



BUILDING A BUSINESS CASE FOR STRATEGIC SOURCING SUITE

As organizations become increasingly complex, thanks to globalization and the liberalization of world economies, the procurement function has become a crucial linchpin for competitive advantage and improved bottom-line. Technology, along with its ability to automate and collaborate at scale, has transformed into the missing link between processes; and this has clearly spearheaded the increasing performance demand from procurement.

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WHY DO WE REQUIRE A STRATEGIC SOURCING SUITE?

The Strategic Sourcing Suite comprises the following key modules



Spend Analysis



eSourcing



Contract Management



Supplier Management

While point solutions greatly increase efficiency in some processes, it comes with challenges such as increased latency and diminishing organizational efficiency. Consequently many procurement organizations are exploring Generation Next solutions and frequently find them in suites. The “Suite” approach is not just a sum of different modules, but something more invaluable altogether.

According to Gartner's Critical Capability for Strategic Sourcing Application Report 2018, Strategic Sourcing Application (SSA) suites are designed to help procurement and sourcing professionals negotiate contracts with suppliers and manage supplier bases. SSA suites are often deployed by procurement team looking to:

- Improve spend visibility
- Automate their sourcing process to reduce sourcing cycle time
- Create a centralized repository for contracts and enhance compliance to contract terms
- Reduce risks from lagging supplier performance

Zycus' Strategic Sourcing Suite provides organizations the competency to cut costs, enhance quality, and boost performance across their entire supply chains.

In the following sections of this whitepaper, we will highlight both the qualitative and quantitative impact of deploying the SSA suite.

Realize possibilities with Spend Analysis

According to the Deloitte Global Chief Procurement Officer Survey 2019, spend consolidation is the top business strategy for 36% of procurement organizations. The corresponding 2018 report mentioned that, reducing cost is the most critical business strategy for 78% of procurement organizations.

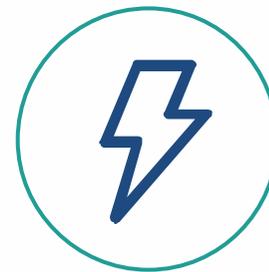
Prioritization of Business Strategies



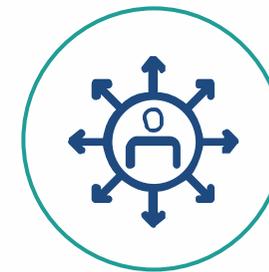
Reducing Cost
(78%)



**New Product Market
Development (58%)**



Managing Risks
(54%)



**Expanding
Organically (48%)**

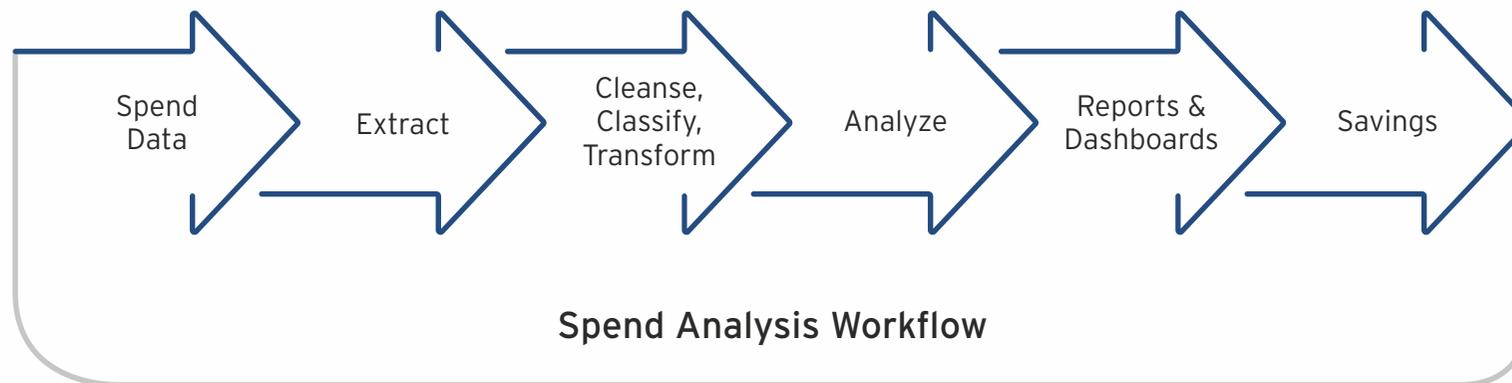
Source: Deloitte Global Chief Procurement Officer Survey 2018

APQCs Open Standards Benchmarking in Procurement states that organizations that have initiated spend analysis programs perform better on several metrics than organizations without spend analysis;

