

Status of Procurement Digitization within Leading Dutch companies

National survey of purchasing managers conducted for SynerTrade
by research agency Conclusr

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Preface

Our society is digitizing rapidly. Consumers and companies alike are being profoundly influenced by this transformative shift, so it stands to reason that procurement departments should also be greatly affected by this digital transformation. Without question, purchasing professionals want easy access to their work from their smartphone. To provide their internal customers with optimal assistance, buyers also want to be able to conduct thorough analyses on procurement results, suppliers, tender processes, and any other activities that are part of their daily agenda. It is high time to assess the status of procurement digitization within leading companies in The Netherlands. Oddly enough, until recently very little was known about the status of this digital transformation. What priority do purchasing managers assign going digital? What strides have been made by the purchasing sector in our country on this front, and what are the main challenges to digitizing purchasing processes? These questions and more will be answered in this research report. We will provide insights into the enhancement measures that can make purchasing processes better, faster and more affordable. Consider the impact this could have on tendering processes, supplier management and generating management reports for a predictable purchasing process.

More than 200 procurement decision makers from major Dutch organizations participated in this survey accomplished end of 2016. The results of this survey are providing you a benchmark and might give you valuable insights to put either digital transformation on your own agenda or not.

However, doing nothing appears to be no longer any viable option, learning the outcome of this research. The question is not whether your company needs to digitize, but rather how to better serve the rapidly changing business world.

I would like to thank all respondents for participating in this telephone survey conducted by Conclusr Research. And hope you get inspired by all survey results!



Marcel Doppenberg
Benelux & UK Country Manager

January 2017

Management Summary

This survey provides insights into the extent to which organizations may or may not have been digitized their purchasing processes and into the challenges that apply to this digital transformation. A total of 206 procurement managers from organizations with an annual turnover of at least 25 million euros participated in this survey. Concluser Research carried out this telephone survey during November of 2016. The main findings are below summarized:

The New Role of Cost Reduction

The times when purchasing professionals were mainly judged on their ability to negotiate the lowest purchasing prices from suppliers appear to be over. The current trend for purchasing departments is to develop into a strategic partner for their internal business customers. This means that buyers are more concerned now with managing the right strategic suppliers, as well as monitoring the corresponding improvement plans. Suppliers that turn a healthy profit provide companies with a greater guarantee of the continuity of their business operations than basing management solely on the lowest purchasing price. Lowering process cost seems to be more important than decreasing already competitive purchasing prices.

Management Want Better, Faster and More Current Insights into Purchasing Processes

Purchasing management attach increasing importance to being able to generate up-to-date, insightful management reports. These reports offer such advantages as obtaining greater insights into the quality of purchased goods and services and compiling predictive analytics for future expenses and tenders. Partly influenced by management pressure. However, the necessary structure and resources to respond appropriately to new insights are lacking. A lack of correspondence between analyses and actions is quite usual appears from this research.

Large-scale Dissatisfaction (82%) with the Current Degree of Digitization

Purchasing departments are taking on more and more tasks without a commensurate substantial increase in new hires at organizations. Most of the participants surveyed believe that the purchasing processes must be digitized to carry out tasks such as: reducing process cost, collecting additional and improved control information, developing more tightly-formulated guidelines, reducing error margins during the purchasing process, and managing supplier networks more efficiently and effectively. However, the vast majority of purchasing managers (82%) indicated that they are dissatisfied with digital tools at their disposal for achieving the desired quality of services.

The Digitization of Purchasing Processes Is Still in its Infancy

Paper processes or applications that are improperly deployed to digitize the purchasing process simply no longer work. Purchasing departments lack the proper systems to meet the growing demands of their internal customers. The Procure-to-Pay process appears to be fairly automated, but the digital tendering processes, automated supplier management, and real-time procurement analyses are still a long way to go. Purchasing professionals experience little to no support from general and IT management. A willingness to invest and the understanding of how digitization can help improve purchasing processes appear to be missing. The large-scale adoption of the cloud in the IT market is not yet a reality for purchasing departments that are still working with traditional on premise software. Only one in five Procurement managers has access to all purchasing processes from his or her smartphone.

