Effective Procurement Performance Measurement

March 24, 2020

ivalua

ALL SPEND, ALL SUPPLIERS, NO COMPROMISES

Housekeeping

ivalua

- Today's webinar is scheduled for 1 hour including Q&A.

- Questions can be submitted via questions panel box

  at anytime during the webinar.

- The recording and slides for today's presentation will be

  made available to all attendees.

- If you are posting on social during the webinar, tag us!

  @ivalua @Forrester

ivalua

Agenda

- Study Overview: Effective Proc. Performance Measurement

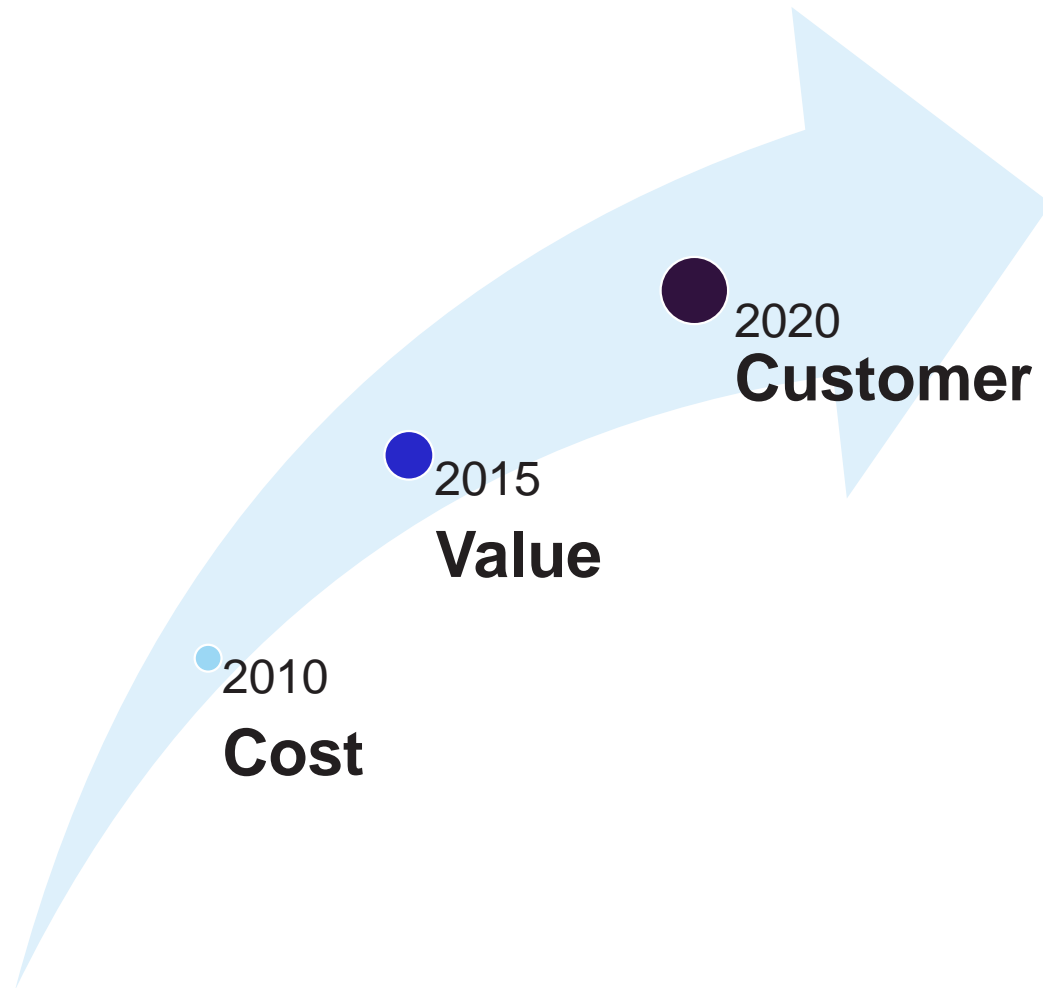- Enabling Effective Measurement / Transformation

- Q&A

Today's Presenters

ivalua

Alex Saric

Chief Marketing Officer

Ivalua

Duncan Jones

Vice President, Principal Analyst

Forrester

Procurement's maturity journey

2020
Customer

2015
Value

2010
Cost

Excel at customers' priorities

- **Faster co-innovation**

- **Sustainability & ethical trade**

- **Process digitalization …**

- **… for speed and agility**

COVID-19 Pandemic Tests Enterprises' Agility

You need to be able to respond quickly to market changes without needing crisis management

BBC NEWS

Leon: Fast food chain turns its restaurants into shops

DriveSpark®

Auto Industry Offers To Manufacture Ventilators And Medical Equipment Amid Covid-19: Mahindra, VW
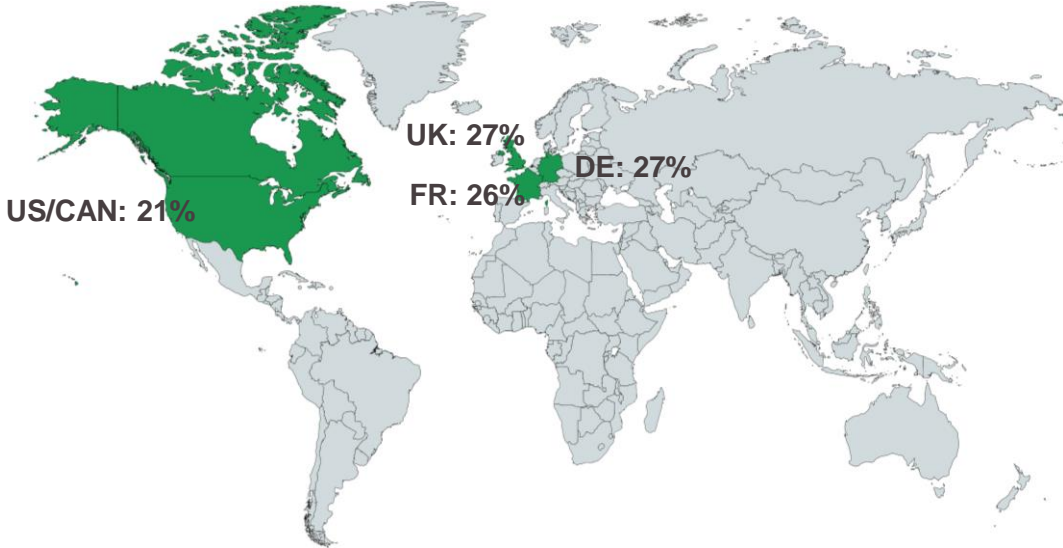
By Rahul Jaswal