- a) 55% lesser procurement FTE, with 550% higher number of purchase orders processed per procurement FTE
- b) Total cost of the procurement cycle per purchase order
- c) Systems cost of the process "Order materials/services" per USD 100,000 in purchases
- d) Percentage of purchase orders approved electronically

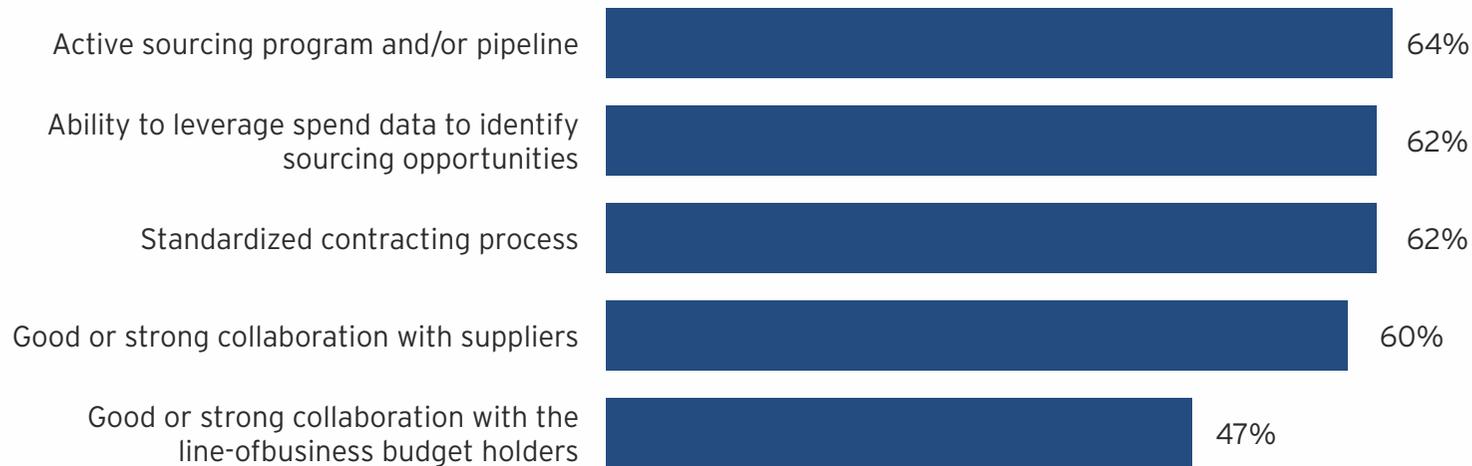
With Zycus Spend Analysis, organizations can extract information such as materials, services, and supplier cost from varied source systems. After extraction, the data is cleansed, classified, and transformed into a uniform format. Zycus Spend Analysis then analyses, enhances, and converts the information into reports and dashboards for the purpose of:

- **Spend Visibility:** A detailed spend analysis report will provide visibility into what and where money is being spent exactly.
- **Graphical reporting:** Multiple customer configurable and interactive dashboards will reveal spend patterns, trends, and savings opportunities.
- **Business Intelligence:** Expense reports, charts, graphs, and data extracts for publication and usage across the organization can be generated.
- **Opportunity recognition:** Increasing visibility and intelligence aids in better decision-making since one would be able to identify opportunities for reducing costs.
- **Reducing maverick spend:** Analyzing historical spend information and metadata, can help flag any potential overhead, missing, erroneous, or fraudulent transaction.



A study conducted by Ardent Partners revealed that for 66% of procurement organizations, gaining an earlier engagement on sourcing projects is the biggest opportunity to unlock more procurement value for the future. The study further revealed that with spend visibility in hand, 64% of sourcing teams can build active sourcing pipeline with the most capable, competitive, and valuable suppliers.

Top Sourcing Capabilities



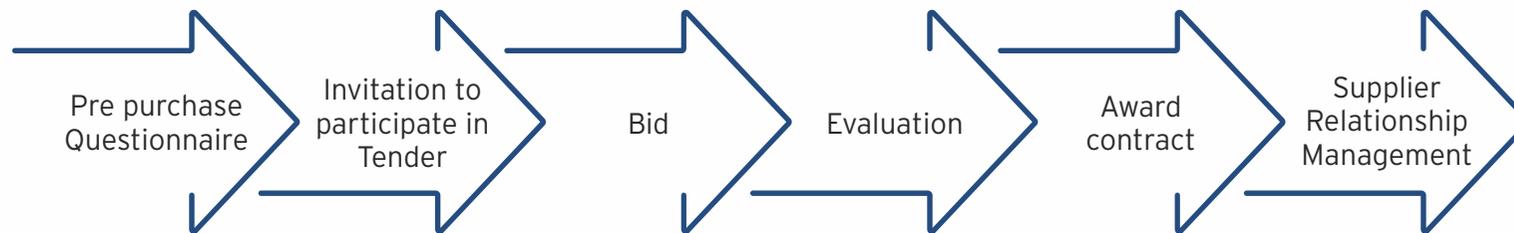
Source: Ardent Partners

Users of eSourcing technology report the following advantages over those not relying on this sourcing enabler, as stated by an Aberdeen Group report;

