

# Digital Procurement Transformation

Combining human ingenuity with technology innovation to drive sustained procurement outcomes

PwC Greece

July 2022



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# Executive Summary

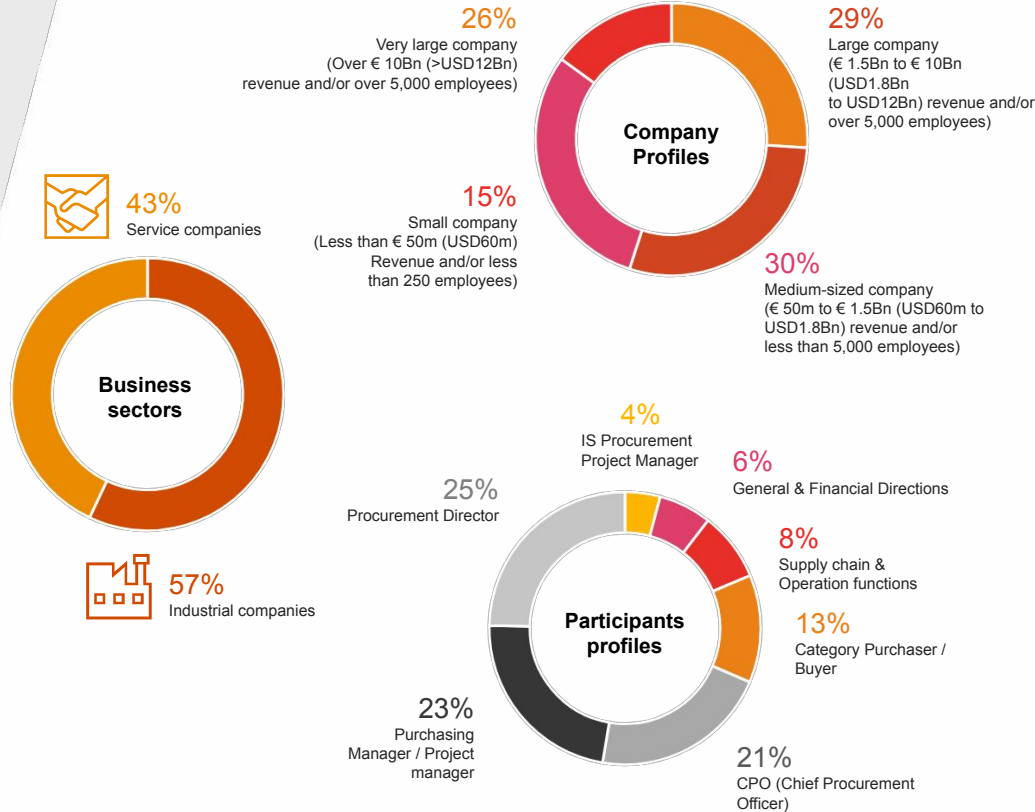
# Survey sample: A global insight into the Procurement professionals' world

**800+** Procurement professionals

**64** countries worldwide  
in all **6** continents

**4** themes covered including:

- ▶ The current vision of your Procurement organization
- ▶ Process automation
- ▶ Digital Procurement tools
- ▶ Roadmap and future transformation



## Current state of Digital Procurement

- ▶ **Digital Transformation is progressing on CPOs' roadmap**
  - Cost reduction and Strategic Sourcing are still the spearhead (61%)
- ▶ **Digital Transformation is now also motivated by Risk management and Compliance**
- ▶ **Source-to-Pay digitalisation has become the "New normal" for Procurement departments**
  - 90% of respondents use either S2C or P2P solutions
  - 77% use both
- ▶ **80% of companies with a high level of process digitalisation succeed with value creation thanks to data availability**

## Future state of Digital Procurement

- ▶ **Procurement departments set very ambitious digitalisation objectives for 2025**, with an average target of 72% of digitalisation. However, perception of actual digitalisation rates of Procurement processes ran into COVID-19 reality, with a 6% decrease to reach an average 41% digitalisation rate.
- ▶ **Middle market companies plan to strongly increase their investments** in Procurement digital transformation (+50% between 2020 and 2022), while large and very large companies will maintain their budgets.
- ▶ **CPOs are focusing their roadmap on Source-to-Pay digitalisation as well as on innovative use cases of ESG and Supply chain traceability**. The trends tend to a shift of digital roadmaps: focusing on proven added-value use cases while shelving exploratory digital use cases.
- ▶ **The tracking of suppliers' CO2 emissions is at a starting point to be a "Game-changer"** for Procurement departments: already 27% of companies use or experiment this emerging use case within their organization.
- ▶ **The applicability of Blockchain in Procurement processes still needs to be clarified** for 59% of Procurement departments. However, they see it as a vector of valuable improvements for the entire Supply chain processes.