EXPRESS

Toilet roll giant reassures Britons amid shortage: 'There is enough for everyone'
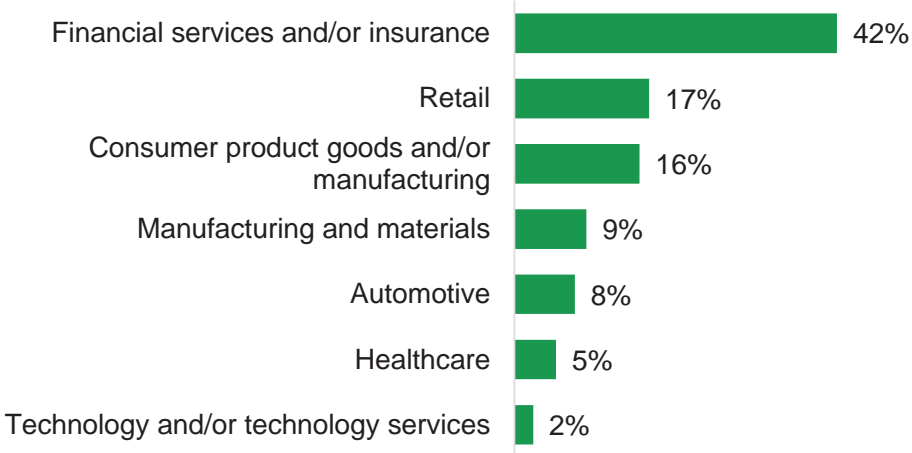
KIMBERLY-CLARK - the company responsible for the global brands such as Andrex, Huggies and Kleenex - has issued a statement to reassure families across the nation that "there is enough for everyone" amid Britain's toilet paper shortage caused by the Coronavirus outbreak.

Forrester surveyed over 400 procurement professionals about their goals, challenges, and maturity
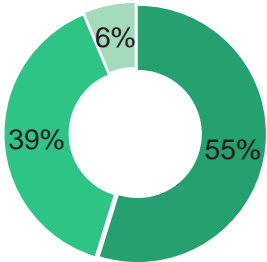
"In which country are you located?"

UK: 27%
DE: 27%
FR: 26%
US/CAN: 21%

"Which of the following best describes the industry to which your company belongs?"

Industry	%
Financial services and/or insurance	42%
Retail	17%
Consumer product goods and/or manufacturing	16%
Manufacturing and materials	9%
Automotive	8%
Healthcare	5%
Technology and/or technology services	2%

"Using your best estimate, how many employees work for your firm/organization worldwide?"

- 1,000 to 4,999 employees — 55%
- 5,000 to 19,999 employees — 39%
- 20,000 or more employees — 6%

"Which title best describes your position at your organization?"

Title	%
C-level executive (e.g., CEO, CMO)	39%
Vice president (in charge of one/several large departments)	34%
Director (manage a team of managers and high-level contributors)	27%
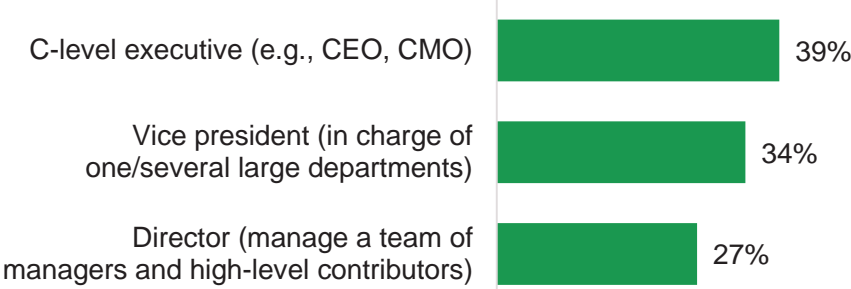
Procurement leaders have many important priorities

Crucial + important priority only
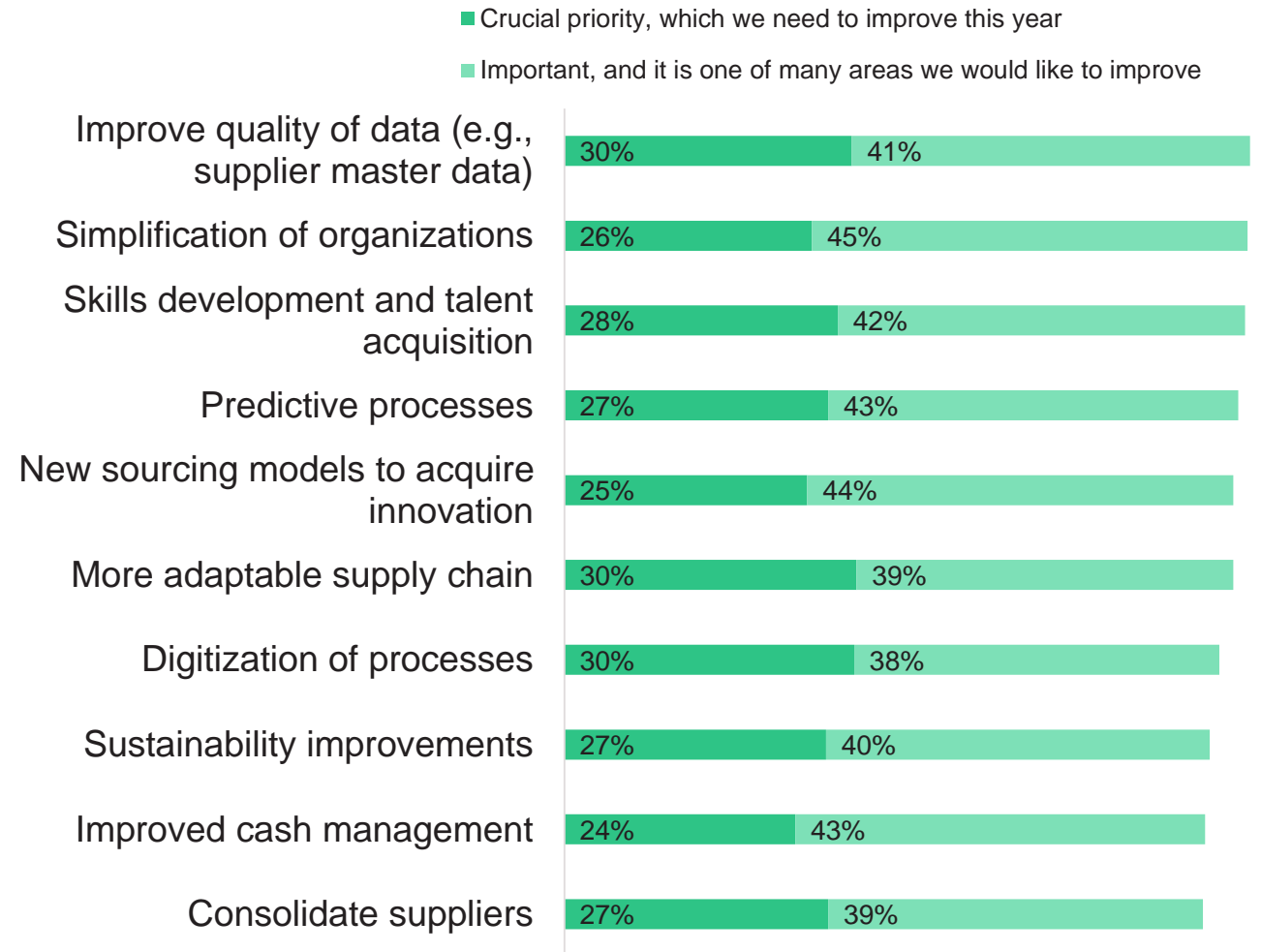
■ Crucial priority, which we need to improve this year