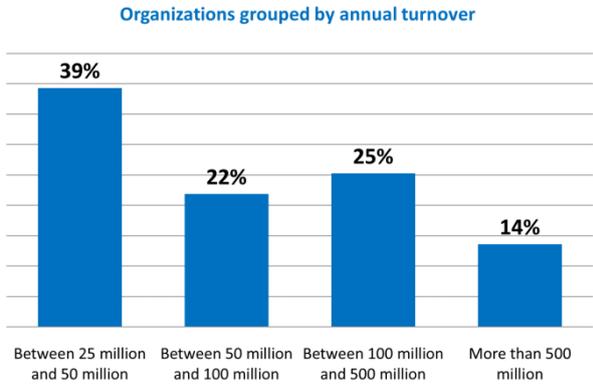
Optimal Digitization of the Purchasing Process Results in 7.5% Cost Savings

According to the survey respondents, the optimal digitization of purchasing processes will lower purchasing cost by at least 7.5%. Having more digital tools also helps to alleviate the pressure on purchasing departments. After all, there are better informed policies that lead to the selection and management of the right suppliers at the right price-performance ratio. In addition, as yet unknown suppliers who have better propositions may not be overlooked, which increases the success of purchasing departments.

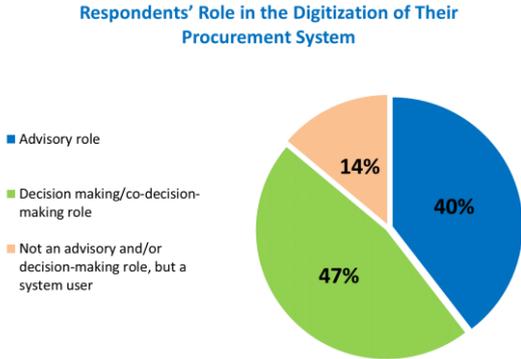


Background Survey Facts & Figures

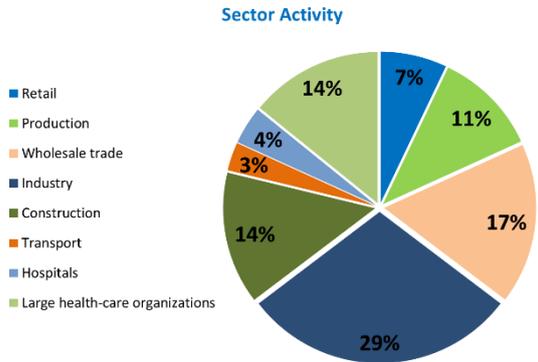
Procurement managers were the most interviewed respondents of this survey. 206 people have been interviewed by telephone about the status of procurement digitization at their respective companies in November 2016. The role of procurement management throughout the company was also discussed. 40% of the organizations surveyed have an annual turnover of more than 100 million euros, and 35% have more than 500 million euros. All organizations surveyed had a minimum annual turnover of 25 million euros.



47% of the survey respondents indicated they were either the sole or a co-decision maker with regard to investing in digital procurement systems. 40% of the survey respondents classified themselves as a consultant.



There were thirty interviews conducted with major health-care organizations; 22 within the retail sector; 82 within industry and production; 35 among wholesalers; 29 within construction, and eight for the transport sector.



The survey focuses on strategic and operational purchasing processes. Consequently, the Purchase-to-Pay process, the use of tender modules, reporting features, source-to-contract lifecycle management, and "self-administration" by suppliers were all discussed.

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From a dedicated Cost Saver to a Strategic Business Partner

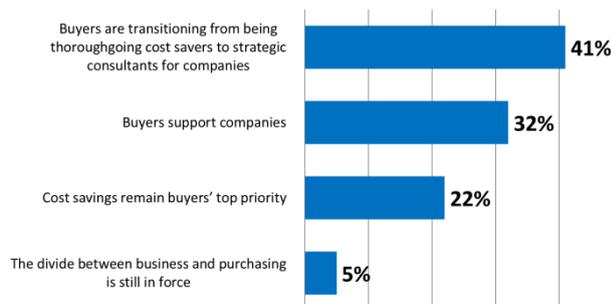
Purchasing departments endeavoring mainly to secure the lowest possible prices from suppliers is now a thing of the past. Cost reduction has been redefined. Saving on costs now revolves much more around process costs, the cost-effective design of purchasing processes, and supplier management. Quality management of timely delivered products and services is becoming much more important.