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## Current state of Digital Procurement

# Cost reduction and Strategic Sourcing are still the spearhead of CPOs, while Digital Transformation is expanding on roadmaps



**61% of Procurement professionals keep focusing on Cost reduction (37%) and Strategic sourcing (24%) to address the challenging context**

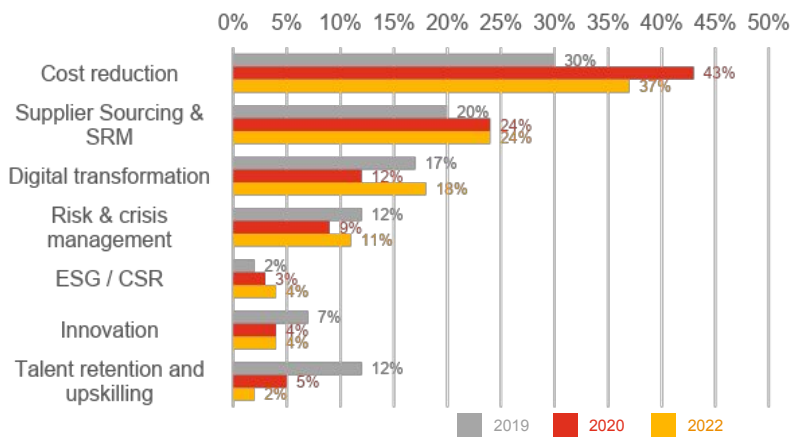
- Procurement departments are focusing on their core objectives within the company
- Building partnerships with suppliers and reviewing supplier panels to find alternatives sources.
- New challenges also appeared regarding costs, calling for drastic cost saving objectives

**Digital transformation is strongly anchored in Procurement departments' agendas**

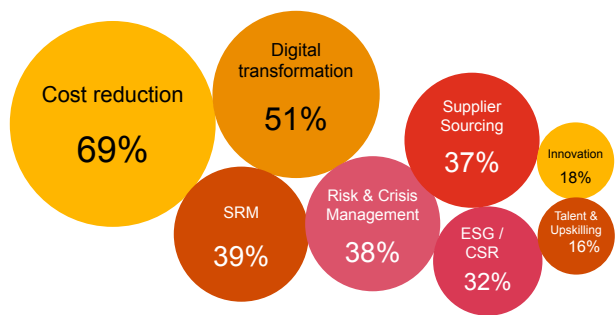
- ▶ It is the 3rd first priority, with an increase of 6 points compared to 2020
- ▶ 51% of Procurement professionals mentioned it as an important priority for coming years

The necessity of digital has become mandatory. It helps at both reacting to immediate risks and at generating long-term Procurement transformation.

**Top 1 strategic priority of Procurement departments**



**Most named strategic priorities of Procurement departments among their Top #3**



**Procurement departments set aside Talent management and Innovation to focus on short-term strategic priorities**

Despite their growing crucial roles in added value creation for the overall company, these priorities are mentioned by less than one 20% on CPOs agendas

The current context of crisis required a focus on urgent matters, while fields of deep transformation for future went secondary

Talent management shows a consistent deficiency over the years. However, constantly evolving companies, ways of working and digital environment raise the necessity of considering Talent Management as a long-term investment for a sustainable future

In addition to traditional objectives of process optimization and cost reduction, digital transformation is now also motivated by Risk management and compliance



**>57%** of the companies declare process optimization as a main driver for digital transformation...

Procurement professionals are striving for **process efficiency and transparency** through their initiatives of digital transformation that requires a deep knowledge of Procurement processes and defining an optimized target operating model



...that reveals a strong user-centric consideration  
Easing the pressure on the workforce remains an important driver of Procurement digital transformation. Optimizing processes will foster business efficiency as well as user experience and allow talent to focus on higher, added value tasks

**47%** of companies aim to achieve cost reduction through digitalisation

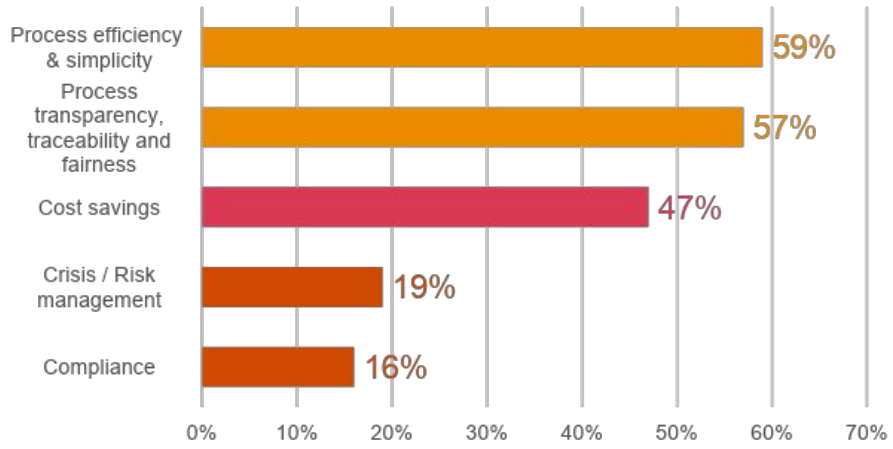
Aligned with the high priority level of **cost reduction**, it is a key driver for digital transformation that can be obtained using sourcing modules



**Risk management and Compliance are issues that appear as upcoming Digital Transformation drivers**

**COVID-19** highlighted the added value of digital Operations. Managing risks is pointed out as an important driver for digital transformation and could increase over the next years

Main drivers for Procurement digital transformation among Top #3



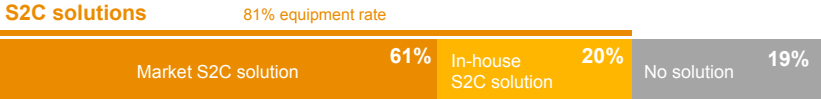
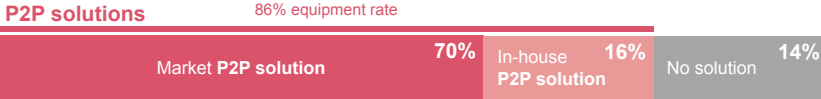
CPO vision

“ The main drivers for Procurement digital transformation are agility, greater control and consequently more efficiency.