■ Important, and it is one of many areas we would like to improve

|	Crucial priority	Important
Improve quality of data (e.g., supplier master data)	30%	41%
Simplification of organizations	26%	45%
Skills development and talent acquisition	28%	42%
Predictive processes	27%	43%
New sourcing models to acquire innovation	25%	44%
More adaptable supply chain	30%	39%
Digitization of processes	30%	38%
Sustainability improvements	27%	40%
Improved cash management	24%	43%
Consolidate suppliers	27%	39%

Base: 409 Decision makers with responsibility for Finance, Procurement and Supply Chain.
Source: A commissioned study conducted by Forrester Consulting on behalf of Ivalua, March 2020

But they also face several barriers to progress

Lack of actionable insights (37%)
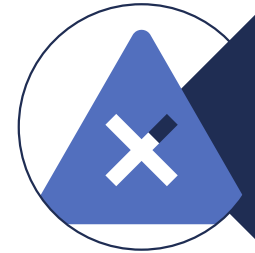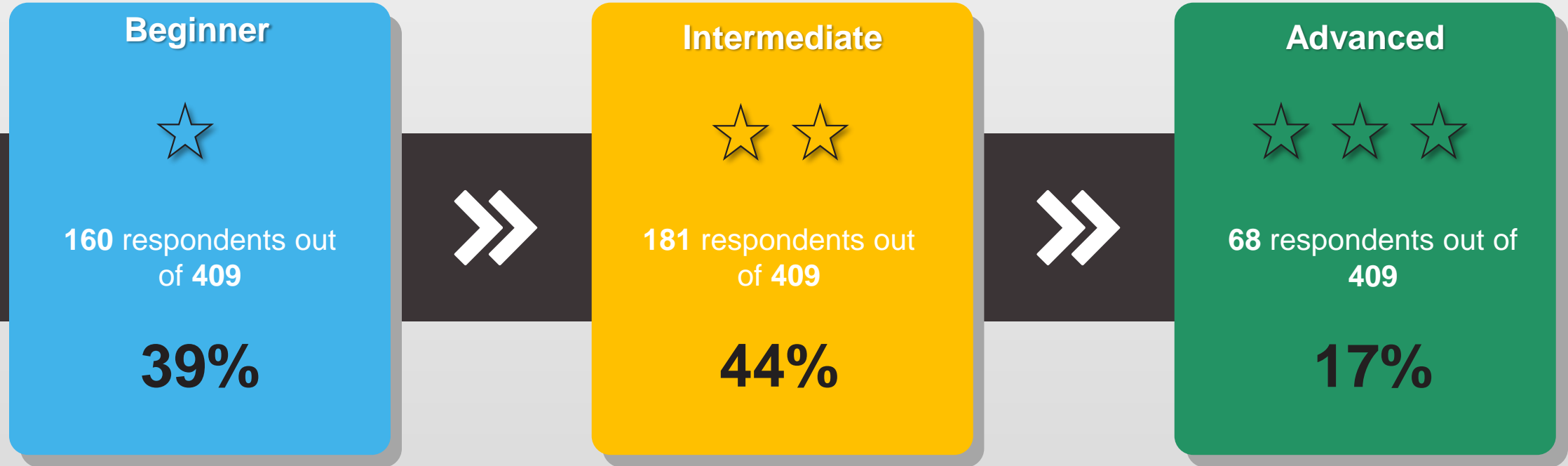
Procurement function is resistant to change (36%)

Difficulty collaborating with stakeholders (35%)

Budget & resource constraints (35%)

We analysed our survey data by respondents' maturity

Beginner

☆

160 respondents out of **409**

39%

Intermediate

☆ ☆

181 respondents out of **409**

44%

Advanced

☆ ☆ ☆

68 respondents out of **409**

17%

Advanced procurement functions excel across many criteria

"How would you rate the following aspects of your current procurement operations?"

■ Beginner ■ Intermediate ■ Advanced

Supplier Performance Management

Supplier performance management is regularly reviewed; poor performance is escalated in a controlled manner to executive level and leads to exist over time

- Beginner: 17%
- Intermediate: 81%
- Advanced: 97%

Supplier Process And Strategy

Collaboration with suppliers occurs regularly and drives tangible additional value from the relationship

- Beginner: 16%
- Intermediate: 73%
- Advanced: 93%

Supplier Contracts

Proactive monitoring for expiration and risk

- Beginner: 16%
- Intermediate: 81%
- Advanced: 94%

Category Management

All spend is managed through category management and strategic sourcing processes with a competitive sourcing process mandated

- Beginner: 16%
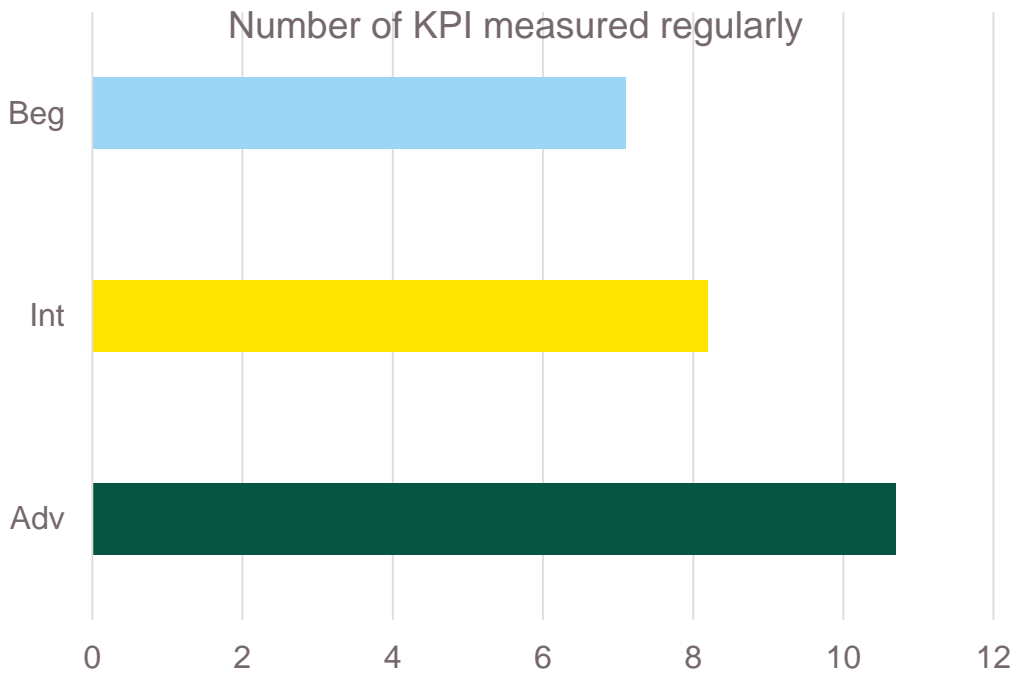- Intermediate: 81%
- Advanced: 91%

