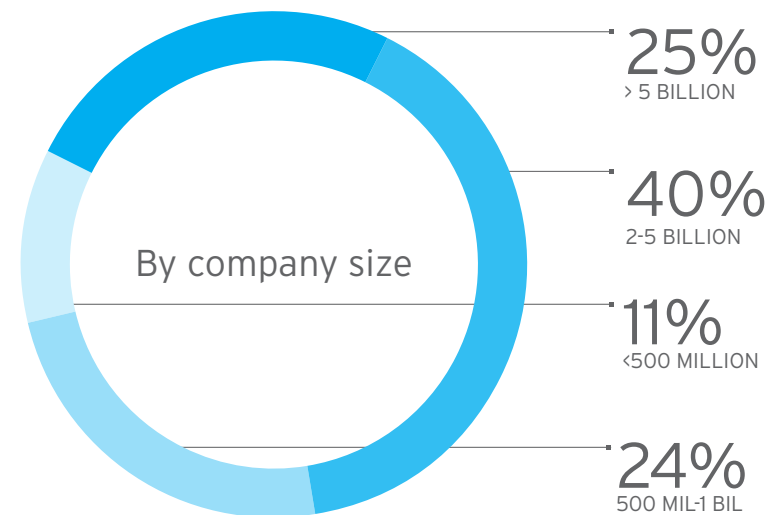
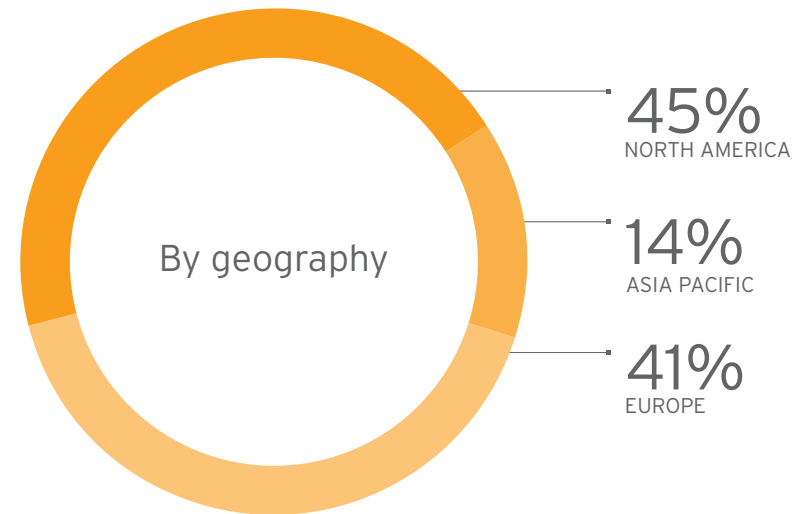
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EXECUTIVE SUMMARY

- **Procurement continues to strengthen its strategic role** with nearly three in four study participants saying top corporate executives see the function as either important or critical to enterprise strategy.
- Eight in ten procurement groups report **stable to rising budgets** for the current year.
- **Process streamlining & automation** and **raising procurement's enterprise visibility** supplant bottom-line savings as top priorities for procurement teams this year.
- Procurement organizations are tasked with delivering an **average of 9% cost savings** this year (same as in 2018).
- **Poor data/information quality** is the number-one pain point for procurement this year, followed closely by **outdated technology**; for some this is due to lack of investment, but, for others, it appears that standards for data and technology are rising.

Who participated in this year's study:



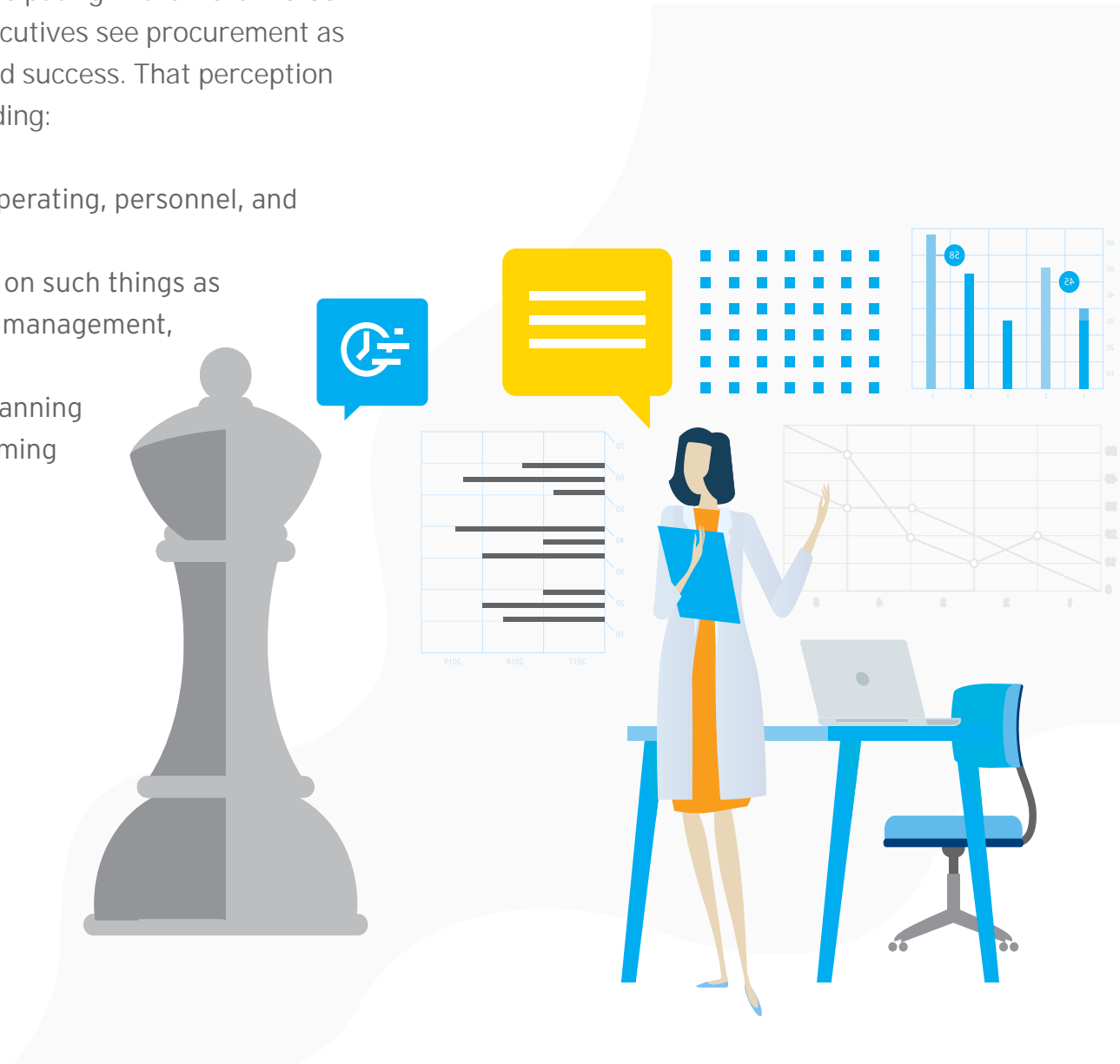
Procurement as strategic contributor

Three in four procurement executives participating in the **2019 Pulse of Procurement study** claim that top executives see procurement as important or critical to enterprise strategy and success. That perception is supported in most areas of the study, including:

- Stable to rising budgets for procurement operating, personnel, and capital expenses (p5).
- Emphasis in procurement objective setting on such things as process automation, visibility, spend under management, and compliance (p6-12).
- Strong levels of investment and upgrade planning for procurement-enabling technologies (coming soon in Part II of this report).

73%

C-suite sees procurement as either important or critical to enterprise strategy.



