www.oneadvanced.com

Advanced
Procurement Trends Survey Report 2018

advanced
People. Partnership. Solutions.


Contract

Table of Contents

Introduction

In February 2018, Advanced (formerly Science Warehouse) carried out its seventh annual Procurement Trends Survey with over 175 global business professionals having their say on key topics affecting procurement, across a range of different business sectors.

This report summarises the findings of that survey and assesses how procurement professionals are looking to invest, as well as the challenges and opportunities they see in the future. In comparison to previous years, we see significant shifts in the importance of data and technology as procurement becomes more strategic.

We have grouped the results into the following three areas:

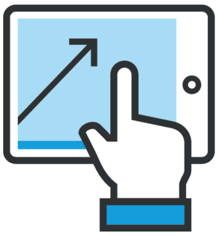
> Strategic Procurement & Cost-Cutting

> Investment & Technology

> The Future

Please note: Some figures may not add up to 100% due to rounding

The Highlights



96% of organisations will be maintaining or increasing their investment in technology this year

Becoming more strategic was the **number 1** objective for procurement in 2018

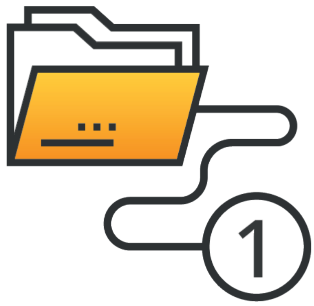
In 2017,

95% of businesses saved money through dedicated procurement activity

The **top three** technologies for the future are:

- Supplier networks
- Big data/analytics
- Cloud-based solutions

The **number 1** challenge for procurement is being seen as a barrier rather than an enabler



Strategic Procurement & Cost-Cutting

Procurement organisations are reliably delivering savings every year. However, the majority of procurement professionals no longer view cost-cutting as their primary objective. For the first four years of the survey, 80% of respondents said cost-cutting was the main objective. This has dropped by half in the last three years to under 40%. Instead, becoming more strategic, improving contract management and effective spend analysis are now seen as more important.

How much has dedicated procurement activity saved your business in 2017?

Nothing	5%
Up to 5% of annual spend	40%
6 - 10% of annual spend	28%
11 - 15% of annual spend	15%
16 - 20% of annual spend	7%
More than 20% of annual spend	5%

Procurement departments continue to deliver savings year-on-year for their organisations. Our data shows that savings are made consistently with little change in comparison to previous years. 40% of organisations deliver up to 5% savings and a further 28% deliver between 6 - 10% savings. Far from being a simplistic approach, cost pressure is important in maintaining a competitive market and, as long as price reduction doesn't come at the expense of quality, it is a positive driver for innovation.

Developments in procurement are making some day-to-day procurement tasks obsolete and call for a more strategic approach aligned with the organisation's wider strategy. Combined with a new focus on value creation, as opposed to savings generation, the Chief Procurement Officer (CPO) of the future may become the Chief Value Officer (CVO).

In 2017, **95%**

of businesses saved money through dedicated procurement activity

How well do you align procurement activities with organisational needs?

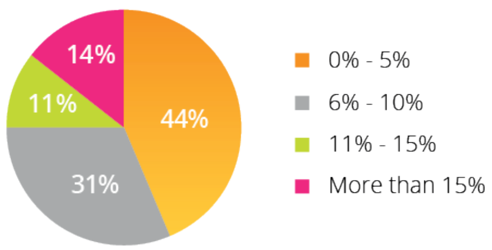
Procurement operates in isolation from the rest of the organisation	7%
We agree procurement objectives but only on a case-by-case basis	15%
We set and measure procurement objectives with limited alignment to the organisation	17%
Our procurement strategy is well-defined, closely aligned to organisational priorities	47%
There is complete symmetry between procurement activities and organisational needs	14%

More than 60% of respondents said that their procurement strategy was well defined, closely aligned to organisation priorities, or stated that there is complete symmetry between procurement activities and organisation needs.