Base: 409 Decision makers with responsibility for Finance, Procurement and Supply Chain.
Source: A commissioned study conducted by Forrester Consulting on behalf of Ivalua, March 2020

Advanced CPOs are moving faster across more dimensions

"Which key actions are you taking to achieve your business and procurement objectives?"
Showing top 5
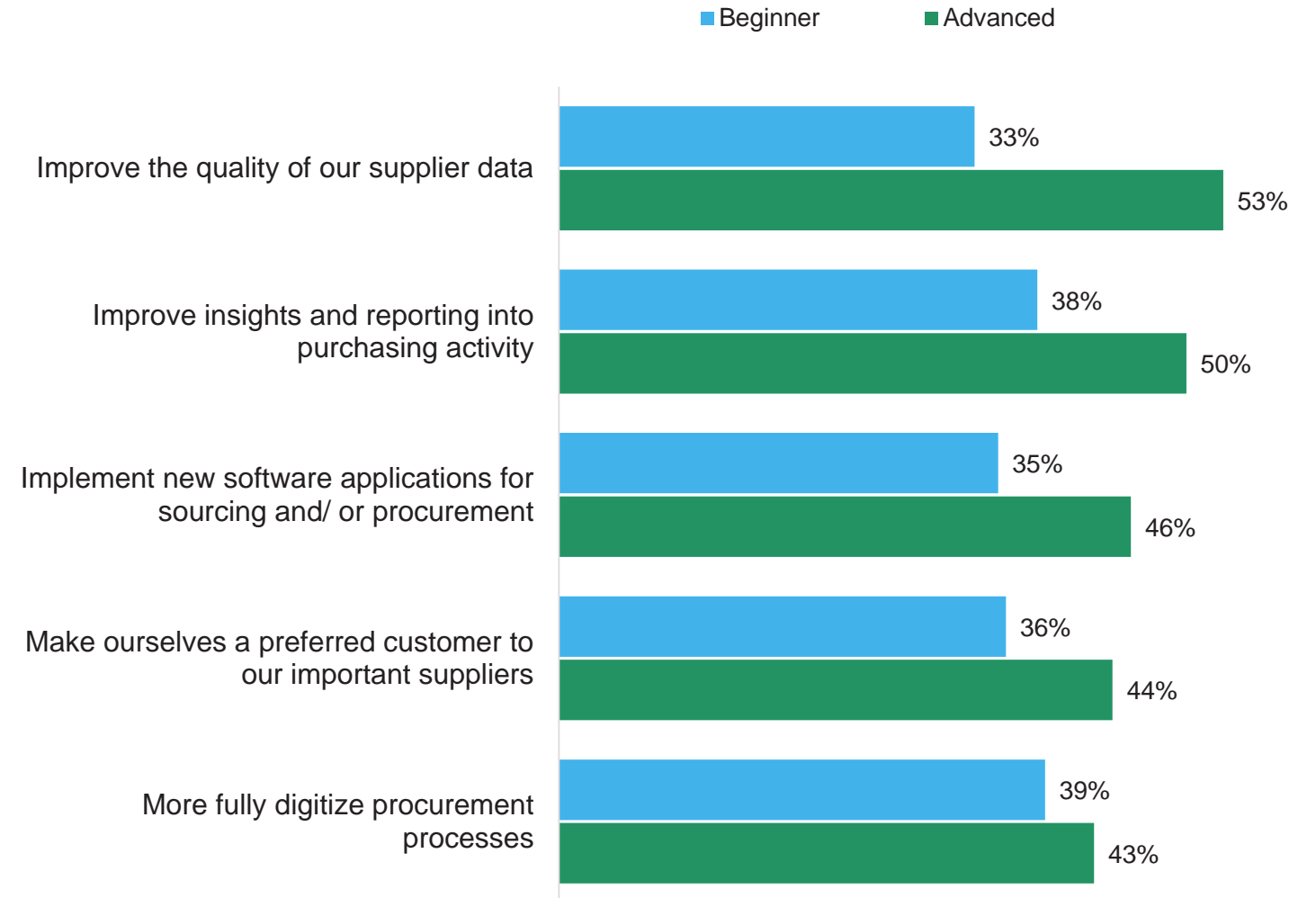
■ Beginner ■ Advanced

Improve the quality of our supplier data
- Beginner: 33%
- Advanced: 53%

Improve insights and reporting into purchasing activity
- Beginner: 38%
- Advanced: 50%

Implement new software applications for sourcing and/ or procurement
- Beginner: 35%
- Advanced: 46%

Make ourselves a preferred customer to our important suppliers
- Beginner: 36%
- Advanced: 44%

More fully digitize procurement processes
- Beginner: 39%
- Advanced: 43%

Base: 409 Decision makers with responsibility for Finance, Procurement and Supply Chain.
Source: A commissioned study conducted by Forrester Consulting on behalf of Ivalua, March 2020