- a) 57% lower rate of savings leakage
- b) 21% higher rate of procurement compliance
- c) Nearly 20% higher rate of spend under management

With Zycus eSourcing, organizations can perform functionalities that involve assessing potential suppliers using a pre-purchase questionnaire, inviting suppliers to submit tender, holding eAuctions, analyzing and evaluating bids, awarding contracts, and finally supplier relationship management. Zycus eSourcing provides businesses with a wealth of benefits:

- **Curtailing Cost:** Accessing a broader range of suppliers and eAuction strategies provide cost savings to procurement teams.
- **Increased Speed of Procurement:** Time spent on tendering process reduces significantly and speeds up the time it takes to award a contract.
- **Reinforcing Supplier Relationship:** Increased transparency with suppliers who have access to a portal where they can view information such as tendering opportunities, status, deadlines, and other critical data.
- **Strengthened Compliance:** Leveraging a systematic approach that helps organizations stay compliant by providing control and audit trail for tendering processes.



eSourcing Workflow

CONTRACT MANAGEMENT, THE PROCUREMENT LIFECYCLE IMPERATIVE

Contract Lifecycle Management (CLM) has been a crucial component for Best-in-Class procurement organizations, with adoption as high as 63%. Studies show that organizations utilizing CLM solutions have a 32% higher rate of procurement compliance than those without this enabler in place.



Organizations that have leveraged a CLM solution further derived the following benefits*:

- a) Contract Approval time drops an average 82% with the use of a CLM solution
- b) 90% renewal rates were seen by companies using CLM solutions

Zycus Contract Management solution enables organizations to request, author, collaborate, negotiate, sign, track, and store contracts. Plus, the availability of the Zycus CLM platform on Salesforce AppExchange, enables businesses utilizing the Salesforce Platform to execute contracting processes, directly from the CRM system. Zycus CLM solution can enhance business objectives in a number of ways:

- **Reduced Maverick Spend:** With a CLM solution in place, off-contract or maverick spending reduces from 22% to 19%*.
- **Reduced Cycle Time:** The time to process a single contract requisition-to-order, reduces from 6.3 to 5 days*. The cycle time can be additionally cutback, by using standardized templates in the contracting process.
- **Risk Minimization:** With a supplier-buyer contract in place, commitments are adhered to. If suppliers have agreed to price reduction with increase in scale, then the CLM system will trigger alerts and notification to highlight this.
- **Increased Visibility:** Improved visibility into contract utilization through automation that tracks the usage of contract scope. The probability of lost contracts also decreases with a centralized repository.
- **Heightened Security:** Elevated security with user, role, and folder based access for confidential contracts.