That means that the focus is more on the formulation and monitoring of improvement plans on the part of suppliers. Therefore, customer-supplier relationship has been exchanged for a strategic partnership between the purchasing and the selling organization.

Purchasing organizations are increasingly realizing that disruptions to their primary business processes due to poorly performing suppliers is far more harmful than only securing lowest possible purchasing prices.

Consequently, obtaining up-to-date insights by way of management reports about the quality of the purchased goods and services is increasingly important. These insights help companies assess whether or not the organizational quality meets the applicable standards. These management reports are also important tools contributing to rapid and appropriate decision making. This strategic thinking has gained market-wide acceptance, whereby organizations with more than 500 million euros in annual turnover have taken on a leading role. While price negotiations remain important, their significance is much more on par with the quality and predictability of the business operations.

Function of the Purchasing Department within the Organization

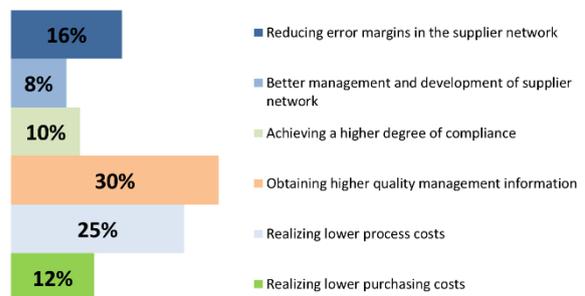


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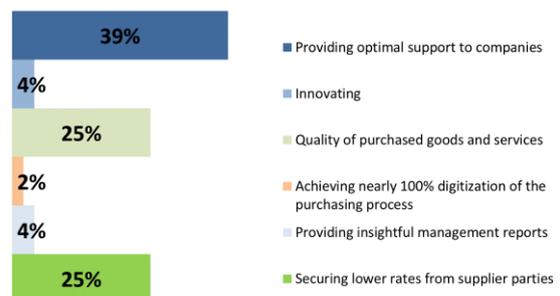
Procurement Software as Management Tool

Purchasing departments bear responsibility for a growing range of tasks. Reducing process cost, collecting additional and improved control information for management, meeting tightly-formulated compliance guidelines, reducing error margins, and managing an effective supplier network: these tasks and responsibilities are all far more important than merely securing lower purchasing prices. The growing complexity and the coherence of these tasks require more digital tools. Additionally, many survey respondents view digitization as an important prerequisite to successfully delivering required services to the company and to management. However, non-automated or insufficiently automated and integrated processes and systems make it impossible or extremely laborious to perform these tasks well and quickly. The Dutch purchasing sector recognizes the need for further digitization in order to satisfy the expectations of management. This need is applicable to all sectors and to all turnover classes of the organizations surveyed. Among survey respondents, there was broad consensus that the current level of digital transformation is insufficient.

Primary Motivation for Using Procurement software



Elements on which Purchasing Departments Are Judged





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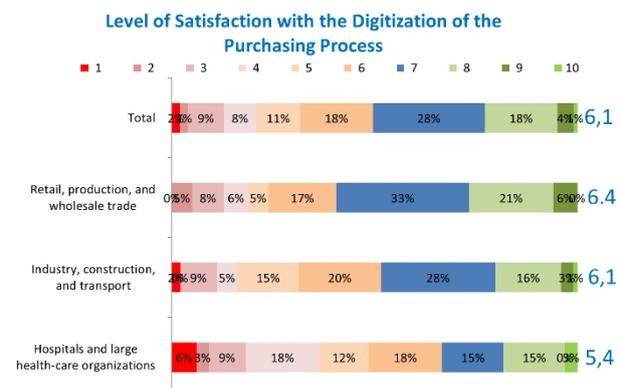
Dissatisfaction about Procurement Digitization

There is a significant discrepancy between the current status of automated purchasing processes and desired status. Frequently a fully automated procurement process is only applicable to the Procure-to-Pay procedures. In other words, it forms part of the operational process. The system, therefore, completes financial settlement after a purchase order has been placed. The purchasing sector in The Netherlands recognizes that there is still a long way to go before procurement professionals will be able to optimally complete their wide-ranging tasks. Survey respondents who indicated that their purchasing processes have largely been digitized expressed that manner in which the transition has been achieved, is far from ideal. When the organizations surveyed were asked how satisfied they are with current digitization of their purchasing processes, they scored their satisfaction a meager 6.1. 23% of the organizations surveyed are satisfied or very satisfied with their digitization process, giving a score of 8 or higher.

