The Digitisation of Purchase to Pay

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Companies continue strive for agility - five key forces of change

**DISRUPTIVE INNOVATION**
- Digital disruption
- Product & service innovation
- Business model innovation

**INTENSIFYING COMPETITION**
- Margin pressure
- Global competition
- Merger and acquisition

**AGE OF THE CUSTOMER**
- Design Thinking
- Individualisation
- Omni-channel
- Digital Customer Engagement

**THE DIGITAL IMPERATIVE**
- Mobility
- Digital Ecosystem
- Social media
- Universal connectivity
- Cloud

**THE INSIGHT IMPERATIVE**
- Artificial Intelligence
- Predictive modeling
- Analytics
- Big data
- Big data
Digital value proposition – spend savings, speed, broader value

1. Productivity
2. Internal Stakeholder Alignment
3. Compliant Buying Behaviour
4. Rapid Decision Support
5. Supply Relationships
6. Disruption

Other new innovative solutions to address today’s challenges e.g. blockchain

Collaborative and data driven supply relationships, customer of choice, innovation

New insights and intelligence to accelerate decision making bringing additional value

Adopt and use automation and productivity tools

Perceived as trusted advisor by stakeholders, agility and time with customers

Improve purchasing compliance and buying experience

Source: The Hackett Group

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How does P2P capitalise on the digital opportunity?

DIGITAL BUSINESS STRATEGY

Aligned to business and key functions

Supported by pillars of top performance

Built on a foundation of digital intelligence

Enabled by partner capabilities

Digital Procurement Strategy

Digital Finance Strategy

P2P Digital Capabilities

Digital customer engagement and personalisation

Digital service and process optimisation

Digital ecosystem of networked solutions

Digital compliance

Analytics-driven business insight

DIGITAL IT CAPABILITIES
Most organisations report that internal stakeholders are either neutral or not satisfied with the P2P process.

If Your Organisation Was Polled Today, How Would The Majority Rate Your P2P Process?

- 14% Unhappy
- 18% Dissatisfied
- 43% Neutral
- 21% Satisfied
- 4% Happy

Intuitive self-service buying that guides users to preferred sources of supply is critical to a streamlined P2P customer experience.

EFFECTIVENESS OF DRIVING REQUISITIONERS TO PREFERRED BUY/PAY CHANNELS / RIGHT SUPPLIER/ RIGHT PRICE/ RIGHT METHOD

- **Peer**
  - 13% Not effective
  - 21% Mostly effective with gaps in some categories or buying channels
  - 55% No standard buy/pay channels have been established

- **Top Performer**
  - 11% Very effective
  - 44% Mostly effective with gaps in some categories or buying channels
  - 44% No standard buy/pay channels have been established

88% of TP are effective at guiding stakeholders (vs 68% for Peer)

Source: Purchase-to-Pay Study, The Hackett Group, 2017
Channel strategy design seeks to standardise paths and maximise usage of simplified buy/pay approval methods that balance spend control with efficiency.

<table>
<thead>
<tr>
<th>ASSUMED RECEIPT</th>
<th>Purchase Order</th>
<th>Invoice (match)</th>
<th>Pay (supplier)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERS</td>
<td>Purchase Order</td>
<td>Receipt</td>
<td>Pay (supplier)</td>
</tr>
<tr>
<td>RECURRING INVOICE</td>
<td>Contract</td>
<td>Invoice (no approval)</td>
<td>Pay (supplier)</td>
</tr>
<tr>
<td>PURCHASE CARD (NO INVOICE RECEIVED)</td>
<td>P-Card (plastic / virtual)</td>
<td>Statement (approval)</td>
<td>Pay (card provider)</td>
</tr>
<tr>
<td>TRAVEL CARD / EXPENSE REPORT</td>
<td>Travel Purchase</td>
<td>Report (approval)</td>
<td>Pay (employee)</td>
</tr>
</tbody>
</table>

Top Performers process 42% of line items through ‘optimal channels’ (versus 24% for Peers)

Source: Purchase-to-Pay Study, The Hackett Group, 2017
Smart automation focuses on digital operations

Smart Automation is defined as the optimisation of execution of transactional, knowledge-based, and decisioning work, through deployment of emerging Robotic Process Automation (RPA), Intelligent Data Capture, and Cognitive Automation technologies.
So why is RPA taking off?