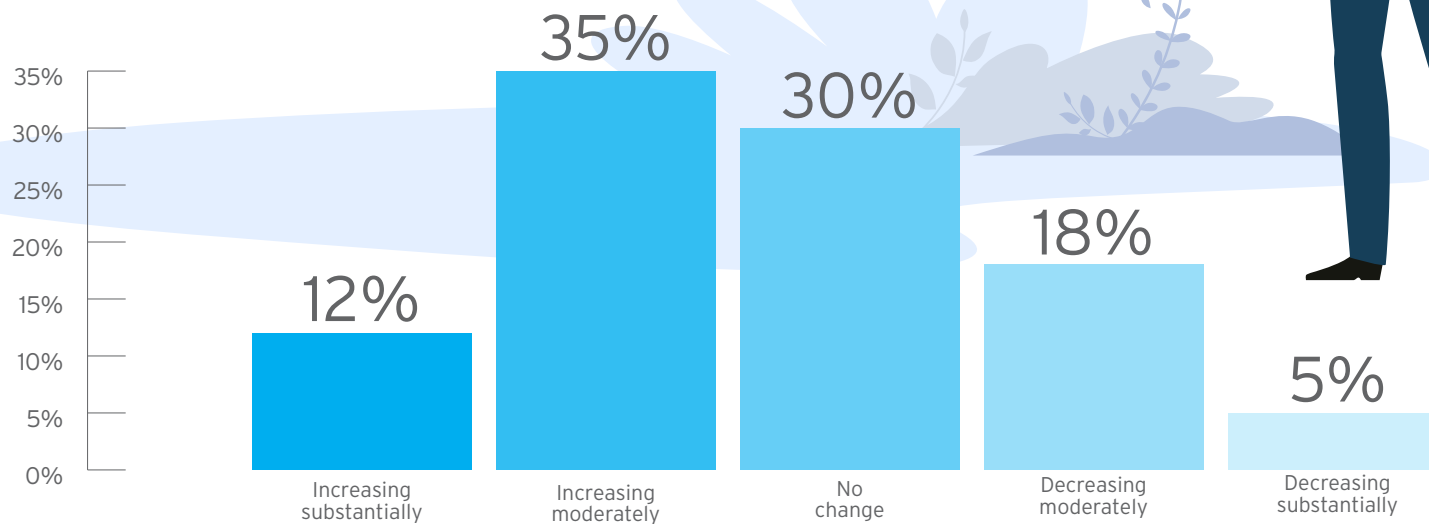
Procurement budgets versus prior year

Nearly half (47%) of procurement groups participating in the **2019 Pulse of Procurement** study report rising budgets compared to prior year. Another 30% are experiencing at least stable budgets, and – among the 23% facing budget cuts – only a small number say the cuts are substantial.

There is also plenty of evidence to suggest that a good portion of those budget increases has been earmarked for either initial or upgrade investments in procurement-enabling technologies (coming soon in Part II of this report).



Categorize this year's budget relative to prior year (operating, capital, FTEs).



TOP PROCUREMENT OBJECTIVES FOR THE COMING YEAR

1

Process streamlining & automation

67%

Percentage of procurement organizations making a top priority this year of streamlining and automating such processes as:

- Need identification and requisitioning.
- Supplier identification and onboarding.
- Supply market analysis, strategic sourcing.
- Supplier competitive bid, comparison, and selection.
- Contract authoring and management.
- Order placement.
- Supplier performance tracking and management.
- Savings and other procurement performance tracking.



2 Procurement visibility

55%

Percentage of procurement groups who are focusing this year on getting out in front of business leaders – armed with great information – and raising the profile of how procurement delivers value. Beyond cost savings and strategic sourcing, such conversations may address major roles procurement can play in:

- Designing and integrating globally competitive supply chains.
- Identifying and mitigating risk.
- Enhancing and accelerating product design, introduction, and production ramp up.
- Improving cash flow, liquidity, and other key corporate financial metrics.



3

Bottom-line savings

54%

While frequently occupying the top spot for procurement objectives, achieving bottom-line cost savings places number three this year among procurement top priorities. Overall, procurement teams are looking to deliver an average 9% in savings over the coming 12 months. With base commodity prices generally softening through much of 2019 so far and major global financial markets signalling greater concern over the potential for economic recession versus inflation, procurement teams appear well positioned to deliver on their goals.



4

Risk management

50%

With global trade and political tensions proliferating, and alarm around climate change, cyberwarfare, and so forth growing, it is no surprise that risk management has become a top procurement priority for half of this year's study participants. Four key ways procurement can contribute to risk mitigation:

- Leverage spend analysis to identify situations where increased supplier diversification may be warranted.
- Monitor supplier performance for early warning signs of struggle or possible failure.
- Capture key supplier financial and risk profile data via supplier onboarding/network solutions.
- Utilize sophisticated contract authoring and management tools to ensure consistent use of legally protective clauses.