*CPO in a very large company of Banking, Insurance, Financial Services sector*

# Source-to-Contract (S2C) and Procure-to-Pay (P2P) solutions are the “New Normal” for Procurement departments

## Digital solution equipment rate of Procurement departments



**1/10** company are still non-equipped, but 65% of them plan to catch-up by investing in S2P solutions by 2025

- 10% of companies use neither a S2C nor a P2P solution to manage their Procurement processes
- Small and medium companies plan to catch up with larger companies by prioritizing S2C and P2P transformation on their digital roadmaps

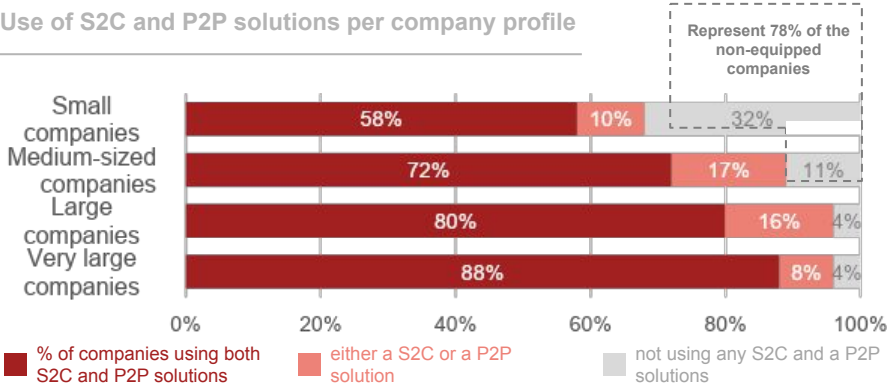
**77%** of companies are already onboard : S2P digitalisation is now must-have and no longer a nice-to-have

The great majority of companies are already equipped with a **P2P or S2C solution**, or even both for 77% of them

However, among the companies using a dedicated solution for S2C or P2P, around **1 out of 5 companies is equipped with an in-house solution**

The efforts of transforming the Source-to-Pay processes has been a **long-lasting effort**

## Use of S2C and P2P solutions per company profile

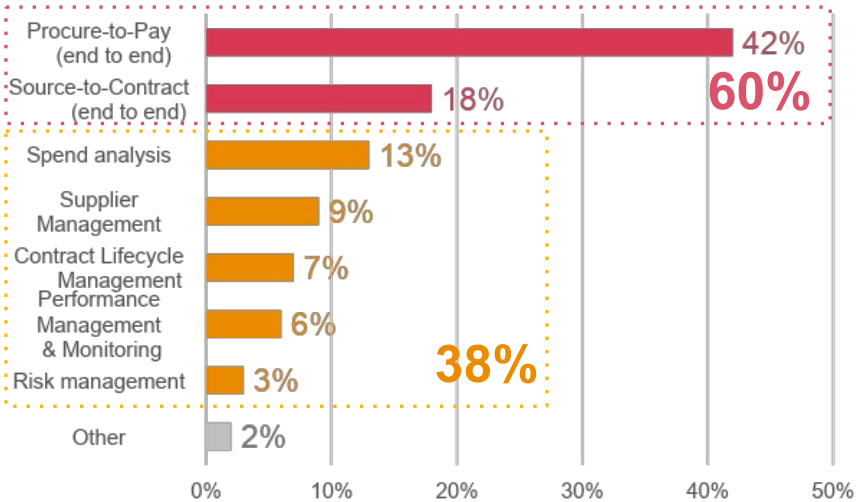




# Benefits from Procurement digital transformation go beyond Source-to-Pay processes



Which Procurement process improved the most with digitalisation?



## The most common perception of improvements brought by Digital solutions is on the end-to-end Source-to-Pay processes

- As 80% of respondents are equipped with S2C and P2P solutions, the greatest improvements are focused on the processes addressed by these solutions
- P2P is one of the transactional processes that is the most digitalized and represent the first step to the path of Procurement digital transformation

## However, around 40% of respondents perceive the best added value through spot processes

The digital transformation of Procurement departments does not limit itself to the S2C & P2P processes

## Perception of improvements on process is the reflection of digital solution vendor market

Digital solution market is composed by two main categories of vendors: the full suite S2P editors, and the specialists on specific processes



### PwC best practice: ROI consideration

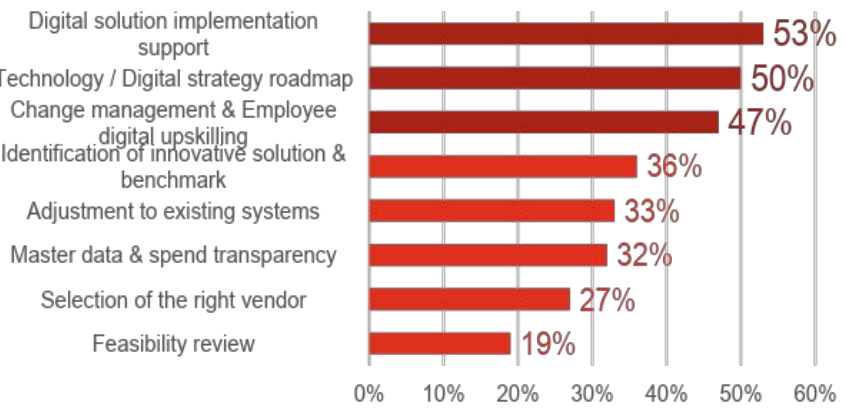
Respondents responding “Others” to this question declare having difficulties to identify the improvements brought by digital transformation due to unclear vision on ROI. The digital transformation of Procurement departments is to be considered as an investment and should be based on a business case for validating the opportunity.