They measure more KPI
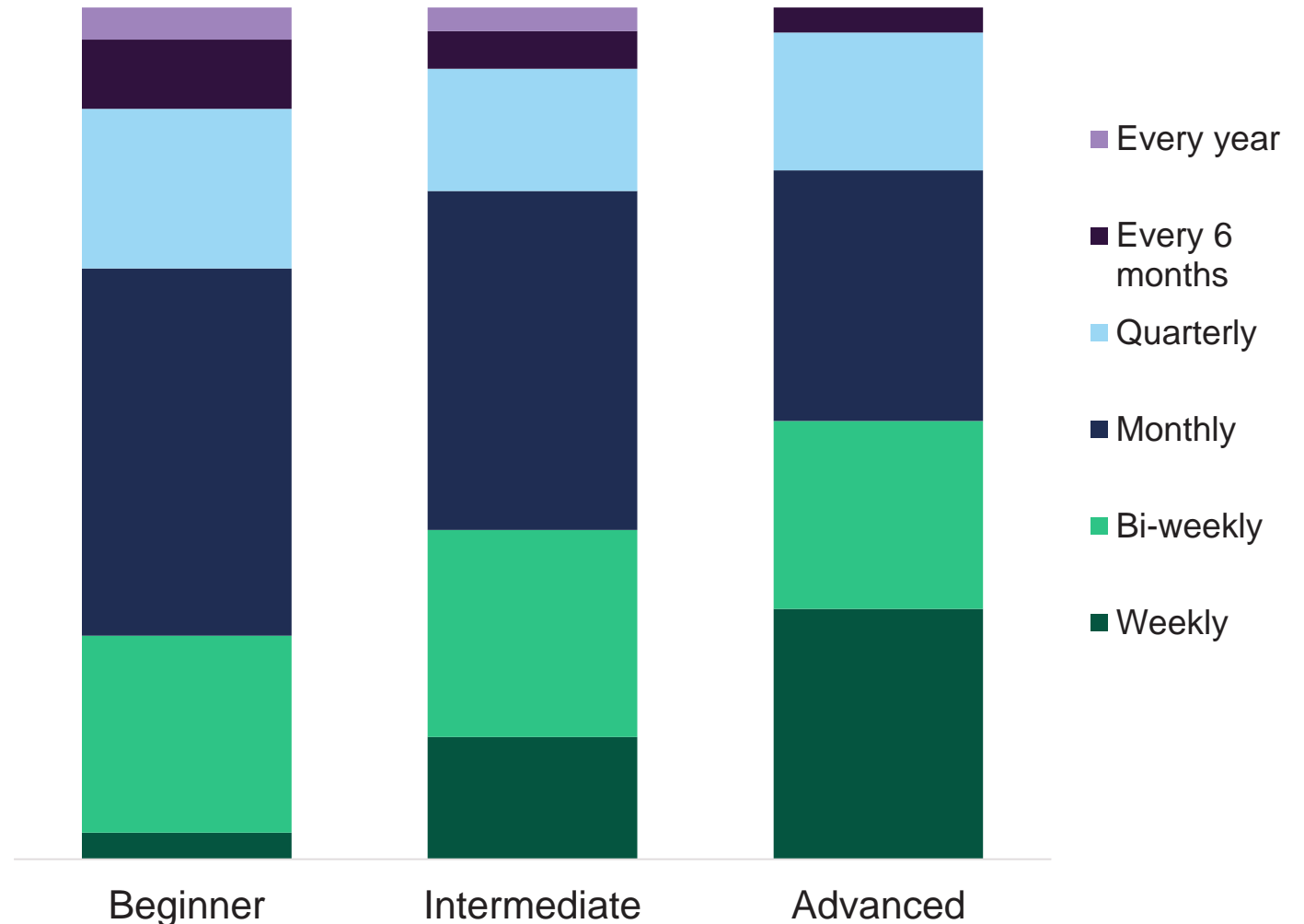
57% vs 25% Time to market for new products

50% vs 25% Productivity

49% vs 24% Cycle times

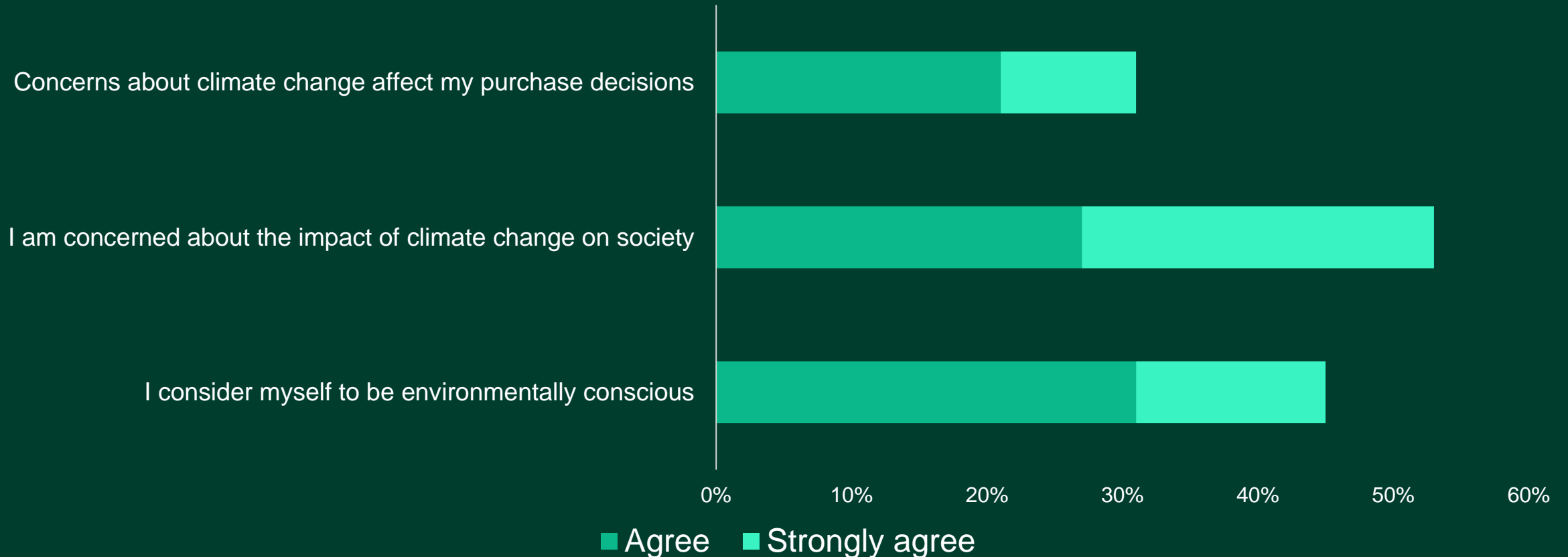**44% vs 25%** Internal client satisfaction

And measure them more frequently

How frequently does your organization measure KPIs? (Select one)

Legend:
- Every year
- Every 6 months
- Quarterly
- Monthly
- Bi-weekly
- Weekly

Categories: Beginner, Intermediate, Advanced

Base: 409 Decision makers with responsibility for Finance, Procurement and Supply Chain.
Source: A commissioned study conducted by Forrester Consulting on behalf of Ivalua, March 2020

Sustainability matters to your customers

How strongly do you agree or disagree with the following statements about environmental consciousness?

