

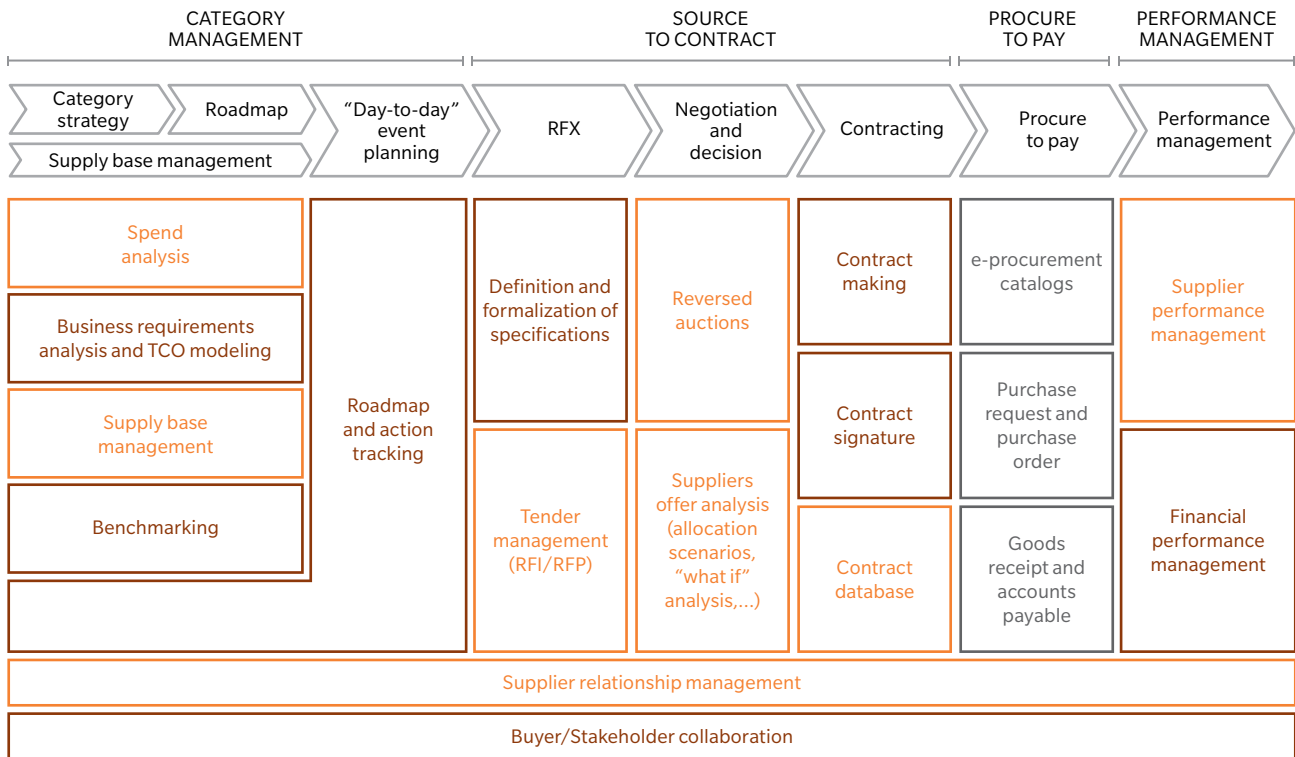
# 05

## DIGITIZE PROCUREMENT PROCESSES AND COLLABORATION



Digital transformations also apply to procurement processes. The idea is to dematerialize all source-to-pay activities and processes, and all resulting interfaces with in-house stakeholders and suppliers. The potential gains in efficiency are massive and would liberate resources to be reallocated to higher-value tasks. The digitization of procurement processes also enables the generation of new data, which can be used in turn to perform more detailed analyses of procurement practices, consumption models, and supplier transactions.