# Third-party support is an enabler, but focusing on internal upskilling and continuous improvement will support long-term digital transformation



Areas of need of changes with external support in Procurement digital transformation for responders among Top #3



## CPO vision: needs for external support

**“External benchmarks”**  
*CPO from small company of Professional Services sector*

**“Leading and obtaining buy-in from key stakeholders for change management”**  
*Procurement Director from very large company of Public sector*

**“Process re-engineering”**  
*CPO from large company of Healthcare and Pharmaceuticals sector*

**“Lessons learnt from similar implementations”**  
*CPO from medium company of Public sector*



**From roadmap definition to implementation support, the most named drivers for calling an external support cover the complete digital transformation process**

Companies have a **diverse need for expertise** to help achieve the digital transformation of their procurement department. Among them, Digital strategy roadmap support is named by 50%



**Digital transformation is not all about technology. Upskilling and developing a digital culture are key for ensuring a sustainable and resilient transformation**

Digital transformation requires specific skills in order to secure a successful implementation. In the long term, developing **employees’ digital skills** will support an in-depth change in the organization



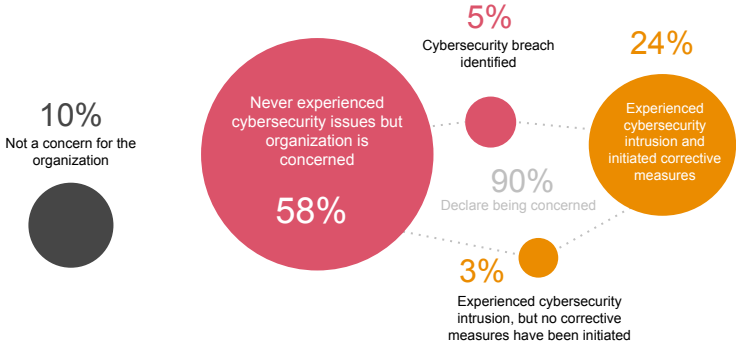
**A third-party support in digital transformation projects will bring specific knowledge and know-how**

Even if internal upskilling is a key to go digital, the **third-party supports** have a specific added value to bring in a more immediate way

# Cybersecurity is a rising concern for all companies, and Procurement departments are not spared from it



## Procurement perception of cybersecurity



### Procurement departments are not spared from cybersecurity concerns:

- 90% of them declare being concerned by cyber threats
- 27% of them already experienced an intrusion

The cyber threats are numerous and can come from many sources such as Cyber criminals, vendors and third-party

### Company size is not an obstacle for cyberattacks:

- 63% of the companies that already experienced intrusion are large & very large companies
- 37% are small & medium companies



### CEO perspective

Cyber threats are on the rise according to CEOs - Cyber has fast become a major source of anxiety

■ Top threat for North America and Western Europe



### CIO perspective

Shrink the large blind spot hiding the risks in your business relationships

You can't secure what you can't see, and most respondents to the PwC 2022 Global Digital, seem to have trouble seeing their third-party risks.

Only 40% of survey respondents understand the risk of data breaches through third parties. Nearly a quarter have little or no understanding at all these risks.

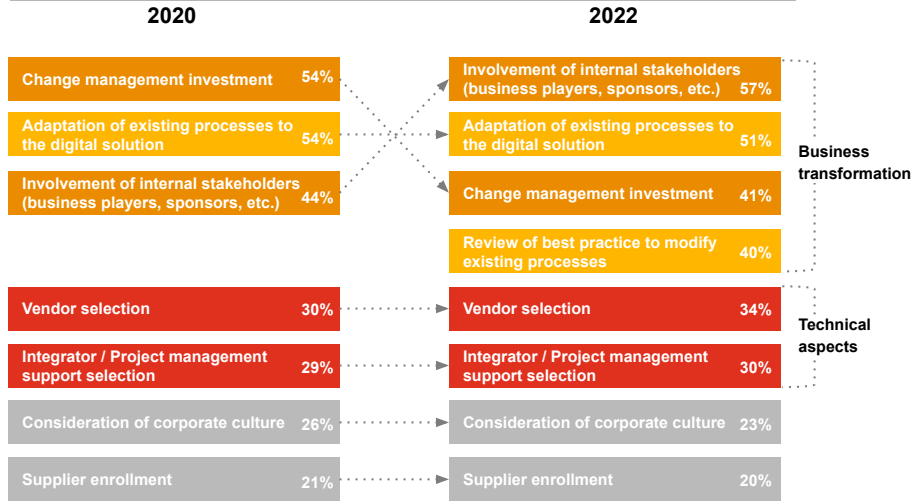
Source: PwC, 2022 Global Digital Trust Insights, October 2021.