In answer to that same question, no less than 50% of the organizations surveyed gave a score of 6 or less, with 23% even assigning a score of 5 or lower.

Particularly hospitals and other large healthcare organizations are very dissatisfied with their current procurement systems. At least 36% of the healthcare organizations surveyed gave their current digital procurement systems a score of 4 or lower.

Even 40% of the companies with over 500 million euros in annual turnover rated their current digital purchasing processes with a score of 6 or lower, and 29% with a 4 or lower. In short, there is market-wide dissatisfaction with the status of the digital transformation of purchasing processes.



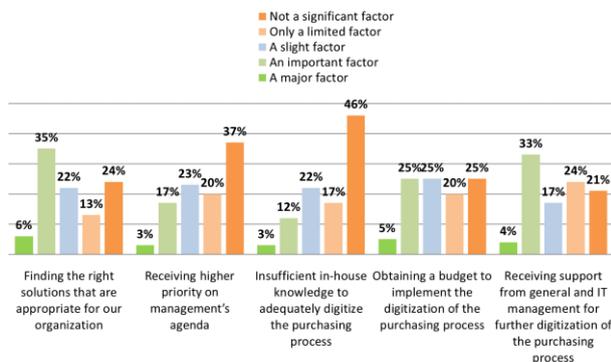
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Procurement Analyses Are Paper Tigers

Conducting analyses on all kinds of purchasing activities is a daily activity for many buyers. This remains, however, a rather labor-intensive process. In addition, most procurement managers find that the analyses can hardly be translated into solution-oriented measures, if at all. More is needed before these analyses can be applied. And the solution is not just further digitization. General management also need to generate broader support for the implementation of improvement actions. 49% of the purchasing managers surveyed are dissatisfied with the current status of digitization. 33% of the respondents are very dissatisfied.

Many organizations expect to encounter problems with general and IT management. According to the survey respondents, companies lack the necessary in-house knowledge to select the right applications for adequate digitization of purchasing processes. Budgetary constraints that limit the necessary investments are additional complicating factors that hinder progress on this front. Although most respondents recognize the need for digital transformation, no concrete steps have been taken yet. Another reason for this situation is because the offer of suppliers is perceived as opaque. Consultation and coordination with general and IT management appear to be necessary to obtaining a clear analysis of the need for digital transformation, certainly before functional and technical choices can be made.

Main Challenges over the Next Two Years



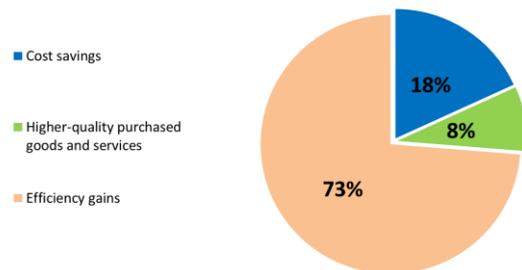


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Purchasing software expectations

When asked what the deployment of procurement software has delivered so far, the unanimous answer from survey respondents is efficiency gains. Independent from sector or turnover class, 73% of the survey respondents indicated improved efficiency as main result. Cost reduction, identified by 18% of the survey respondents, placed a distant second. A third advantage, as 8% of the survey respondents indicated, is the higher quality of the identified purchased goods and services. These results are easily explained by the previously described tasks of the buyers. Procurement systems should be more agile and quicker in their ability to provide new insights. This applies to structural questions that companies pose, and it increasingly applies to rapid ad-hoc actions. The rising level of interaction among internal customers and suppliers requires that paper processes be replaced by digital systems that can better and more quickly manage complex purchasing processes.