- Concerns about climate change affect my purchase decisions
- I am concerned about the impact of climate change on society
- I consider myself to be environmentally conscious

0% 10% 20% 30% 40% 50% 60%

■ Agree ■ Strongly agree

Ethical, sustainable business can be a differentiator

The Supplier Value Management Application Portfolio

Embed risk management in all sourcing processes

- Use sourcing events to motivate suppliers to provide relevant information to support effective risk assessment

- Make risk & performance ratings visible, & use them to influence choices of supplier

- Aggregate risk information from multiple sources

- Combine objective KPI from procurement and contract applications with subjective stakeholder surveys

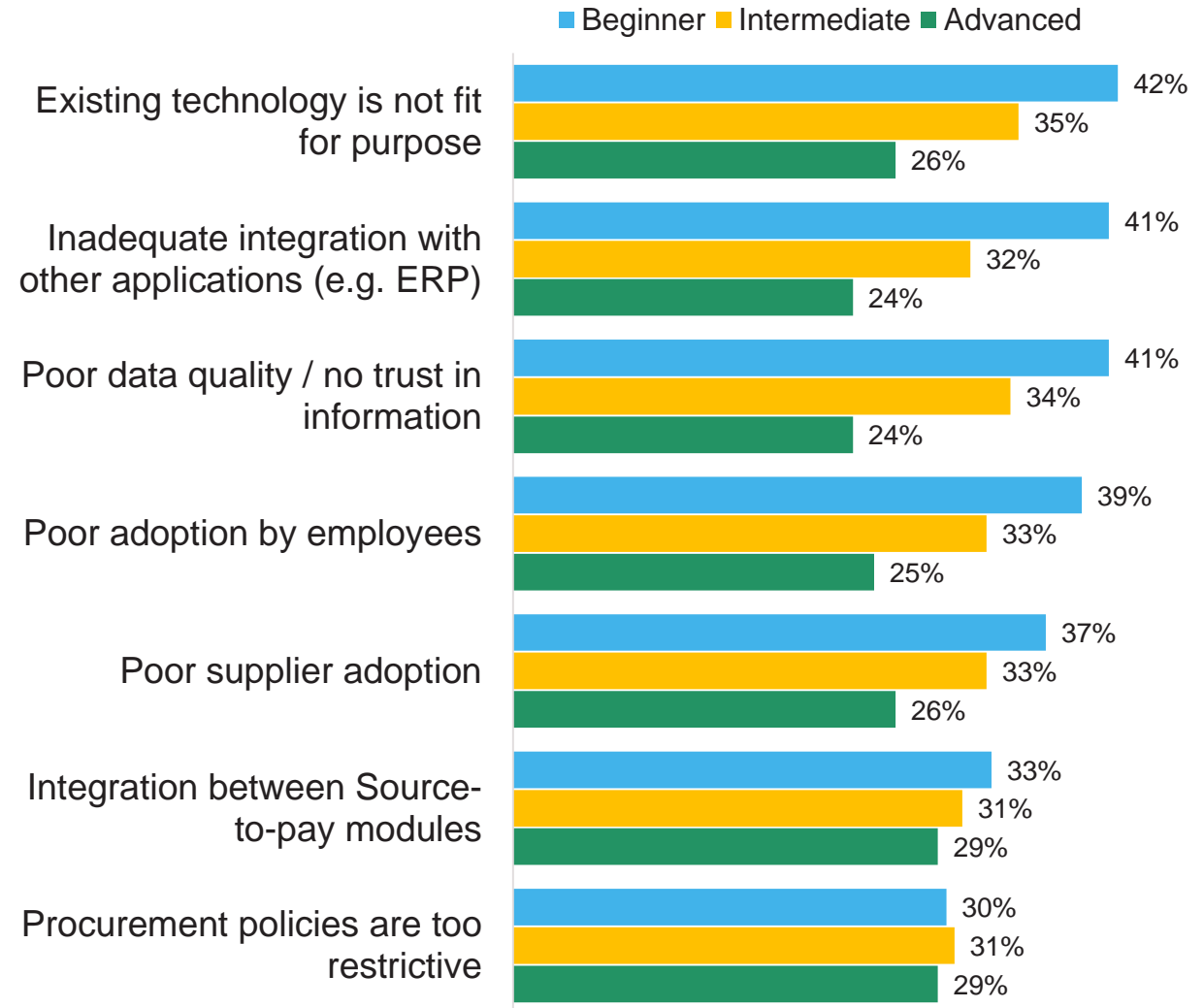- Use AI to filter signals from noise, and trigger management action

Risk information providers deafen us with too many alerts

Advanced CPOs get better tools

"What are the barriers of harnessing technology for your procurement function?"

Insurmountable or major obstacle

Legend: ■ Beginner ■ Intermediate ■ Advanced

Existing technology is not fit for purpose
- Beginner: 42%
- Intermediate: 35%
- Advanced: 26%

Inadequate integration with other applications (e.g. ERP)
- Beginner: 41%
- Intermediate: 32%
- Advanced: 24%

Poor data quality / no trust in information
- Beginner: 41%
- Intermediate: 34%
- Advanced: 24%

Poor adoption by employees
- Beginner: 39%
- Intermediate: 33%
- Advanced: 25%

Poor supplier adoption
- Beginner: 37%
- Intermediate: 33%
- Advanced: 26%

Integration between Source-to-pay modules
- Beginner: 33%
- Intermediate: 31%
- Advanced: 29%

Procurement policies are too restrictive
- Beginner: 30%
- Intermediate: 31%
- Advanced: 29%

Base: 409 Decision makers with responsibility for Finance, Procurement and Supply Chain.
Source: A commissioned study conducted by Forrester Consulting on behalf of Ivalua, March 2020

Modern integrated SVM software is key to monitoring progress towards your goals

"What is preventing your organization from accurately measuring progress against business objectives?"
Select all that apply