5

Spend under management

45%

The average percentage of total spend under management by procurement has been eroding fairly steadily in recent years (benchmark trend data coming in Part II of this report) – a trend that is not entirely unexpected given the length and strength of the current global economic expansion. With storm clouds now gathering on the economic horizon, however, nearly half of procurement organizations surveyed appear to be gearing up to regain some of that lost ground.



6

Compliance

43%

Compliance – for example, consistent use of procurement-approved and preferred spend workflows, suppliers, products, and services – also appears to be eroding as the benchmark metric for compliance falls four points this year (details coming in Part II of this report) and lack of compliance also surfaces as a major current pain point for procurement (p16). Four in ten procurement teams say they are making a priority of redressing that erosion in the coming year.



LEADING PAIN POINTS FOR PROCUREMENT

1

Data/information quality

69%

Nearly seven in ten participants in this year's **Pulse of Procurement** study cite poor data/information quality as a persistent and critical pain point for their procurement functions. For some, it is because their enterprises have yet to invest in state-of-the-art information solutions for procurement. Others continue to struggle with cleaning up dirty-data legacies. For high-performing procurement teams, however, there is also evidence to suggest that procurement's appetite for sophisticated data and information simply continues to evolve and expand.



2 Outdated technology

68%

Some 68% of study participants cite outdated technology as a significant pain point for procurement at this time. As with data/information quality, there appears to be several competing trends underpinning this result:

- Some 30% of enterprises have yet to invest in key procurement technologies (details to come in Part II of this report); even fewer have invested in best-of-breed or integrated procurement solutions.
- Younger, digital natives entering the procurement workforce find available technologies falling short of the design and usability standards to which they are accustomed.
- The procurement technology revolution began in the early 1990s; enterprises failing to move from first- to second- and third-gen solutions risk engendering frustration in their ranks.





Lack of compliance

40%

Across several compliance-related questions in this year's study, there appears to be a core group – roughly four in ten enterprises – that seem to be struggling mightily with issues of procurement-related compliance.

Looking internally, procurement is often tasked with compelling stakeholders to:

- Use approved/preferred spend methods (purchase orders, e-catalog/procurement systems, p-card, T&E card, etc) for specific types of spending.
- Make best-value (lowest total cost) decisions around which items or services to select.
- Purchase from strategic supply contracts, the failure of which potentially compromises negotiated volume, payment terms, and other types of discounts as well as supply-chain performance overall.
- Perform all critical procurement-process steps, for example clearly describing and or classifying spending, the failure of which can cascade into other problems for procurement, including poor data/information quality, demand forecasting inaccuracies, and so forth.

Procurement must also concern itself with compliance on the supply side, compelling goods and services providers to consistently:

- Provide and maintain thorough, accurate, and up-to-date supplier information.
- Use approved/preferred methods for submitting invoices and being paid.
- Deliver consistently on all terms and performance levels agreed to in contracts.

4

Poor visibility into spending

39%

Subtract the 29% of study participants who say their organizations have yet to invest in dedicated spend analysis solutions for procurement and that leaves roughly 10% whose solutions are largely failing to get the job done. With roughly a third of all enterprises surveyed currently planning spend analysis technology upgrades (details to come in Part II of this report), it appears that procurement's standards for spend visibility may also be rising.



5

Supplier onboarding/risk management

35%

The percentage of procurement organizations citing supplier onboarding and risk management among major procurement pain points corresponds almost exactly to the percentage of enterprises that have yet to invest in enabling solutions for supplier onboarding, performance management, and networking with suppliers (details coming in Part II). These are complex, often expensive processes for which tech-investment business cases can be difficult to make and sell especially when compared to spend analysis, e-sourcing, e-procurement, and contract management, which can be tied more directly to hard cost-savings delivery.