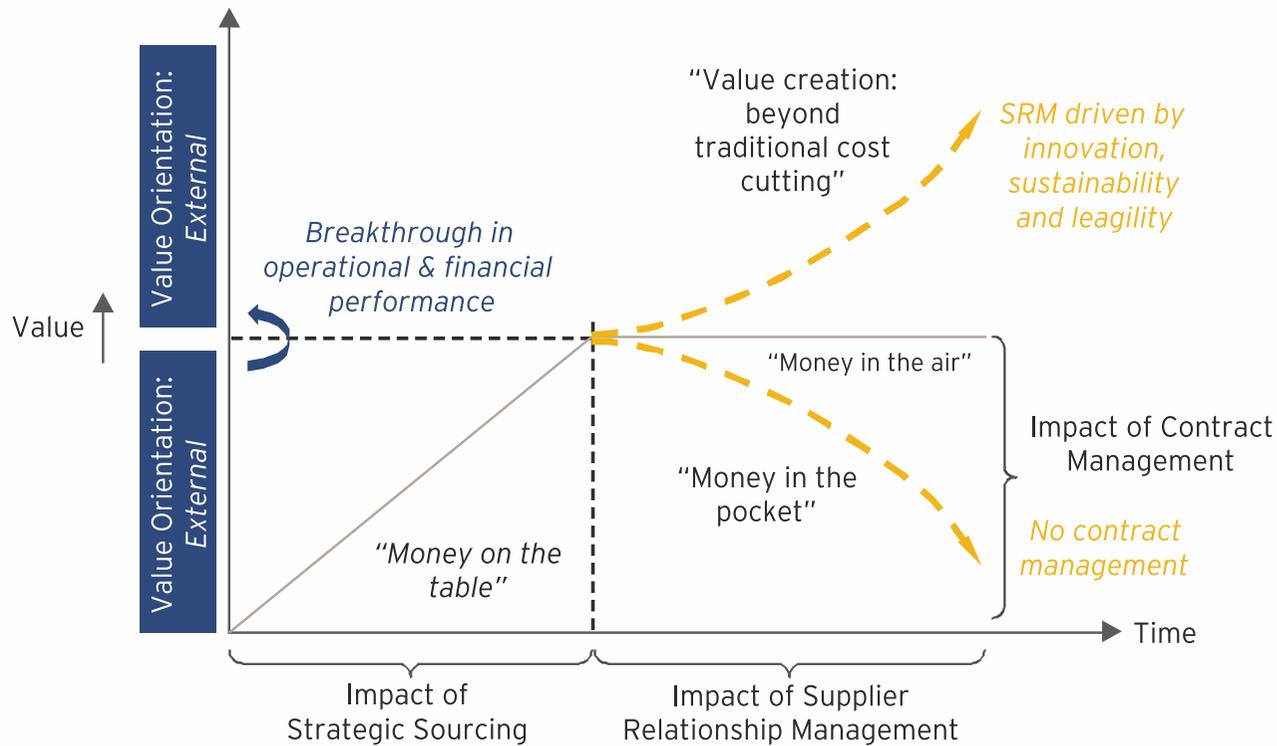
*Aberdeen Report



Contract Lifecycle Management Workflow

LEVERAGING SUPPLIER MANAGEMENT TO CRAFT A SUSTAINABILITY ROADMAP

A study has shown that organizations having an active Supplier Management program in place, have reduced the number of days and the cost required for processing a single requisition to order cycle, by 38% and 50% respectively.



Source: PwC

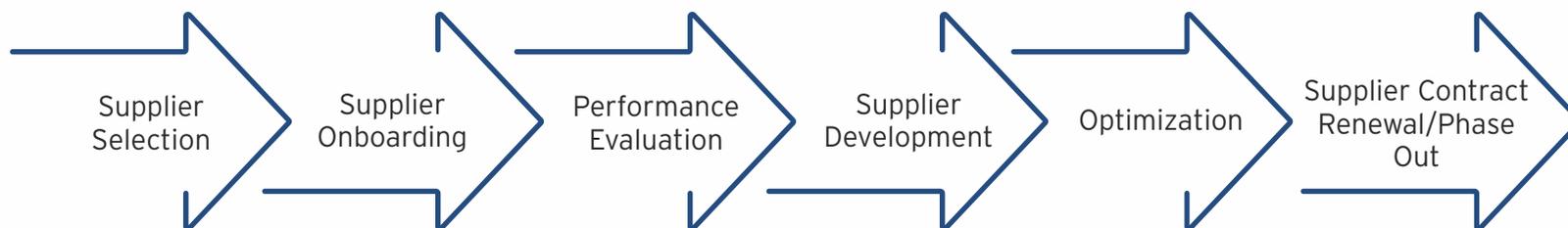
The top three benefits shared by organizations in collaborating on a supplier network*;

- a) 31% increased sales opportunities
- b) 28% improved visibility into buying organization's processes
- c) 26% accelerated order-to-cash cycle

*Supplier Networks v2.0: A Look at Commerce in the Cloud study

Supplier Management programs across businesses contribute to performance management as indicated below:

- **Increased Cost Savings and Quality Control:** Having a strong supplier management agenda, enables organizations to scrutinize the quality and quantity of supplier output, leading to identification of cost savings opportunities and ultimately improving the bottom line.
- **Bolstered Compliance:** Evaluate supplier's compliance to pre-set procurement parameters - such as credit risk ratings or supplier demographic diversity - and identify the scope of improvement to derive maximum value.
- **Mitigating Risk:** With an expanding supplier base, complexity in terms of identifying and assessing risks grows manifold. Supplier Management helps in notifying and alerting buyers before they initiate or close a deal with risk prone suppliers.
- **Leveraging Supplier Base:** Effective Supplier Management helps organizations leverage the service of geography agnostic suppliers as well as mitigate problems that arise out of increasing globalization and scale of operations.