EXHIBIT 9: SOURCE-TO-PAY PROCESS AND ACTIVITIES



- Traditionally digitized in ERP programs offering basic features
- ▣ Digitized through specific modules/applications
- ▣ Little digitization to date. High efficiency and effectiveness potential

Source: Oliver Wyman

**What activities are concerned?  
What is the target objective?**

With this in mind, digitization of procurement processes and tasks must aim for a twofold objective:

**Efficiency:** Optimize the time spent on each task, specifically in a context of growing pressure on procurement costs and personnel, to ensure the attainment of the best possible result at the lowest possible cost, and to focus the efforts of buyers, whose time is an expensive resource, on higher-value tasks.

**Effectiveness:** Maximize the impact of data analysis tasks by improving their precision and exhaustiveness; maximize the impact of collaboration by multiplying points of

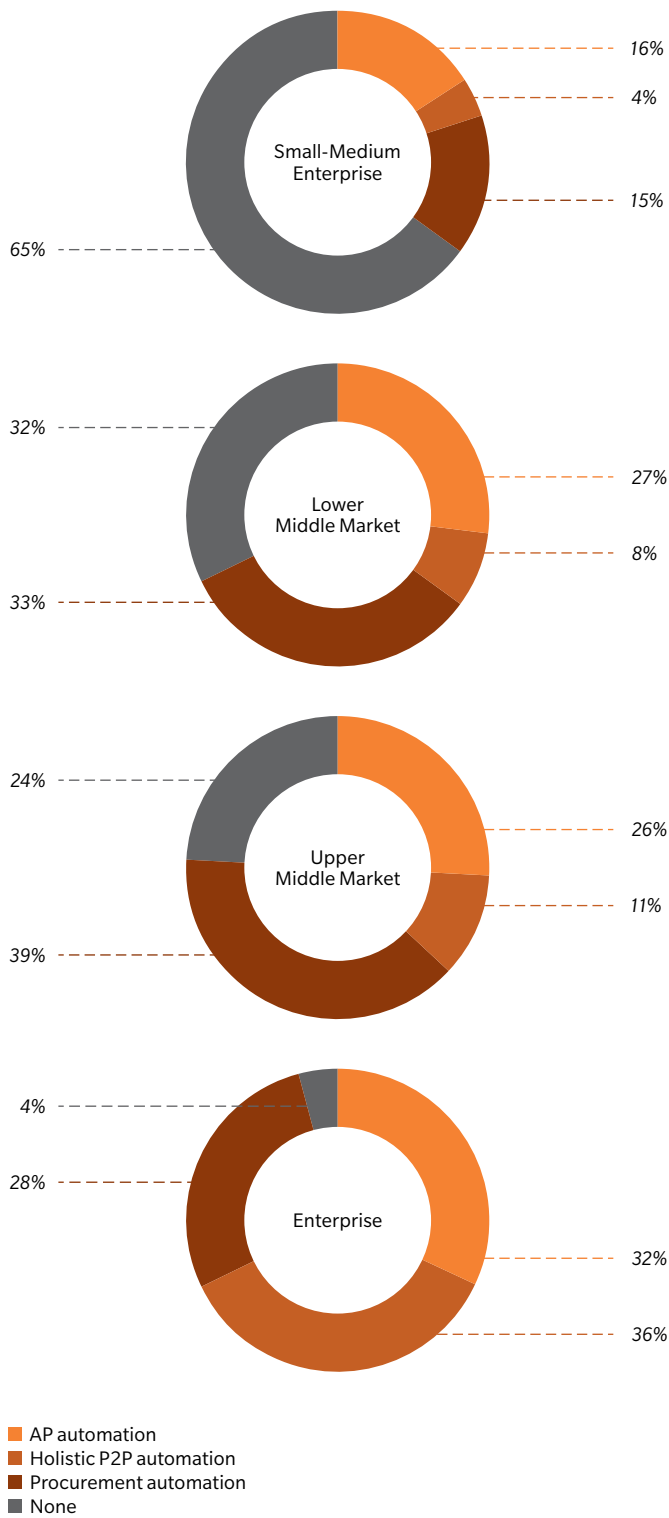
contact inside and outside the organization, in order to work on prescriptive optimization levers and maximize the level of control over consumption (volume driver) by ensuring the reliability of transactional systems.