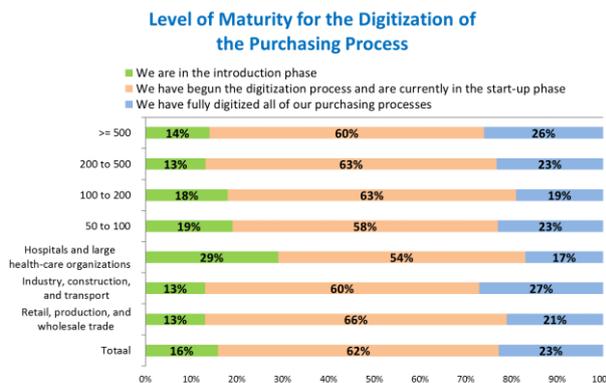
Primary Result of Further Digitization of the Purchasing Process



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Where There Is a Will, There Is a Way

In terms of digital transformation, 23% of the survey respondents characterize their purchasing processes as "mature." In addition, Supplier Relationship Management (SRM), spend analysis, and Procure-to-Pay processes are all fully automated. This is particularly applicable to organizations with more than 100 million euros in annual turnover.



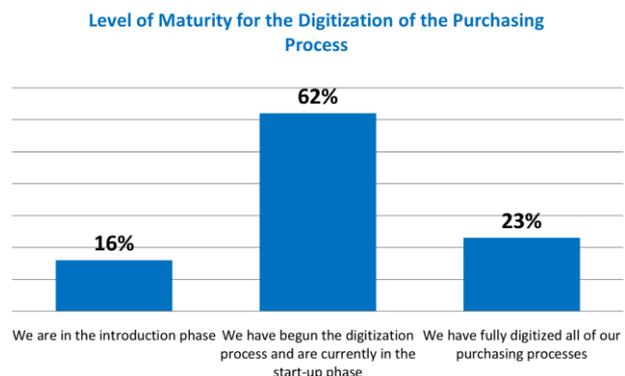
This means that a majority of organizations are not yet digitized or not fully.

62% of the survey respondents indicated that they have started the process of digital transformation. It is striking that the healthcare sector lags far behind other sectors. The survey results appear to show that this sector also has fewer plans to go digital. 54% of the health-care organizations surveyed indicated plans to

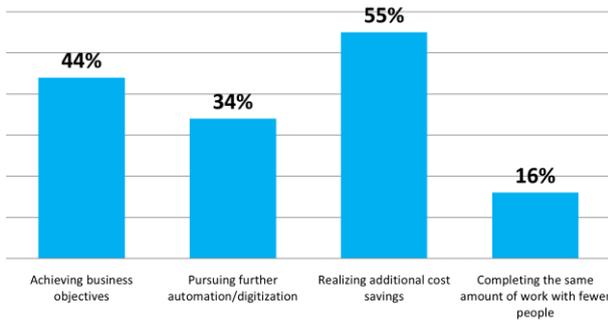
achieve an integrated digital approach versus 62% of organizations in the total market.

Another striking fact to emerge from the survey is that respondents do not view digital transformation as a major agenda item over the next two years. 34% of the survey respondents view this as a major challenge. Realizing further cost reductions and helping to achieve organizational objectives are higher on the agenda.

At the same time, there is recognition that one is not possible without the other. However, according to the survey respondents, both general and IT management are not sufficiently aware of the interdependence between digitization and their major agenda items.



Main Challenges to the Digitization of Purchasing Processes

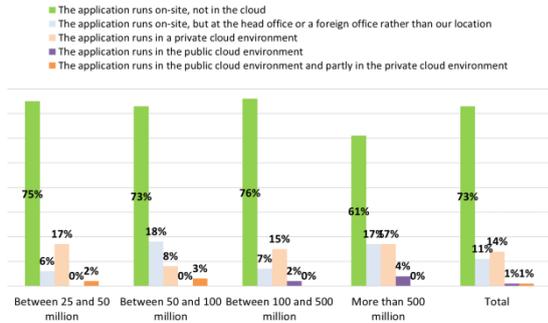


Unlike many IT departments, it is not yet common to use the cloud for procurement systems. 73% of the organizations surveyed have proprietary procurement software that runs on server systems within their own office environment. 14% of the survey respondents indicated that they work within a private cloud environment. The public cloud environment is still very far away. Only 1% of the organizations surveyed currently using the public cloud. However, it is striking that companies with the highest annual turnover use the cloud more the companies with lower annual turnover. It appears that the use of a private or a public cloud solution by organizations with more than 500 million euros in annual turnover—at 17% and 4%, respectively—is relatively higher than those with a lower turnover.