Supplier Management Workflow

ZYCUS STRATEGIC SOURCING SUITE IMPACT ON EXISTING PROCESSES

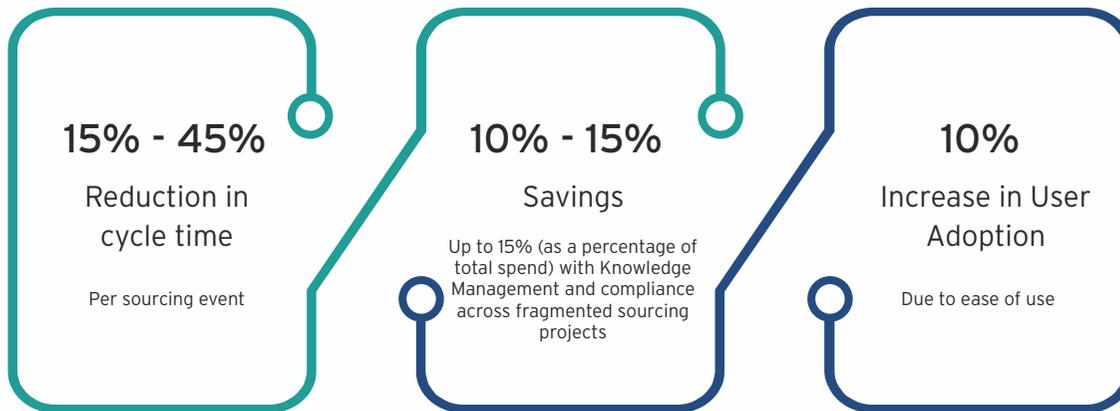
Implementing a world-class Strategic Sourcing Suite has the potential to make a huge impact. Here are the effects of implementing the key SSA modules.



Spend Analysis



eSourcing





Contract Management



Supplier Management

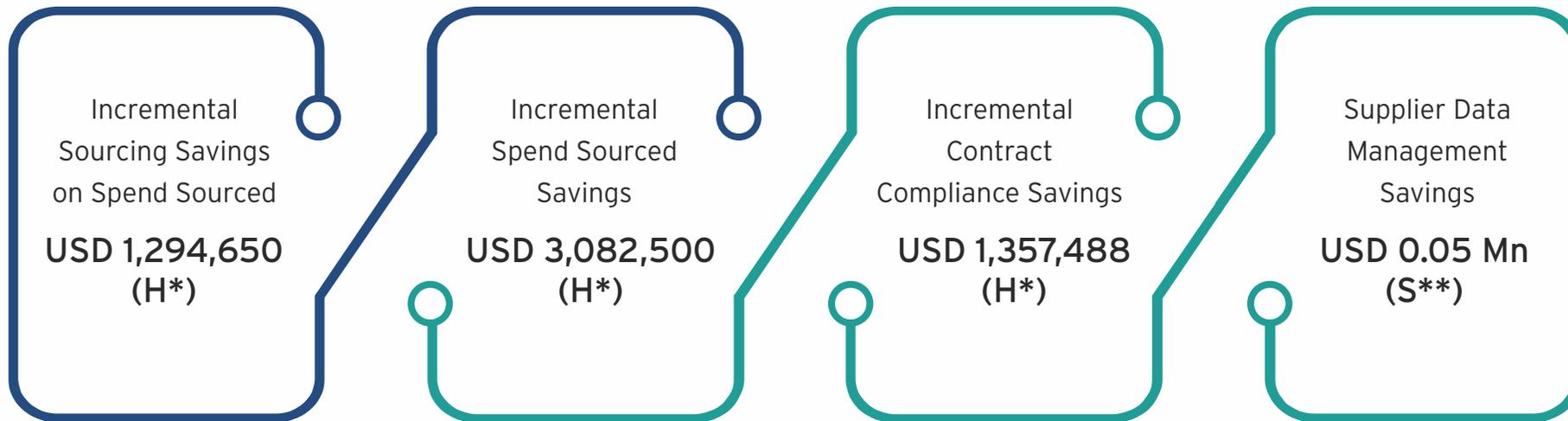


USD 5.78 Mn Total Annual Potential Savings

Hard Savings - USD 5.73 Mn

3.8% of USD 150 Mn Addressable Spend

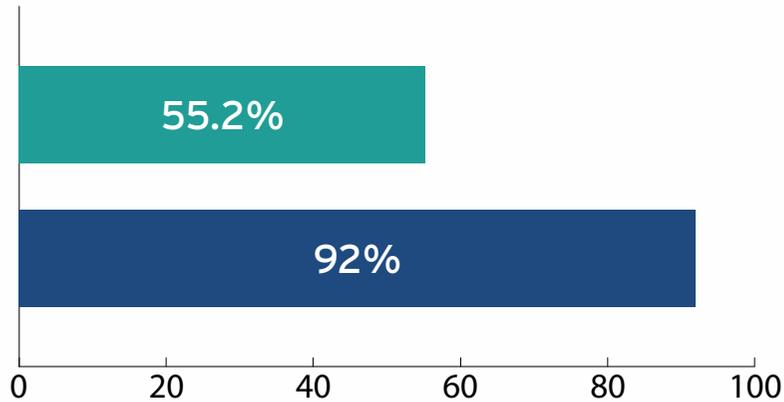
Soft Savings - USD 0.05 Mn



H* Hard Savings = Spend cost reduction with direct budget impact due to lower negotiated prices, improved contract compliance, and optimized cash discounts and/or rebates.