**State-of-the-art and new technologies**

When it comes to IT deployment and allocated resources, procurement has long been a "poor cousin" compared to finance, sales, supply chain, and manufacturing, which is fairly paradoxical given the stakes involved. There are many reasons for this: procurement objectives are less well covered by transactional IT systems (such as SAP)

## EXHIBIT 10: P2P SOFTWARE ADOPTION RATE (US)

PER REVENUE SEGMENT




Source: Paystream Advisors Q4 2016

and procurement matured later than other functions. Only the transactional activities of procurement have traditionally been covered by ERP projects.

We have thus gradually seen the development of specialized application suites and modules focused on procurement tasks. This was true, for instance, for Ariba, Emptoris, Zycus, and Bravosolutions, to name just a few.

Meeting a real need, these kinds of offerings have proliferated, albeit with a few limitations:

- **IT INVESTMENTS BY PROCUREMENT REMAIN LIMITED:** Very often, the prize has gone to a few modules (spend analysis, RFX, and e-procurement), but rarely to complete suites covering all activities.
- **THE LEVEL OF ADOPTION WITHIN THE COMPANY REMAINS VARIABLE,** notably due to difficult changes in management and the debatable ergonomics of the proposed tools versus traditional buyer tools.
- **TECHNICALLY SPEAKING, DEPLOYMENT REMAINS EXPENSIVE AND COMPLEX,** specifically when it comes to integration with the existing information ecosystem, and the results are sometimes disappointing (degraded information, features that don't really work).
- **IN THE END, FEW MARKET PLAYERS HAVE MANAGED TO BUILD REAL CREDIBILITY,** thus limiting the choices of procurement, as well as sector competitiveness.



# Find a way to deploy systems with ergonomics comparable to what buyers experience in their personal lives

However, the end of the 2000s saw a new generation of players taking position in the solutions landscape (such as Coupa and Salesforce), specifically by meeting the big challenges posed by the old-generation systems: functional end-to-end coverage, sophisticated ergonomics (mobile applications, web interfaces, and intuitiveness), and simplified deployment (cloud solutions).