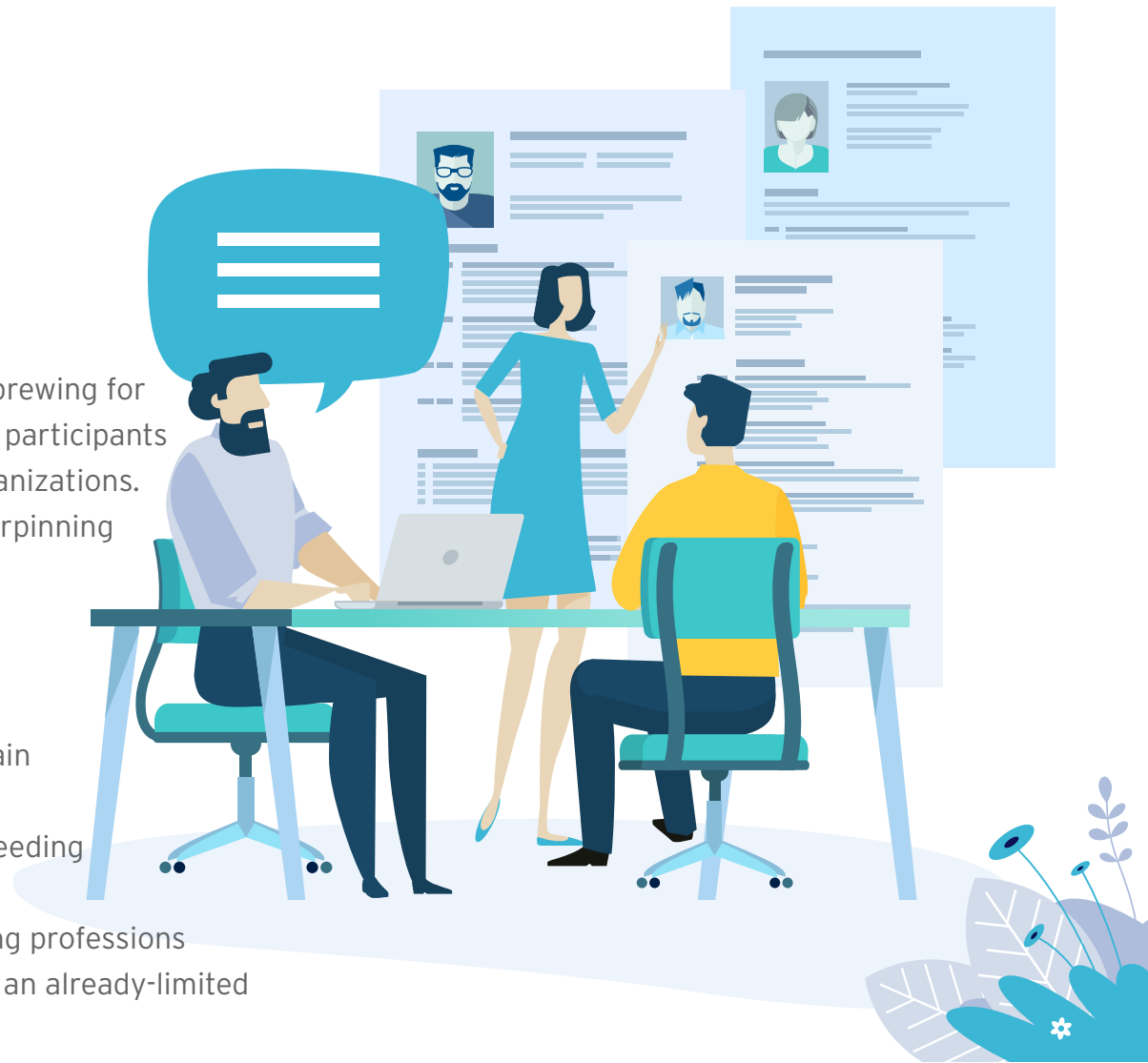
6

Talent/skilled labor shortage

28%

The procurement talent/skilled labor issue has been brewing for several years; this year, more than one in four survey participants say it is a major pain point for their procurement organizations. Once again, there appears to be multiple trends underpinning the issue:

- Baby boomers are retiring – or cutting back to consulting roles – in record numbers.
- Unemployment rates are exceptionally low in certain industrialized economies.
- There is still no broad college/university pipeline feeding directly into procurement as a career.
- Acute talent shortages in other, often higher-paying professions such as high-tech are aggravating competition for an already-limited number of talented young workforce entrants.