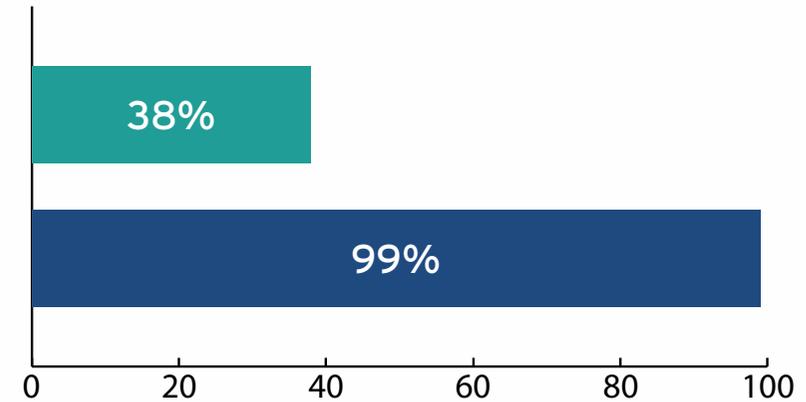
S Soft Savings** = Process efficiencies that increase employee productivity, reducing process cycle time, and cost per transaction as measures by applied effort, but without a direct budget impact as FTE applied efforts are reallocated to higher value/more strategic tasks. Also includes cost avoidance savings without measurable budget impact.