## So what do we do now? And how?

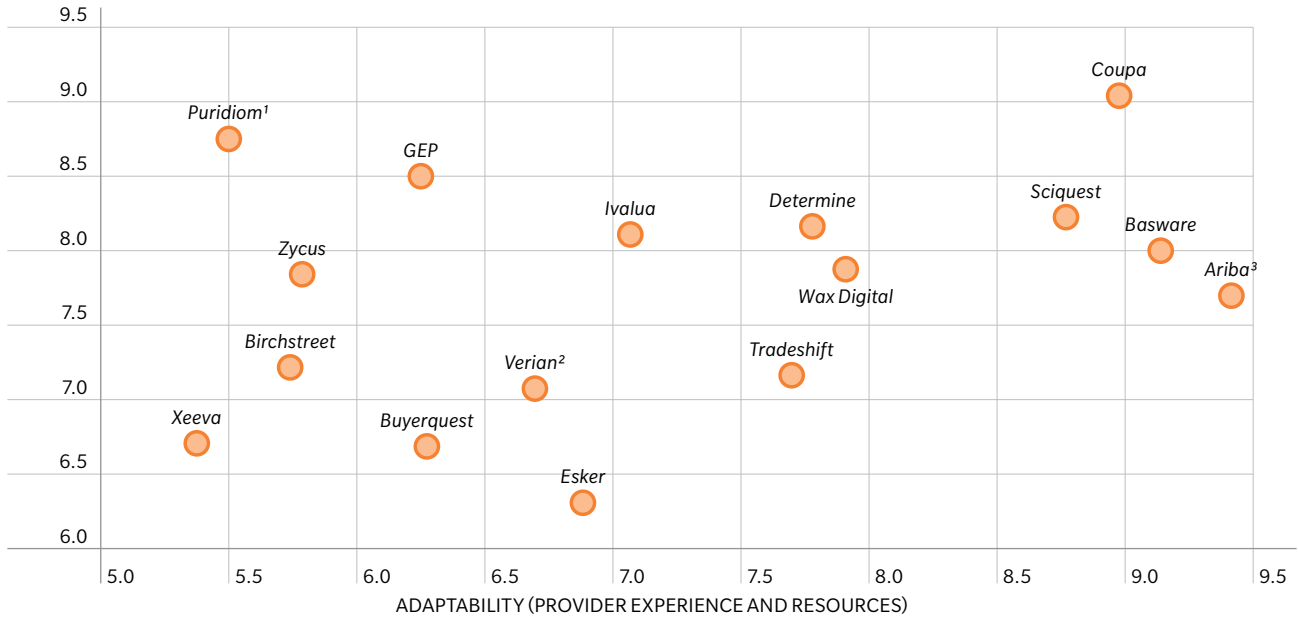
Increased pressure on procurement to produce results, combined with cost and workforce constraints, make it more critical than ever to adopt tools and systems, which alone can cut through efficiency and effectiveness boundaries.

The following priorities must be addressed:

- **ANALYTICS:** As we have seen previously, not only do analytics represent a major portion of the time devoted by procurement professionals, but also determine the quality and results of procurement strategies, negotiations and consumption management. Above and beyond solutions, the point is to mobilize the data of an entire organization by breaking down informational silos.
- **NEXT-GENERATION E-PROCUREMENT:** This critical system building block makes sure that companies capitalize fully on the savings generated in upstream phases, specifically with the algorithms found in the very latest solutions, which can be used to orient consumption behaviors. Users are henceforth completely familiar with such systems, which have now become part of everyday life for their private procurement activities (Amazon and other e-commerce sites). A key objective is hence to find a way to deploy systems with ergonomics comparable to what buyers experience in their personal lives, and maximize adoption with mobile applications on tablets and smartphones.
- **PAPERLESS:** Although it may seem obvious in 2017, few companies have managed to achieve a 100 percent paperless organization, although companies that have gone down this path have made significant progress and inroads. The paperless organization is a big change, but the positive implications are numerous. Fully dematerialized processes, with a particular focus on contracts (including electronic signature) and supplier invoicing, are a main objective in terms of organization. In this regard, one major lever is the creation of ecosystems, supported by API technologies.
- **VIRTUAL COLLABORATION:** Video conferencing by PC/mobile/tablet, screen sharing, and synchronized online collaboration with unique documents are

## EXHIBIT 11: LANDSCAPE OF LEADING PROCUREMENT SOLUTIONS PROVIDERS

PROFICIENCY (SOLUTION FUNCTIONALITY AND INNOVATIVE FOCUS)



1\* Puridom was acquired by BravoSolution during our review

2\* Verian was acquired by Basware during our review

3\* Ariba did not provide updated info. Plane positioning is based on publicly available sources