Within the procurement industry, becoming more strategic has been a hot topic for many years, but it is only in the last year that we see evidence of this becoming a reality. The stats suggest there is now a real shift amongst procurement professionals as they adopt a more strategic mind-set and align with their organisation's overall strategy.

Interestingly, it is the public sector that is leading the way when it comes to aligning procurement strategy with organisational needs. This could be because the Government continues to push its public procurement policy which is driving behaviour within this sector towards free and open competition as well as value for money. The private sector reports a wider spread of alignment, meaning there could be a real opportunity for this group to improve processes and add value to their organisation.

What is your savings target for the coming year?



As we've seen, procurement functions continue to deliver savings and are set to do so in future. The majority of organisations (44%) have a savings target of 5% or less for the coming year. But again, it is the public sector that is leading the way with the most aggressive increase in savings targets, with nearly 20% of all public sector respondents suggesting that their saving target is greater than 15%.

Perhaps this is no surprise as the Government continues to drive efficiency in the public sector at a time of spending reductions.

What are the main objectives for your procurement function in 2018?

Top 10 objectives:

1	Becoming more strategic	17%
2	Improving contract management	17%
3	Analysing spend data effectively	13%
4	Cutting costs	12%
5	Reducing supply risk	8%
6	eInvoicing/automation	8%
7	Saving time	7%
8	P2P automation	7%
9	Meeting sustainability objectives	6%
10	Financial control	6%

Although cutting costs is still high (4th) on the list of main objectives, it is now at less than half the level it was three years ago. This is the most dramatic shift we have seen in the seven years since the inaugural Procurement Trends Survey. This is a reflection of a profession that is rapidly evolving to focus on value creation and using the wide range of procurement levers to help deliver overall corporate objectives.

This drop in cost-cutting has been offset by the apparent increase to drive a more strategic approach and undertake activities that underpin strategic objectives, in particular, contract management and spend analysis.

Becoming more strategic was the number 1 objective for procurement in 2018

What drives your CSR policy / objectives?

Corporate social responsibility (CSR) is an organisation's initiatives to assess and take responsibility for the company's effects on environmental and social well-being.

Top 10 CSR drivers:

1	Corporate objectives	20%
2	Environmental impact	17%
3	Supporting the local community	16%
4	Cost savings	10%
5	Employee engagement	9%
6	Customer engagement	8%
7	Long-term thinking	8%
8	Innovation	5%
9	Brand differentiation	5%
10	Financial incentives	3%

Customers, stakeholders and prospects now expect an organisation to be able to prove its positioning on social, ethical and environmental matters.

There is increasing pressure on organisations in the supply chain to be good corporate citizens and address issues such as modern slavery and the environmental impact of the goods and services we consume. It is also a point around which organisations can differentiate themselves competitively.

Which Procure to Pay (P2P) activities will you be prioritising in 2018?

Top 5 P2P activities:

1	Contract management	16%
2	Supply relationship management	15%
3	Spend and performance analytics	11%
4	Catalogue management	10%
5	eProcurement	10%

Contract management has sprung to the top of the list of P2P activities this year, having previously been lurking mid-table in earlier surveys. This is consistent with the results seen elsewhere in this report.

Surprisingly, supply chain finance is not considered a priority for most respondents, despite significant developments and potential for value realisation using these tools. Could this be, that as a tool that sits with both finance and procurement teams, the procurement team are not leading on supply chain finance tool adoption?

Investment & Technology

Just over a fifth of procurement departments will be increasing their headcount this year, continuing the level from recent years. We believe that this will be primarily to bring in new skills around data analysis and to support digital transformation. This transformation will also be supported by skills development and new technology. Over half of procurement departments are increasing their training budget this year and 47% are increasing technology investment. Contract management, supplier relationship management (SRM) and spend analysis are the priority areas for technology as procurement looks to embed strategic procurement practice into organisational workflows.