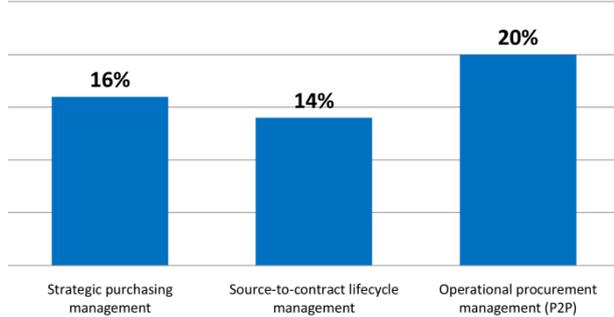
The low adoption rate of the cloud within the purchasing sector is indeed remarkable. Speed, cost efficiency, and scalability of existing and new applications can be solutions to challenges that purchasing departments face nowadays.

Smartphone access to purchasing applications is also remarkably low. 16% of the purchasing managers surveyed have online access to strategic purchasing management modules. 14% have mobile access to source-to-contract lifecycle management information, and 20% indicate that they have remote access to the Procure-to-Pay process.

Environment in which Purchasing Software Operates



Degree of Accessibility from Smartphones/Tablets



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Contribution of Digitization to Business Results

Organizations that claim that their software provides insufficient support of the purchasing process expect to realize at least 7.5% in cost savings on third-party purchasing, once they have the right digital tools. Purchasing managers who have already implemented digital processes indicated that their purchasing costs would be approximately 11.5% higher if they did not use the right procurement software.

In absolute terms, the accumulated savings in third-party purchasing amounts to 18.9 billion euros. This amount applies to organizations that indicate that they achieve these savings through procurement automation. That amount is 12.8 billion lower in organizations that, at present, are not sufficiently automated.

What is striking is that there are significant differences among sectors. For example, companies in the industrial sector that have achieved little to no digitization of their procurement processes stand to save an average of 11.8 million euros on third-party purchasing. The transport sector appears to gain the least profit from deploying digitized purchasing processes. Nevertheless, there are still savings to be made worth 4.4 million euros per transport company. Healthcare organizations with little to no digital transformation of their purchasing system could save an average of 12.6 million euros per organization. Companies in the construction and trade industry with insufficient or no digitization of their purchasing processes could realize approximately 9 million euros in cost savings.

Overall, there are numerous savings opportunities that therefore can greatly impact the operating result of companies. Purchasing the right goods and services and obtaining fast and adequate management information on procurement of critical materials are highly influential for operating results. Moreover, relevant realtime insights instill more calm and confidence in organizations where managers are able to make the best informed decisions every day.

According to purchasing managers, general management still seems insufficiently informed of the impact that this has on the operating result. Work remains to be done here as well.

Potential Savings on third-party Purchasing for Companies with Insufficiently Functional Procurement Software



Based on the percentage of the population (51%) that is not satisfied with the purchasing software. In total, this amounts to 1,382 companies.



If you have any questions or comments or would like to discuss this survey, do not hesitate to contact SynerTrade at +31(0)20 2067823 or by e-mailing marcel.doppenberg@synertrade.com

About SynerTrade

With more than 500 customers worldwide, SynerTrade is a market leader in software solutions for procurement. SynerTrade Accelerate, the company's cloud-based platform, has a set of flexible and easy-to-use applications that assist companies throughout their entire purchasing process. SynerTrade Accelerate is a complete eProcurement suite that handles 500 billion euros in purchase orders each year. Adeo, Alstom, Audi, Balise Insurance, Decathlon, Deka Bank, Engie, Groupama, Lafarge, Lindt, Lufthansa, Saint-Gobain, Sanofi, Shiseido, Total, and Yves Rocher are among the many clients who rely on SynerTrade to improve the performance of their purchasing and finance departments. With fifteen offices worldwide, including the Netherlands, SynerTrade provides customers with round the clock expertise and local support in ten languages to optimize their purchasing processes for e-sourcing, e-procurement, SRM (Supplier Relationship Management), expense analyses, and purchasing intelligence. Product innovation at companies can also benefit from the opportunities that SynerTrade provides.

SynerTrade is part of Digital Dimension, a division of Econocom Group.

Visit our website at www.synertrade.com for more information.