Source: Paystream Advisors Q4 2016

## EXHIBIT 12: PANORAMA OF MOST INFLUENTIAL PROCUREMENT STARTUPS

	TRADESHIFT	KINNEK	TAMR	SIRION LABS	PROCURIFY	SCOUT	CONNXUS	CONTRAQER
<b>Business description</b>	Cloud based platform that helps companies to improve invoicing, workflow and supplier financing processes	B2B platform businesses that simplifies discovering, transacting, communicating, and interacting with suppliers; for small businesses	Platform that combines ML and data science with collective human insight Provides advanced procurement analytics	Supplier management platform, covering contract, performance, relationship, risk, and consumption management	Cloud-based procurement management solution that enables enterprises to manage their procurement spending	Cloud-based sourcing platform that automates the enterprise buying process for buyers and suppliers	Online service that connects businesses with companies seeking to expand and diversify their supplier base	SaaS procurement management system that automates the procurement process from RFQ generation to delivery
<b>Founded year</b>	2009	2011	2012	2012	2011	2012	2010	2012
<b>Total funding<sup>1</sup></b>	\$182 M	\$46 M	\$41.2 M	\$16.8 M	\$12.7 M	\$11.75 M	\$10.75 M	\$4 M
<b>Last round</b>	2017	2015	2016	2016	2016	2016	2016	2016
<b>Investors</b>	VC, Tech companies	VC, Business Angels	VC, Tech company, Business Angels	VC, Business Angels	VC, Business Angels	VC, Business Angels	VC, Business Angels	VC, Business Angels
<b>Category</b>	Marketplace, sourcing	Sourcing	Analytics	Supplier management	Spend management	Sourcing	Sourcing	Sourcing
<b>Location</b>	San Francisco, USA	New York, USA	Boston, USA	California, USA	Vancouver, Canada	San Francisco, USA	Ohio, USA	Virginia, USA

1\* Total equity funding + debt financing

Source: CrunchBase, Capital IQ, Oliver Wyman analysis

# Technological advances, combined with the explosion of mobility, data, and cloud solutions, make these approaches more relevant than ever

practices that can be institutionalized at low cost and implemented rapidly with tangible benefits.

- REVERSE CRM: Sharing/Uploading of information collected on suppliers by all points of contact, whether in procurement or in the business lines, for SRM purposes, or to support supplier innovation capabilities.

There are three potential approaches to achieve this:

- INSTALL INTEGRATED/PACKAGED SOLUTIONS BY THE MOST INNOVATIVE SOFTWARE PUBLISHERS on the market, with a minimum of customization and integration. This was the choice made, for example, by an European leader in specialty chemicals, which implemented Salesforce for all procurement tasks.
- DEVELOP CUSTOMIZED BEST-OF-BREED SOLUTIONS, using a basic software publisher solution which is then massively customized. This may be a good idea, for instance, when some processes are already optimized and implementing a standard solution would degrade performance. A major integrated bank decided to go this route, specifically for buying intellectual IT services.
- ALLIANCE WITH INNOVATIVE STARTUPS: Develop mobile front ends focused on creating a consistent user experience, regardless of the functional building blocks used at the back end, to ensure maximal adoption and best-in-class ergonomics, accelerating processes and collaboration.

We are now witnessing the emergence of a significant number of startups beginning

▲  
The use of e-procurement can double the number of purchase orders processed per procurement FTE



to target procurement activities, principally sourcing, but also analytics and transactional buying in the form of marketplaces.

Technological advances, combined with the explosion of mobility, data, and cloud solutions, make these approaches more relevant than ever, as they address the two great remaining challenges: complexity of integration and the user experience.

We can expect the industry to move toward consolidation in the coming years in favor of a few dominant solutions, as well as move toward adjacent markets. Such was the case with Tradeshift (adopted by Air France), a firm initially positioned on downstream procurement processes, but which gradually moved up the chain to sourcing tasks and supplier relationship management.

## KEY TAKEAWAYS

- Digitization of procurement processes and collaboration has been a long standing story, however with slow ramp-up of adoption overall.
- Technical integration of solutions and user adoption were the two major historical pain points, especially for incumbent solution providers.
- Most recently, next generation vendors (e.g. COUPA) or innovative start-ups have successfully addressed these challenges by providing instant “as a service” solutions with a compelling user experience.
- Procurement leaders must integrate next generation solutions to successfully drive process efficiency and increased compliance, demand management, and analytics.