SUM



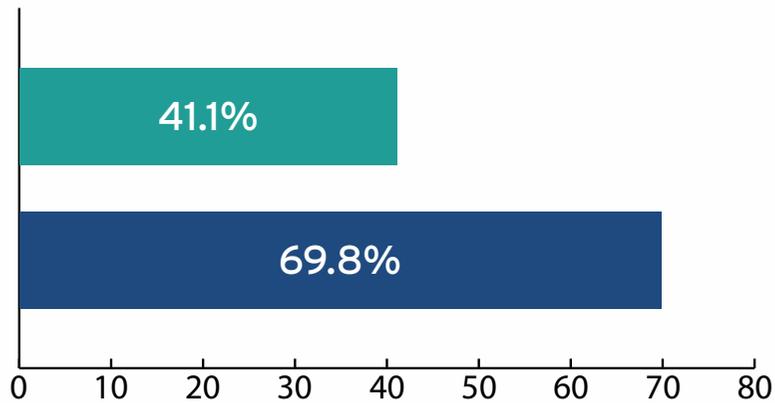
Source: Ardent Partners Benchmark

Spend with Line Item Visibility



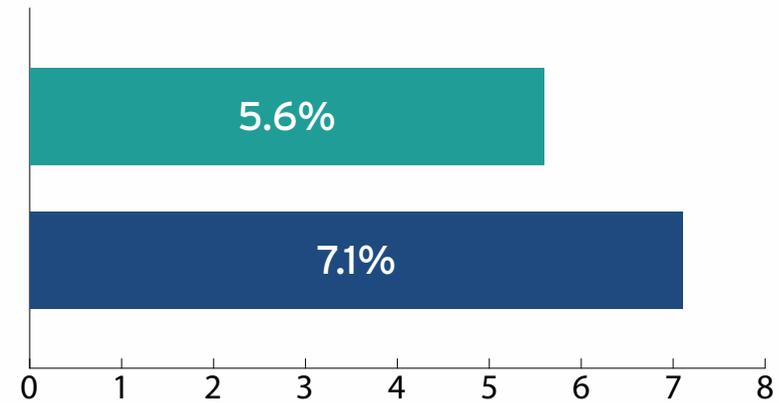
Source: Hackett Group Benchmark

Spend Sourced



Source: Ardent Partners Benchmarks

Sourcing Savings

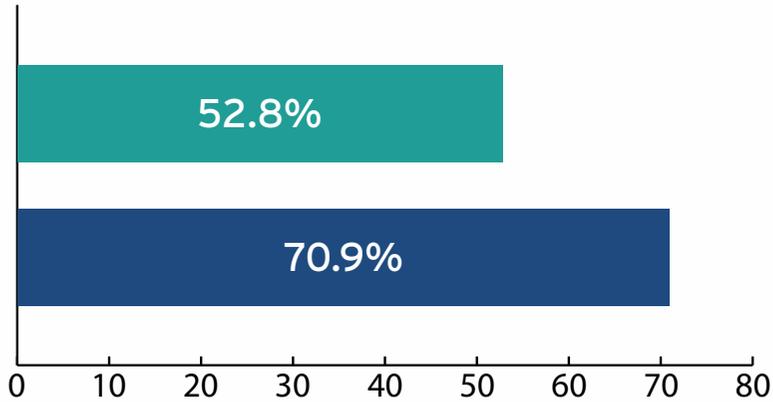


Source: Ardent Partners Benchmarks

Average

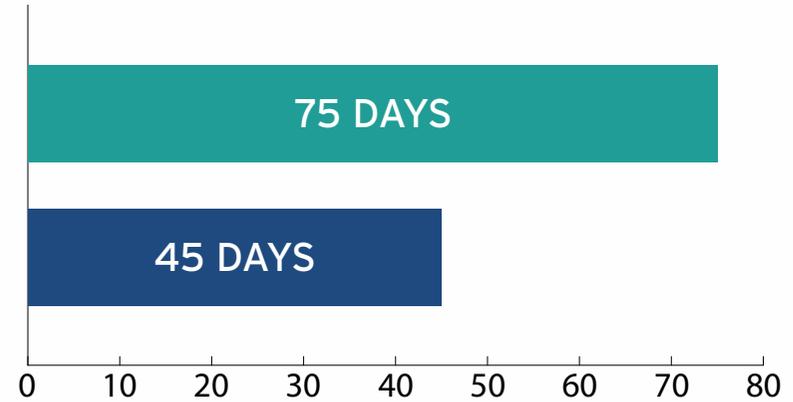
Best-in-class

On-Contract Spend



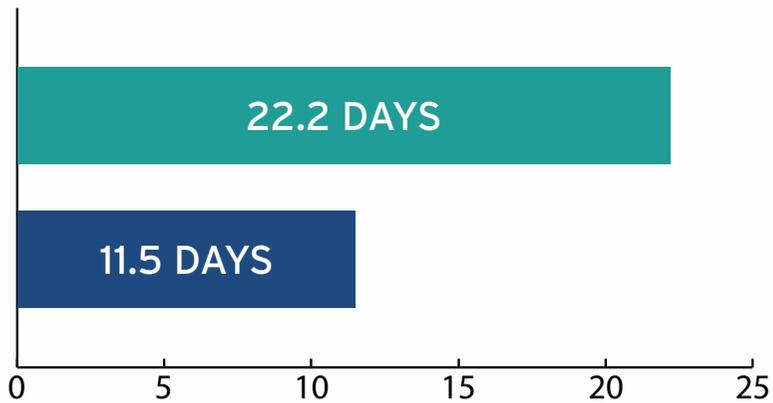
Source: Ardent Partners Benchmark

Sourcing Cycle



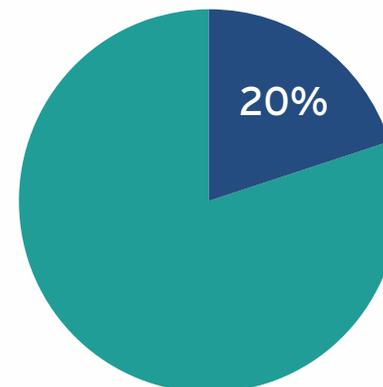
Source: Hackett Group Benchmark

Contracting Cycle



Source: Aberdeen Group Benchmark

Productivity Savings



Source: SpendMatters Benchmark



Components	Index Number	Component	Current
Key Assumptions	a	Total Addressable Spend	USD 15,00,00,000
	b	Estimated Spend Under Management (SUM %)	55.20%
	c	Estimated Realized Savings on SUM (%)	5%
	d	Estimated Spend Sourced (%)	41.10%
	e	Estimated Contract Compliant Spend (%)	52.80%
	f	Number of Days in a Contracting Cycle (Creation to Approval)	22.2
	g	Number of Supplier Management FTE	1
	h	Annual Supplier Management FTE Compensation	USD 1,00,000
Target Benchmarks	i	Targeted Spend Under Management (SUM %)	92.00%
	j	Targeted Realized Savings on SUM (%)	7.10%
	k	Targeted Spend Sourced (%)	69.80%
	l	Targeted Contract Compliant Spend (%)	70.90%
	m	Targeted number of Days in a Contracting Cycle (Creation to Approval)	11.5
	n	Target number of Supplier Management FTE	0.5