What are your plans for investing in procurement in 2018?

Headcount

Decrease	11%
Stay the Same	66%
Increase	23%

Technology

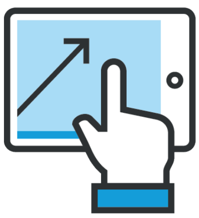
Decrease	4%
Stay the Same	50%
Increase	47%

Procurement Training

Decrease	5%
Stay the Same	43%
Increase	51%

The continuing focus on headcount investment this year saw 23% of organisations increasing their spend in this area. Historically, procurement has been an area that has been under-resourced, but now organisations are investing more in recruitment as they look to shift their focus to a strategic procurement approach and to deliver more than simply cost-cutting. Technology is helping to free up these additional staff from repetitive manual processes so that they can focus more on activities that bring extra value to the business.

Last year, 41% of organisations increased their investment in technology, this year it has gone up further to 47%. Organisations are acknowledging the importance of latest innovations in streamlining processes and creating efficiencies so that they can do more with less. The Not-For-Profit sector saw less of an increase in investment than other areas, this could be due to the different pressures and demands they face.



96%

of organisations will be maintaining or increasing their investment in technology this year

Over half of the organisations we surveyed are increasing their training budget, ensuring those working in procurement are getting the support they need and adding the maximum value to the team. The public sector saw the largest increase in this area. The changing nature of the procurement function, in part driven by technology, means that new skills are in demand and training will play an important part in up-skilling employees and investing in existing teams.

The investment in procurement services and consultancy remains very similar to last year, showing that organisations are continuing to see the importance of this and dedicating funds to it.

What is the biggest challenge for procurement in 2018?

Being seen as a barrier rather than enabler	27%
Insufficient resources/ investment	24%
Moving from a tactical to strategic function	22%
Building and maintaining effective stakeholder relationships	17%
Talent acquisition and development	7%
Meeting CSR objectives	3%

The biggest challenge for procurement teams in 2018, according to the respondents of our survey, is being seen as a barrier rather than an enabler within an organisation. Procurement continues to develop as it becomes more mature within businesses and shifts from a tactical to a more strategic function.

The procurement team need to continually review how they can add value to the business, sometimes with limited resources (particularly in the public sector). Technology can help with this, particularly investment in the Cloud, which offers flexible, agile and cost-effective solutions.

By becoming more efficient with streamlined processes, the procurement function can demonstrate time and money savings to the rest of the organisation.

Lack of resources and investment was flagged as the second biggest challenge, which contradicts to some degree the findings from our survey question on investment. However, it is important to look at where the investment seems to be going. Training and technology is high on the agenda for many organisations, so that they can streamline processes and reduce labour-intensive tasks.

In third place was the challenge of moving from being a tactical to a strategic function. This can be successfully achieved by continuously improving and re-evaluating the purchasing activities of the organisation. Sourcing enables a business to focus on strategic procurement and thereby develop closer relationships with suppliers, negotiating better contracts. It also provides clarity on essential KPIs such as supplier usage and contract compliance to help support the delivery of these strategic objectives.

The number 1 challenge for procurement is **being seen as a barrier rather than an enabler**

Which best describes your current spend analysis process?

Automated reports but variable quality spend data	41%
Significant manual processing of data required	38%
Little or no consistent reporting due to resource and data	12%
Automated reports on unified data classified to line level	10%

The top answers to this question were 'automated reports but variable quality spend data' and 'significant manual processing of data required'. The private sector featured manual processing higher than other sectors – perhaps automation has been introduced later and so they are a little behind in their evolution. Smaller organisations are also more manual and larger businesses have developed further with their automation technology as they have more resources to focus on these areas.

The opportunities available to procurement organisations from data and spend analytics have received extensive coverage in recent years. Indeed this area has been consistently identified as an important technology for procurement in the survey in the last three years. However, the latest tools and technologies are not yet having an impact and improving spend analysis processes.