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## Future state of Digital Procurement

# Business transformation including process, organizational and human aspects remains the major key success factor for digitalisation

## Key success factors for implementing a digital Procurement solution



### Organizational & Human aspect

Organizational and human aspects remain key success factors for implementing a digital Procurement solution. They are part of a **comprehensive business transformation**

### Process & Practices

The critical role of **business process re-engineering** is confirmed once again this year as being a key component of a successful digital transformation

### Vendor & integrator selection

**Technical aspects** are secondary success factors. The focus on process re-engineering and stakeholder buy-in reveals that even the best tailored solution requires to be implemented considering the above



### CPO vision

“ Procurement management must be fully integrated into the organization's end-to-end processes

*Procurement Director of a very large company in the Healthcare industry*

# Investments will significantly increase over the next two years for small and medium companies

## 42% of Procurement professionals do not have a clear vision on their investments

Many professionals claim not knowing the investment budget of their company within Procurement transformation, 15% of them being CPOs.

## On average, the companies will invest €1.28m annually in the coming years to support their digital transformation

These ambitious investment forecasts offer support for the implementation of Procurement departments' digital roadmaps.



### CEO vision

## In 2021, nearly half of CEOs planned to increase their rates of digital investments by 10% or more

Today's digital focus contrasts with the situation in 2010, after the global financial crisis.

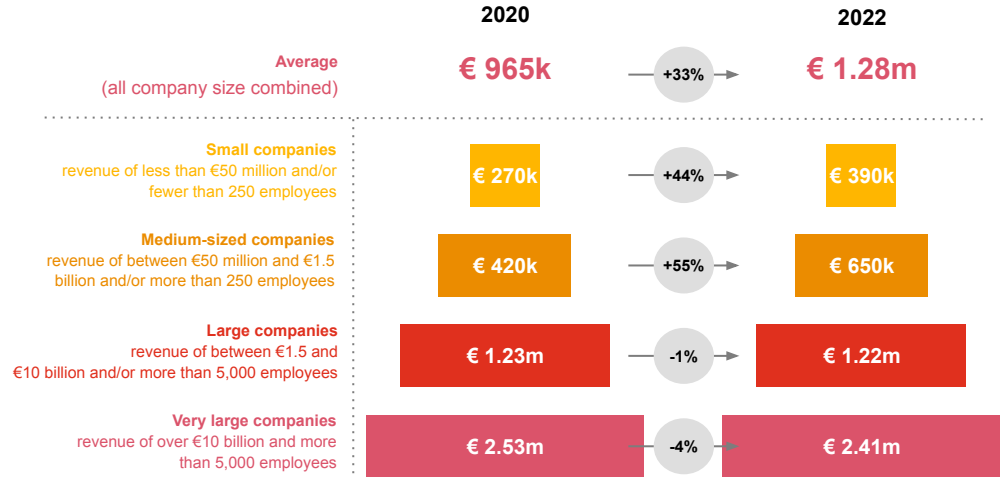
Increase moderately 3-9%

34%

Increase significantly >10%

49%

## Annual investment forecast for the digital transformation of Procurement departments over the next two years



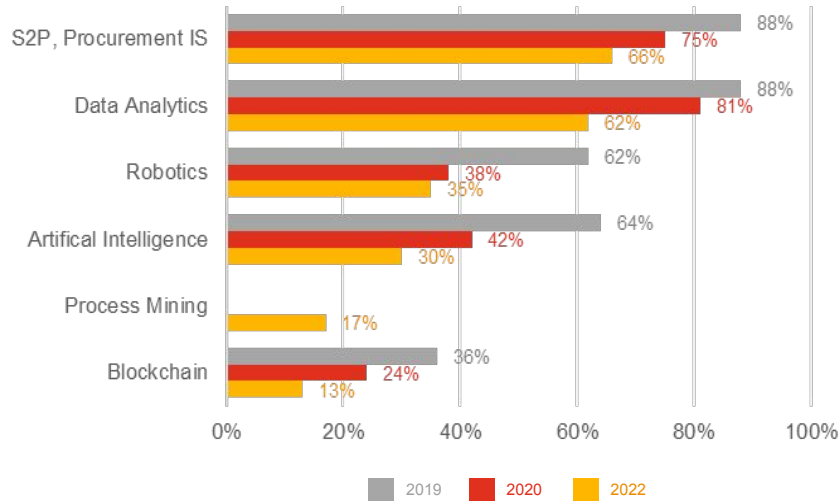
## While large & very large companies maintain their investments over the years, Middle market companies (small & medium) plan to strongly increase their investments in digital transformation

Compared with 2020 results, small & medium size companies show a strongly increasing interest on Procurement digital transformation with around 50% of budget augmentation.