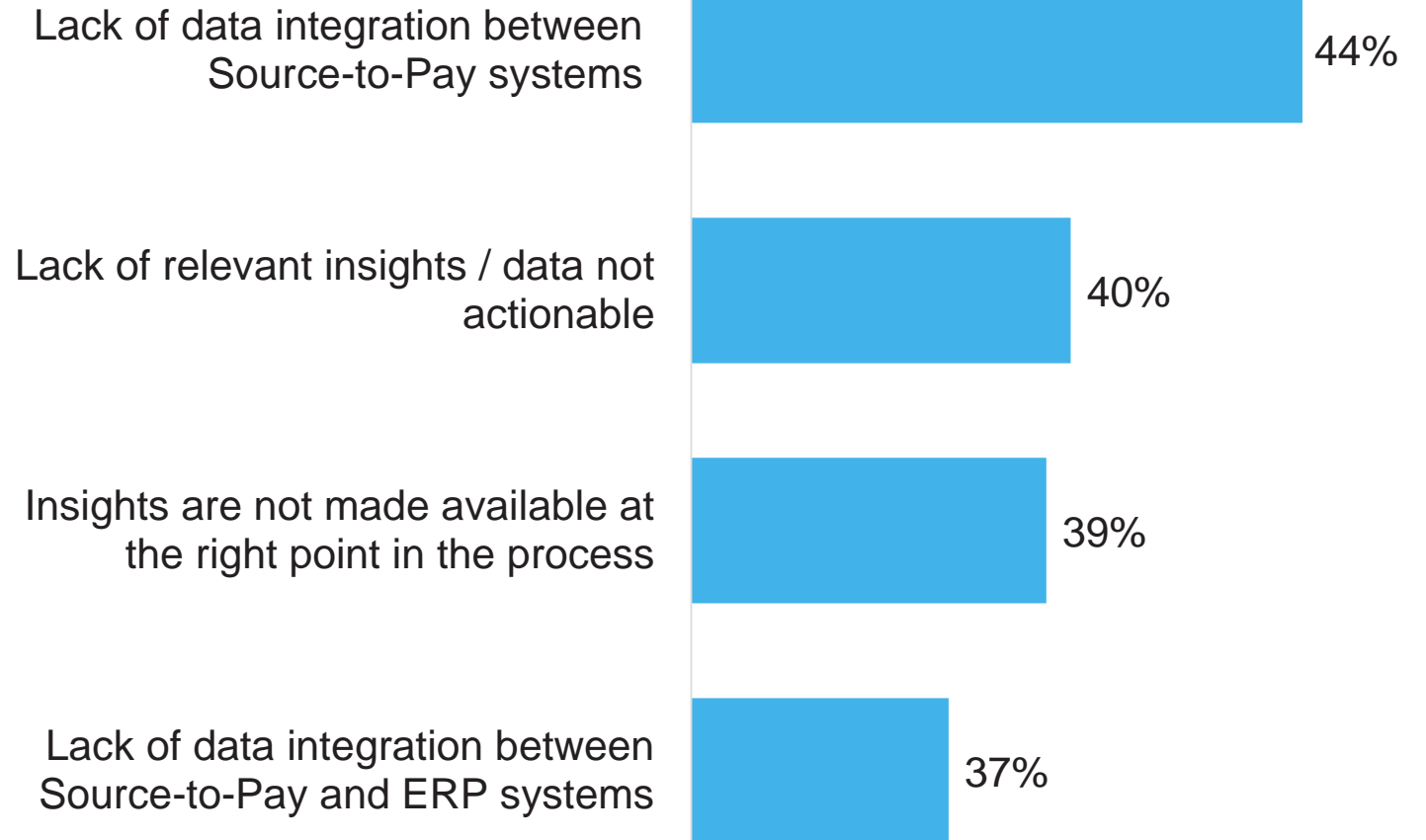| Category	Percentage
Lack of data integration between Source-to-Pay systems	44%
Lack of relevant insights / data not actionable	40%
Insights are not made available at the right point in the process	39%
Lack of data integration between Source-to-Pay and ERP systems	37%

Base: 409 Decision makers with responsibility for Finance, Procurement and Supply Chain.
Source: A commissioned study conducted by Forrester Consulting on behalf of Ivalua, March 2020

Summary Recommendations

- Get an independent assessment of your department's maturity

- Set goals that matter to customers, and measure progress regularly via new KPI
  - Co-innovation, sustainability, process speed & agility

- Upgrade your supplier value management software
  - towards a full suite, if you can

- Choose vendors that are applying AI in ways that will be valuable to you

Thank You.

Duncan Jones

VP, Principal Analyst

djones@forrester.com

Effective Measurement is Hindered by Multiple Obstacles
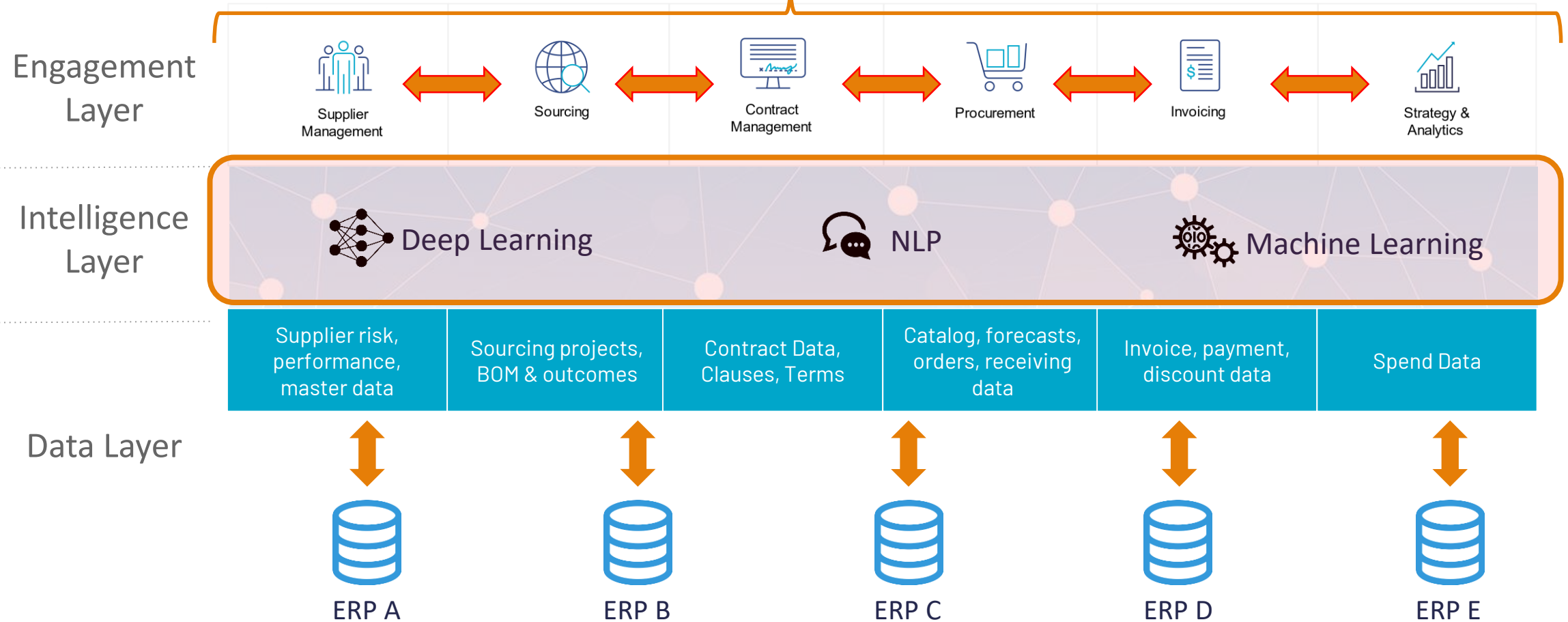
ivalua