In 2018, still only 10% of organisations are achieving best-in-class analysis (with automated reports run on unified data classified to line level). Businesses seem to recognise spend analysis is key, but not much has been done to really explore this area yet. Understanding your organisational spend is fundamental to the success of any procurement operation. When you can understand who is buying, what you are buying and from which suppliers at the touch of a button, then you gain real insight, take control and can drive better buying decisions.

The Future

Much of the buzz in the media is around technologies such as blockchain, robotics and artificial intelligence (AI). Procurement professionals may be taking a more measured view as it is relatively mature technologies such as supplier networks and Cloud that are seen as most relevant. Supplier networks, which have been around for many years, are only just starting to have a major impact. This reflects the adoption curve in enterprise technologies and the continuous innovation that makes them more usable, cost-effective and relevant.

Last year the top choice from our respondents was big data and analytics, but this has now been overtaken by supplier networks, which has risen up from last year's second place position.

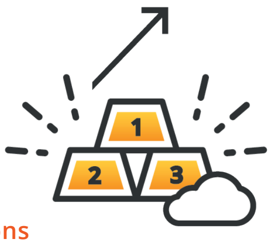
Supplier network technology within an eProcurement system can provide an environment that makes networking and communicating with suppliers much less complicated; it also ensures everyone is competing on a level playing field and delivering best value for the business. It streamlines data entry, reduces purchasing and payment cycle times, simplifies catalogue content management and improves visibility of supplier relationships.

Big data and analytics do however remain extremely important. Many organisations are aware they are sitting on a goldmine of information that is generated through a procurement solution. Huge value can be driven from analysing this data and making improvements to deliver more savings for the organisation.

Cloud-based solutions in third position are proving to be an essential component in efficient and cost-effective procurement. Cloud technology can boost productivity, business intelligence and innovation – all without the need for upfront hardware investment. It can drive efficiencies right through the source-to-settle process for buyers and suppliers.

The top three technologies for the future are:

> Supplier networks
> Big data/analytics
> Cloud-based solutions

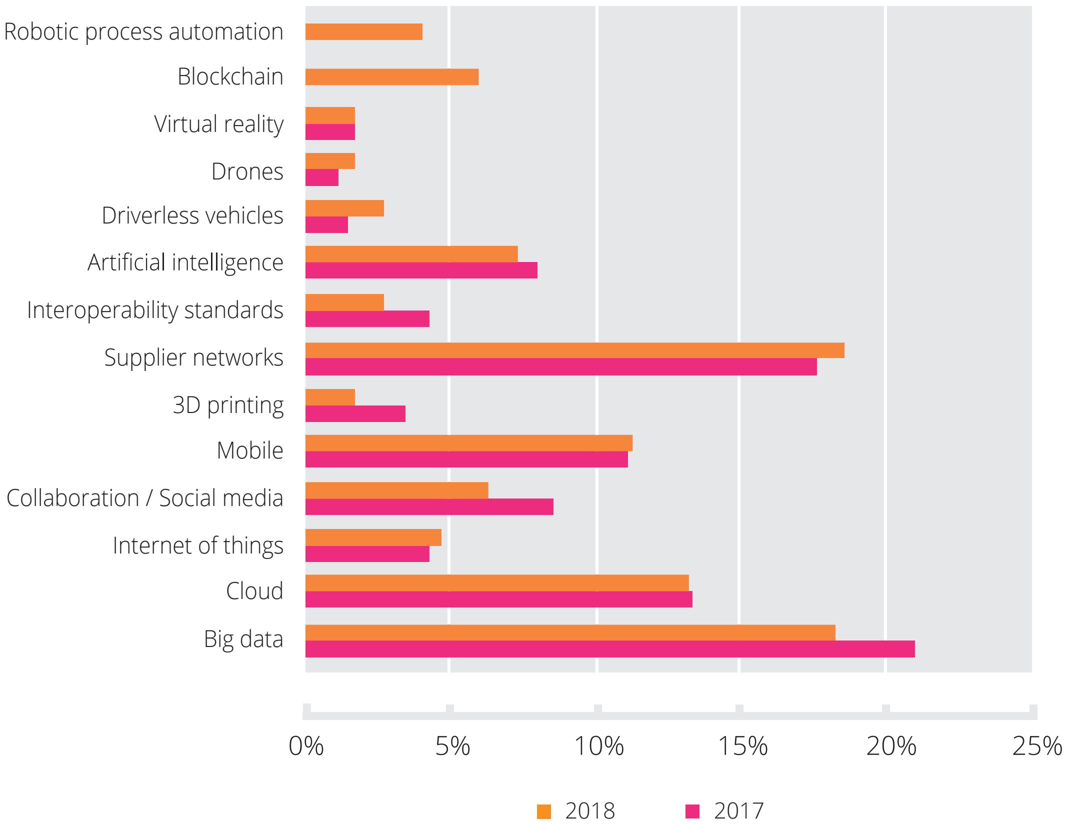


Mobile, listed as the fourth most relevant, provides the opportunity for employees to work from a location of their choice, without affecting productivity. Users no longer need to be in the office to order items. Approvers don't become a bottleneck when they are away from the office. Mobile apps, and the use of barcode scanners, can considerably improve the time taken and accuracy when receiving goods. Mobile technology allows users access to the procurement system anywhere, anytime.

AI, at number five, is helping to streamline a number of procurement processes. It can assist with portal and helpdesk support, contract management, workflow efficiencies, master data management and order management. If an analytical tool includes AI it can continue to learn and bring increased benefits.

Blockchain has appeared in the list for the first time this year, showing there is a belief that applying this emerging technology to procurement can provide greater security, trust and transparency.

Which technologies will be most relevant for procurement in the next five years?



Conclusion

Our survey shows how procurement is adapting to new challenges and continues to play a key part in today's increasingly agile and competitive organisations.

Nothing demonstrates this more clearly than the dramatic decline in cost reduction as the priority for procurement and the rise in strategic procurement. Cost-cutting will remain essential but not the defining activity for the more dynamic, responsive, value-focused procurement department of the future.

Procurement teams continue to invest, especially in technology, supporting digital transformation. Training accompanies this as the procurement staff are upskilled and supported as they are realising the benefits of new technologies.

There is much excitement in the procurement world around emerging technologies, with AI, robotics and blockchain appearing on the procurement radar. However, the current focus remains on more established technologies, such as supplier network and Cloud, which are essential components in streamlining processes and boosting productivity.

Without doubt, business conditions remain challenging and organisations are continuing to look for ways to keep ahead of the competition. A strategic and effective procurement department is one way an organisation can become flexible enough to adapt to the ever-changing demands of modern markets. We are encouraged by the results of this survey, showing procurement teams are continuing to evolve into strategic functions, adding increasing value to their organisations.

About Advanced

Advanced is the UK's third largest provider of business software and services with a £227m turnover, 10,000 customers and 2,200 employees. We provide enterprise and market-focused solutions that allow our customers to reimagine what is possible, innovate in their sectors and improve the lives of millions of people in the UK.

By continually investing in our people, partnerships and technologies, we provide right-first-time solutions that evolve with the changing needs of customers to drive efficiencies, make informed decisions, act with pace and meet challenges head on.

True partnership is what differentiates us from our competition. We deliver focused solutions for public sector, enterprise, commercial and health & care organisations that simplify complex business challenges and deliver immediate value.

Advanced solutions help to care for 65 million patients in the UK, send 10 million sports fans through turnstiles, manage £1 billion in charity donations, support 2.5 million students and get over 1.2 billion passengers to their destinations on time.

More information

w oneadvanced.com
t +44(0) 8451 605 555
e hello@oneadvanced.com