The technological roadmap of Procurement departments is rationalizing and quitting experimenting mode, with decreasing interest on emerging technologies such as Blockchain & AI



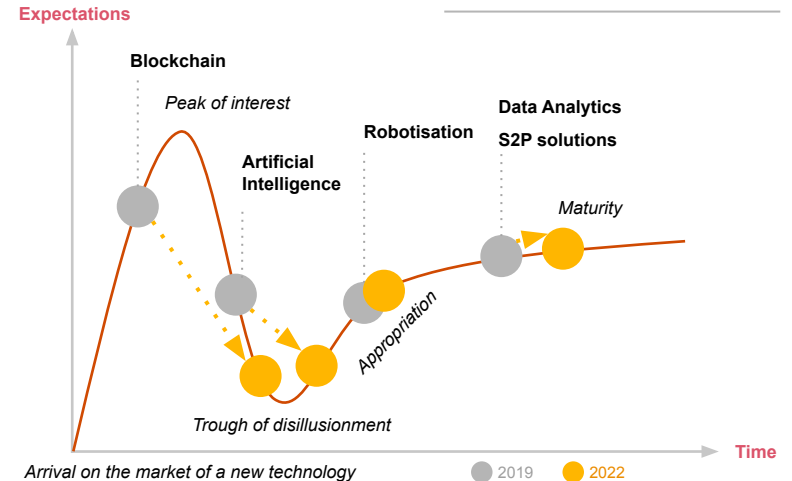
### Targeted technologies to invest in within 2025



### Procurement professionals are not into an experimenting mode anymore as many technologies see a lowering interest

- Procurement technology of S2P solutions and Data analytics are **still animating a large interest** compared to Robotics, AI, and Blockchain
- Investments intentions are concentrating on the **proven added value technologies** providing applicable use cases, while the “hype” around new technologies is running out of steam

### Technology Maturity curve



### The number of targeted technologies on roadmap is getting rationalized over the years

Average number of technologies on Procurement departments roadmaps

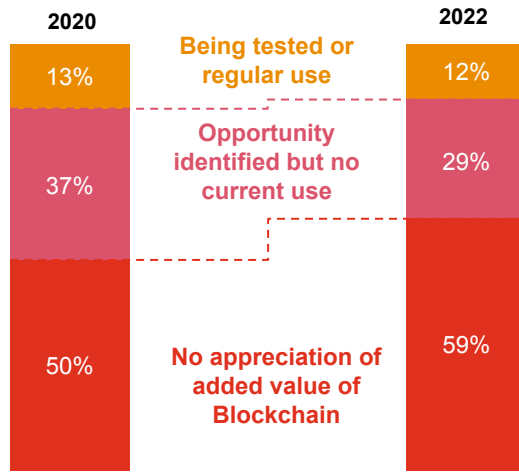


# Blockchain can bring very significant value, however it is inspiring less and less Procurement professionals due to its unclear applicability

## Blockchain is not perceived as a relevant digital use case for Procurement operations

Blockchain is on the slow path of maturity, which includes a deception on the initial "hype" around a new technology

### Perception of Blockchain by Procurement Professionals



## Reasons for not testing or using Blockchain



No identified use cases  
45%



Lack of skilled resources internally  
39%



High complexity of the technology  
19%



Unclear added value & benefits  
37%



High implementation costs  
17%

## Unidentified or unclear opportunities & lack of skilled resources are the main entry barriers to benefit from Blockchain technology

For Procurement departments that have not yet tested or implemented Blockchain methodology, some entry barriers are still preventing them from deploying the technology

## However, it is a vector of valuable improvements on Procurement and Supply chain processes

Thanks to its transparent, reliable and secure data storage and transmission technology, Blockchain can allow buyers to gain agility and simplicity throughout the Procurement process.

1

Monitoring supply chain flows, including complex supply chains

2

Create a platform to certify the origin of components of products or services

3

Draw up a map of n-tier suppliers to protect the company's sovereignty

4

Generate a digital ID for each of the different stakeholders in the supply chain



# Procurement departments shifted their digital roadmaps, focusing on proven added value use cases while shelving exploratory use cases



Presence on Procurement roadmaps of digital use cases: targets to invest in within 2025



## Fundamental use cases are the target of increasing investments

Use cases related to core Procurement activities were the main targets of digital transformation in 2020 and is even on the roadmap of more companies this year



## Most of developing and high potential use cases are de-prioritized on a short-term perspective

These use cases are seen as a risky ROI, that may not be worth the effort of implementation on a 3-year perspective at this time



## Supply chain traceability is the only developing use case that gained momentum on Procurement roadmaps

Supply chain traceability moves up by a strong 7 points, while risk management sees a decline of 4 points compared to 2020.



## Sustainability use case makes a good entrance on Procurement digital roadmaps

The use case for monitoring CO2 emissions from Procurement perspective makes its first entry in the list.

# CO2 tracker emission solution can be a game changer for sustainability application in Procurement departments



**Sustainability will be a future game-changer as many companies (27%) already implemented or experienced an emission tracking system**

Tracking CO2 emissions is becoming regulatory and socially mandatory. Therefore, Procurement can play a key role in this initiative.