1 – Lack of S2P integration

2 – Lack of actionable insights

Proc. Ldr

3 – Access to insights

4 – Lack of S2P – ERP integration

Engagement Layer

Supplier Management ⟷ Sourcing ⟷ Contract Management ⟷ Procurement ⟷ Invoicing ⟷ Strategy & Analytics

Intelligence Layer

Deep Learning   NLP   Machine Learning

Data Layer

| Supplier risk, performance, master data | Sourcing projects, BOM & outcomes | Contract Data, Clauses, Terms | Catalog, forecasts, orders, receiving data | Invoice, payment, discount data | Spend Data |

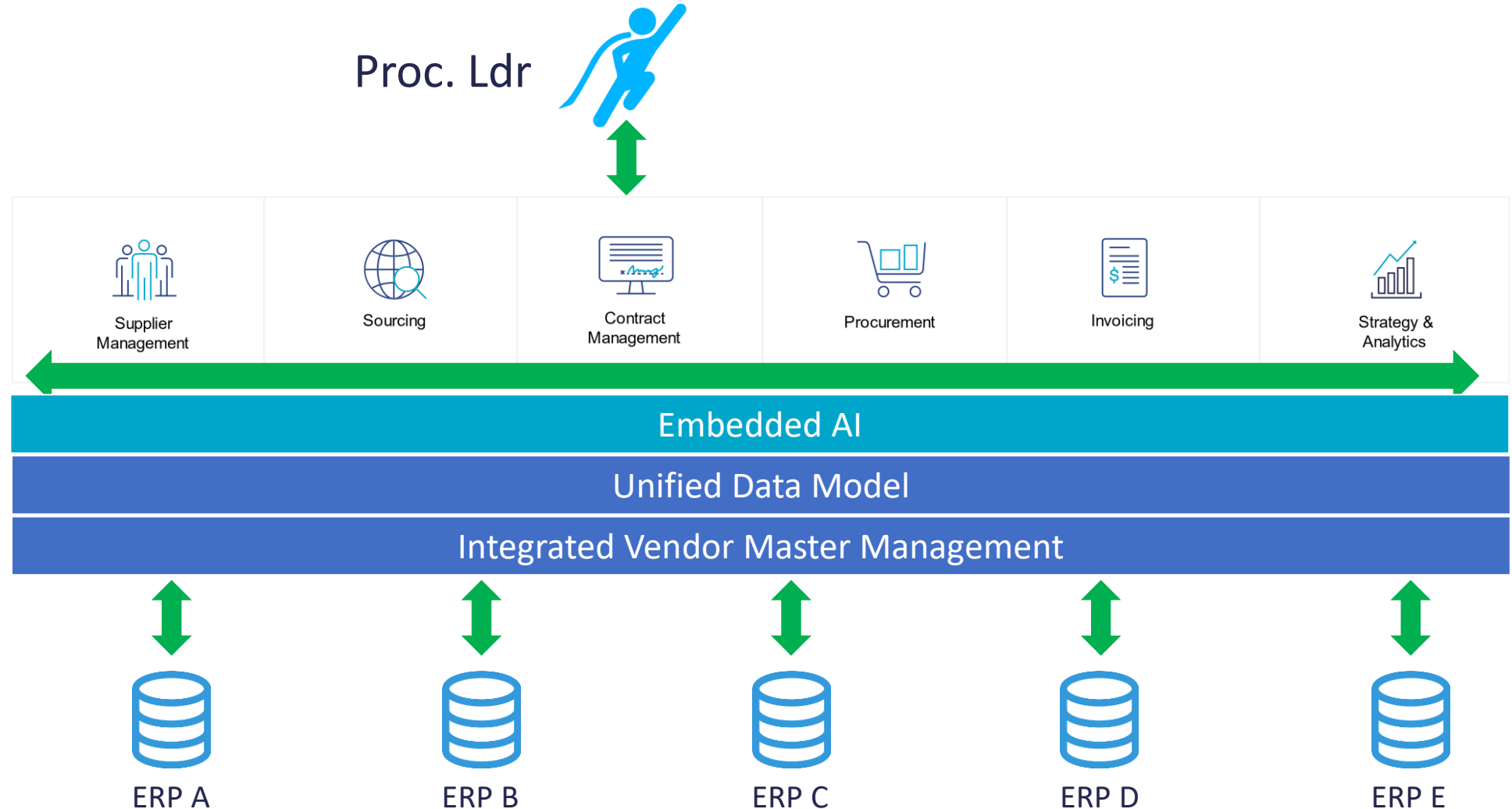ERP A   ERP B   ERP C   ERP D   ERP E

A Unified, Complete S2P Suite Can Address All Obstacles
An elegant, simple solution

Proc. Ldr

- Seamless data flows
- Universal chatbot

- Insights based on quality, complete data

- Clean data creation
- Enterprise-wide data normalization

Supplier Management	Sourcing	Contract Management	Procurement	Invoicing	Strategy & Analytics

Embedded AI

Unified Data Model

Integrated Vendor Master Management

ERP A   ERP B   ERP C   ERP D   ERP E

Success Story – Chassis Brakes International

CHASSIS BRAKES INTERNATIONAL

66 Ivalua has enabled our transformation journey effectively, making Procurement more agile and digital. It really began with a focus on suppliers and clean supplier master data to make better decisions. Resolving this empowered efficiency, visibility and much more value creation for the business. 99

Cyrille Naux
Executive VP of Purchasing and Supply Chain
Chassis Brakes International

CHALLENGES

- Corrupt supplier master data and excessive suppliers
- Poor visibility into indirect spend – less than 25%
- Very low PO coverage (30%)
- Manual, inconsistent PR/PO processes for Indirect & Direct
- Global commodity managers lacked control and visibility

BENEFITS REALIZED

- Gained control of enterprise-wide data
  - Supplier records synchronized throughout S2P and 25 SAP instances globally
- 50% reduction in supply base
- 99% PO digitization
- 98% spend analyzed, 100% contract visibility
- 10% savings across indirect, 0.5% across direct materials

Effective Procurement Measurement is Yours for the Taking

Digital Procurement Maturity Assessment

https://info.ivalua.com/digital-procurement-maturity-assessment

CONTACT US!

📍 Ivalua Inc.

805 veterans blvd

Redwood City – CA 94063

📱 Phone: +1 650-930-9710

Toll free: +1 866-795-8982

Fax: +1 650-365-5267

ivalua