7

Political/economic uncertainty

23%

Considering the extent to which global political, economic, and trading landscapes have shifted in the past several years, it is somewhat surprising that so few – only about one in five – procurement professionals cite political/economic uncertainty as a significant pain point at this time. This speaks, perhaps, to the fact that business enterprises have spent several decades working to strengthen supplier relationships via increased transparency, communication, integration, and trust.



Zycus 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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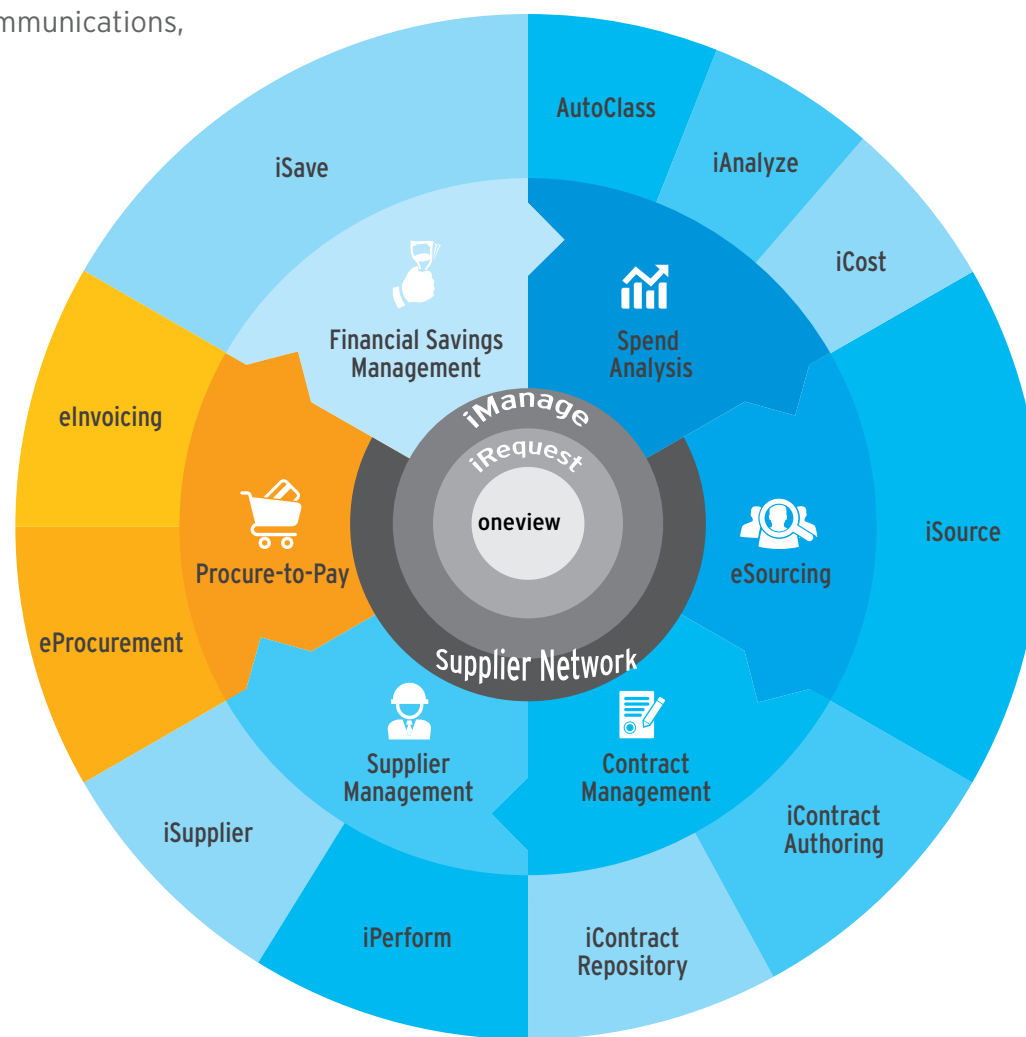
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