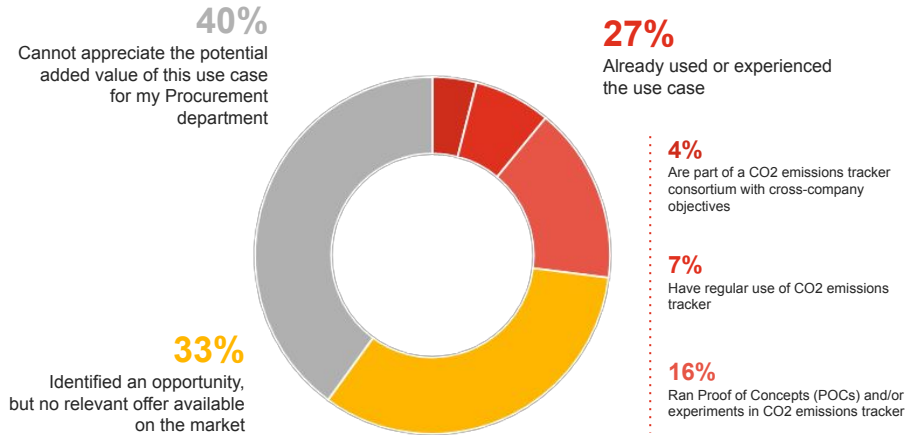
**The advantage of tracking supplier's emissions is recognized but lacks in execution due to market offering**

Another 30% of the respondents are already facing the change to net zero. Although, they are lacking in a structured way to tackle the problem and need a tool

**40% of the companies do not perceive interest in tracking the suppliers CO2 emissions**

Even though sustainability and thus tracking CO2 emissions is prevalent in industry discussion, the value-add often remains unclear, especially monetary savings

## Procurement perception of CO2 emission tracker use case



## Industry vision

### Top #5 Industry using or experiencing CO2 emission tracker use case



# Sustainability Focus: Procurement departments play a key role in integrating CSR practices for their companies at each stage of Procurement processes



Strategic Sourcing



Supplier selection



Contract and risk management



Supply management



Supplier payment

- Supplier panel evolution
- SRM management

- Supplier offer analysis (CSR / TCO)
- Carbon footprint verification

- Contract creation
- Monitoring of contract application

- Compliance monitoring
- Supply chain traceability

- Payment digitization
- Payment delays optimization
- Continuous improvement



## PwC's Sustainability Tracker

Although participants' opinions vary widely on whether CO2 tracking is important, PwC has already spotted the importance and trend in 2019

- ✓ With the help of the PwC Sustainability Tracker, a customer gets the opportunity to achieve 100% transparency over his entire upstream supply chain and insight into the social and economic impact

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## Geographical & Greece Overview

# Global view of Procurement digital transformation: All continents are already on-board and will keep investing

	Africa	America	Asia/Oceania	Europe	Middle East
Source-to-Pay solution equipment rate	67%	72%	77%	79%	86%
Current process digitalization rate	44%	36%	41%	41%	45%
2025 target process digitalization rate	76%	73%	71%	72%	77%
Managing creating value from Procurement data	61%	32%	46%	43%	70%
SMEs yearly investments	€ 780k	€ 820k	€ 530k	€ 510k	€ 850k
Large & very large companies' yearly investments	€ 1.790k	€ 1.920k	€ 1.400k	€ 1.730k	€ 1.720k
Presence of CO2 emission tracker on roadmaps	8%	13%	13%	15%	3%

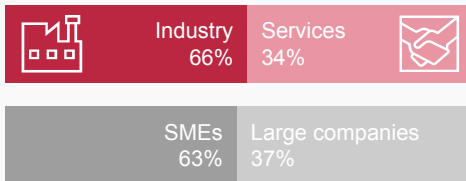
Strategic priorities	Africa	America	Asia/Oceania	Europe	Middle East
	1. Cost reduction: 35%	1. Cost reduction: 33%	1. Cost reduction: 41%	1. Cost reduction: 36%	1. Cost reduction: 43%
	2. Supplier Sourcing: 32%	2. Digital transformation: 20%	2. Supplier Sourcing: 18%	2. Digital transformation: 18%	2. Digital transformation: 25%
	3. Digital transformation: 12%	3. Supplier Sourcing: 14%	3. Digital transformation: 17%	3. Supplier Sourcing: 15%	3. Supplier Sourcing: 23%



- ▶ Focus on Supplier sourcing, to support supplier portfolio diversification and foster innovation
- ▶ Less equipped in S2P solutions than other continents but performing at creating value from its Procurement data
- ▶ Digital transformation will be supported by significant investments
- ▶ America has the lowest digitalisation rates, which makes data management a challenge
- ▶ America has planned to invest considerably to support digital transformation
- ▶ 30% of transformation roadmaps are related to Risk Management investments
- ▶ ESG / CSR is the 4th strategic priority which is the best ranking among other continents
  - 70% of respondents perceive value potential in ESG digital use cases
- ▶ Investments are around 15% lower than global average, however the priority is set on S2C and P2P digitalization
- ▶ Risk Management is 4th strategic priority
- ▶ Europe is betting on innovative use cases such as Risk management and Supply chain traceability
- ▶ CO2 emission tracking:
  - On the agenda for 15% of respondents
  - Over 30% already experienced it
- ▶ Middle East has the highest equipment and digitalization rates
- ▶ Digital transformation is 1st priority for 25% of Procurement departments while investing heavily in S2P digitalization
- ▶ Smart sourcing / relocation sourcing is emerging on roadmaps for 35% of respondents while globally is only 13%