Business Value	S.No	Current Performance (in USD)		Incremental Improvement	S.No	Target Performance (in USD)	Serial Number	Incremental Savings (in USD)
Incremental Sourcing Savings on Spend Sourced	1.1 (a*c*d)	30,82,500	1.2 [(j-c)/j]	42%	1.3 [100+(1.2)]*1.1]	43,77,150	1.4 [(1.3) - (1.1)]	12,94,650
Sourcing Savings on Incremental Spend Source	2.1 (a*c*d)	30,82,500					2.4 (2.1)	30,82,500
Incremental Contract Compliant Spend Savings	3.1 (a*c*e)	39,60,000	3.2 [(l-e)/e]	34%	3.3 [100+(3.2)]*3.1]	53,17,488	3.4 [(3.3) - (3.1)]	13,57,488
Supplier Management Productivity Savings	4.1 (h)	1,00,000	4.2 [(g-n)/g]	50%	4.3 [(4.2)*(4.1)]	50,000	4.4 [(4.1) - (4.3)]	50,000
Total Savings							5 [(1.4) + (2.4) + (3.4) + (4.4)]	57,84,638

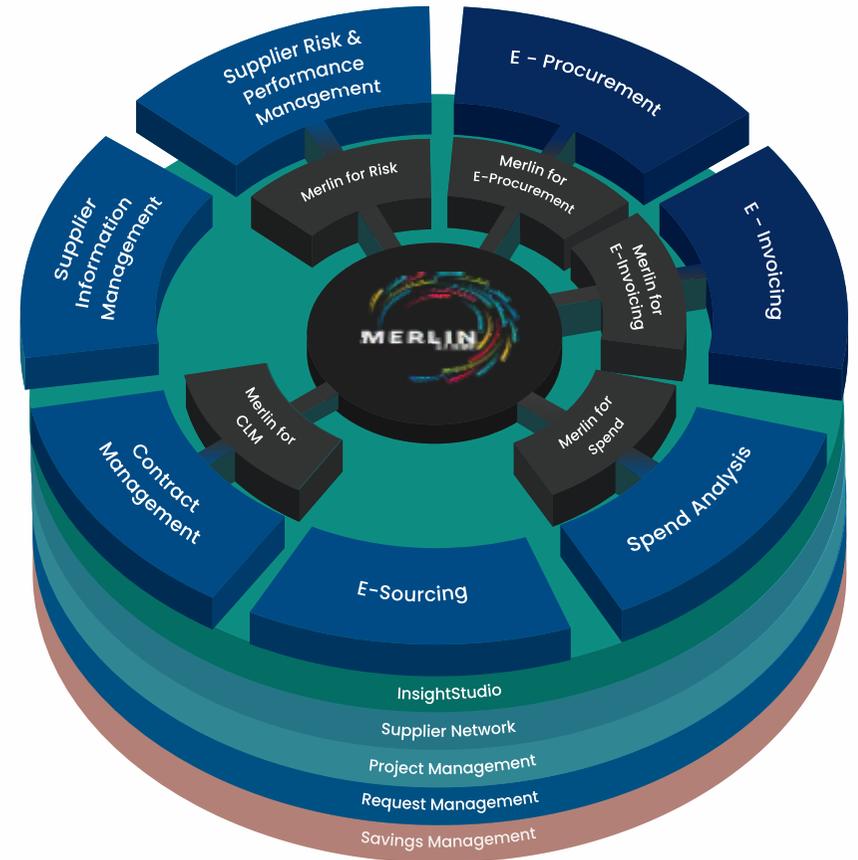
In this era of digital transformation, Artificial Intelligence (AI) and Machine Learning (ML) enabled predictive strategies can further give a fillip to Strategic Sourcing capabilities.

Zycus, a pioneer in utilizing AI and ML technology across the Strategic Sourcing Suite, has launched Zycus Merlin A.I. Studio™ to allow procurement teams use the very best that technology can offer. Using Merlin, procurement teams can configure and launch intelligent bots to complete most run of the mill Strategic Sourcing tasks with minimal human intervention. Zycus Merlin A.I. Studio™ will quickly scale up the procurement process, using multiple pre-packaged procurement bots as well as an easy-to-create bot store. This makes Strategic Sourcing truly autonomous, making it a game changer for businesses.



Zycus is a leading global provider of A.I. powered Source-to-Pay suite of procurement performance solutions. Our comprehensive product portfolio includes applications for both strategic and operational aspects of procurement- eProcurement, eInvoicing, Spend Analysis, eSourcing, Contract Management, Supplier Management, Financial Savings Management, Project Management, Request Management and Merlin A.I. Suite. The Merlin A.I. Suite is a unique platform consisting of pre-packaged intelligent BOTs to automate run-of-the-mill procurement and A.P. tasks with smart, predictive suggestions.

Our spirit of innovation and our passion for helping procurement create greater business impact are reflected among the hundreds of procurement solution deployments that we have undertaken over the years. We are proud to have as our clients, some of the best-of-breed companies across verticals like Manufacturing, Automotives, Banking and Finance, Oil and Gas, Food Processing, Electronics, Telecommunications, Chemicals, Health and Pharma, Education and more.



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