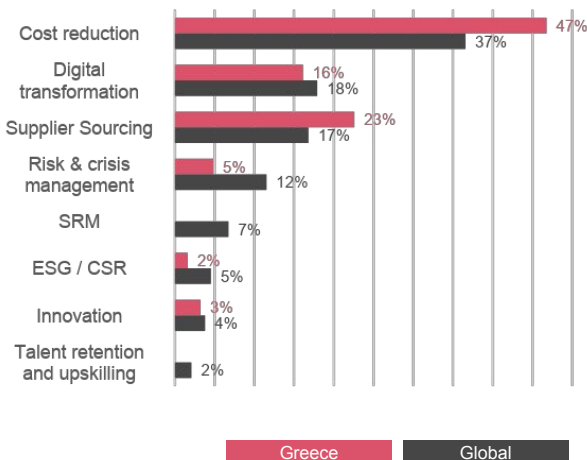
62 respondents



### Procurement digitalization status

		Greece	Global
Source-to-Pay solutions equipment rate		84%	77%
Digitalisation rate of Strategic processes	Current	42%	35%
	2025 target	68%	69%
Digitalisation rate of Transactional processes	Current	46%	44%
	2025 target	72%	75%

### Strategic priorities of Procurement departments



### Greece is highly concerned not only about cost reduction but also about Supplier Sourcing

- Cost reduction is the most important strategic priority following the global reference
- Second strategy priority is "Supplier Sourcing" through which companies can achieve the lowest possible total cost of ownership and minimize risk to the supply chain

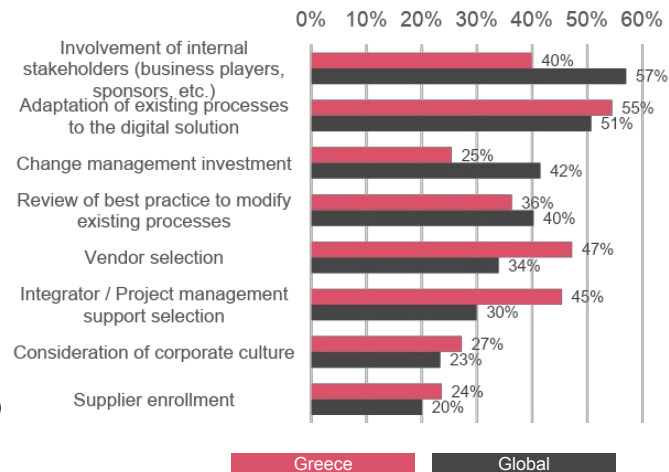
### The key success factors for digital transformation of Greece region are differentiated at some extent from the global trends

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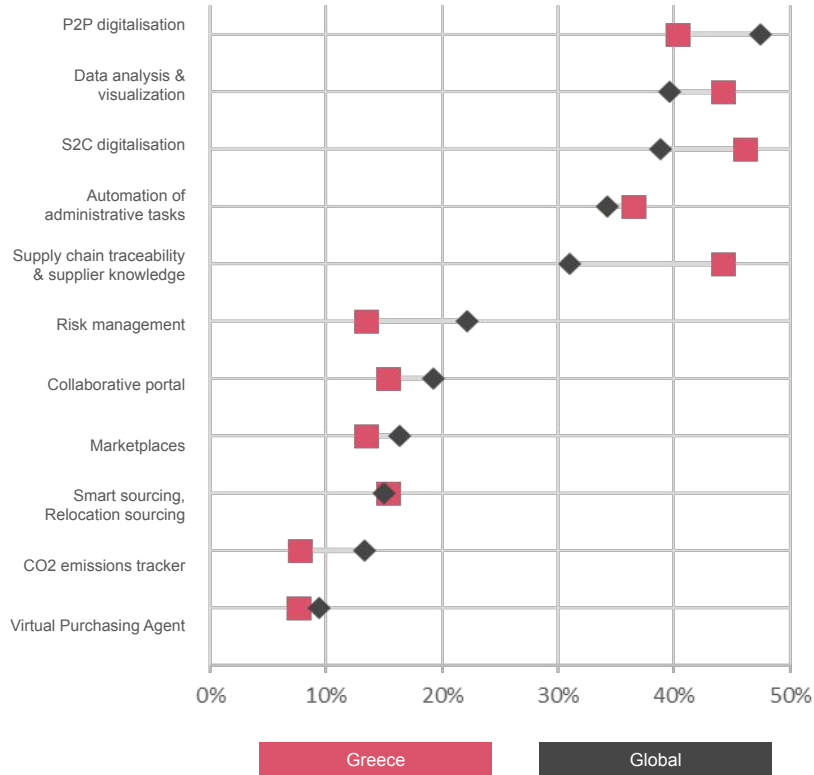
- Adaptation of existing processes to digital solution: 55% | 51%
- Selection of vendors: 47% | 34%
- Selection of project support: 45% | 30%

### The equipment rate regarding Source-to-Pay (S2P) solutions in Greece region accounted for 84%, being 7% higher than the global average

### Key success factors for digital transformation



## Presence rate of Digital use cases on 2025 roadmaps



## Investments in Procurement digital transformation by 2025 (yearly)

	Greece	Global
Small & Medium companies	€ 726k	€ 530k
Large & Very large companies	€ 981k	€ 1.780k

**Supply chain traceability & supplier knowledge along with S2C digitalization are main priority on the digital technology roadmap for Greece**

- Compared to the global results for the digital technology roadmap by 2025, S2C digitalization and Supply chain traceability & supplier knowledge are of great interest for Greek procurement departments

**CO2 tracker is lower priority in Greek Procurement departments along with the digitalization of Risk management**

- While Procure to Pay and Risk management digitalization are high priorities on global transformation roadmaps, Greek procurement departments show a decreased compared to global average

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