<table>
<thead>
<tr>
<th>Cost Savings</th>
<th>Savings experienced are hard benefits and generally cover the cost of the annual robot fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fast Payback</td>
<td>Speed of implementation and licensing lend themselves to a quick and understandable payback</td>
</tr>
<tr>
<td>Control &amp; Audit</td>
<td>A way to quickly automate and get control of manual off-line activities within Finance or other business function</td>
</tr>
<tr>
<td>Options for Scale</td>
<td>An alternative option to address continuing problems associated with large scale BPO providers</td>
</tr>
<tr>
<td>Technology</td>
<td>Technology is more feasible than in the past and vendors are maturing. The time is now</td>
</tr>
<tr>
<td>Branding</td>
<td>Let's be honest, the branding gets attention and helps end users understand; and vendors &amp; providers are investing …</td>
</tr>
</tbody>
</table>
The potential: automate more than 60% of Source-to-Settle process, enhance insights, and stakeholder relationships

DIGITALISING PURCHASE-TO-PAY PROCESS

- Automation Today: <40%
  - PO and Requisition Processing
  - Supplier Scheduling
  - Receipt Processing
  - Supply Data Management
  - Accounts Payable

- Digital Future: 80%+

ENHANCING SOURCE TO MANAGE

- Automation Today: <10%
  - Sourcing & Supply Base Analysis
  - Sourcing Execution
  - Compliance Management
  - Supplier Management
  - Customer Management
  - Function Strategy
  - Performance Management
  - Supplier Development & Innovation

- Digital Future: 40%+
What is Machine Learning?

Citi’s Path to Smart Automation

What are the **Common processes** that robotics and cognitive automation can transform?

- Invoice Processing
- Purchasing Operations
- Travel & Expense Reimbursement
- Contract Gatekeeper
- Third Party Utility Reviews

“Use Case” selection methodology identifies core Smart Automation characteristics and proves the concept:

1. Orchestration of transactions without change to legacy systems
2. “Vision” capability consumes multiple images and unstructured data that have been added through a collaborative workflow
3. Pattern recognition and cognitive capabilities
4. Multi-language capabilities due to a global presence

When it comes to emerging technology, RPA, IOT and Cognitive/AI will lead in adoption over the next 2-3 years at the enterprise level.

PERCENT OF COMPANIES ADOPTING
(All functions – PR, HR, FN, IT & GBS)

<table>
<thead>
<tr>
<th>Technology</th>
<th>Current</th>
<th>2-3 years</th>
<th>Current</th>
<th>2-3 years</th>
<th>Current</th>
<th>2-3 years</th>
<th>Current</th>
<th>2-3 years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internet of things</td>
<td>24%</td>
<td>50%</td>
<td>21%</td>
<td>28%</td>
<td>3%</td>
<td>6%</td>
<td>10.6x</td>
<td></td>
</tr>
<tr>
<td>Robotic process automation</td>
<td>20%</td>
<td>32%</td>
<td>14%</td>
<td>27%</td>
<td>1%</td>
<td>4.2x</td>
<td>10.6x</td>
<td></td>
</tr>
<tr>
<td>Cognitive computing / AI*</td>
<td>11%</td>
<td>47%</td>
<td>11%</td>
<td>16%</td>
<td>10%</td>
<td>4.6x**</td>
<td>11%</td>
<td></td>
</tr>
<tr>
<td>Virtual assistants/chatbots</td>
<td>10%</td>
<td>35%</td>
<td>10%</td>
<td>11%</td>
<td>3%</td>
<td>3%</td>
<td>8.7x**</td>
<td>20%</td>
</tr>
<tr>
<td>Blockchain</td>
<td>3%</td>
<td>26%</td>
<td>3%</td>
<td>6%</td>
<td>3%</td>
<td>6%</td>
<td>3%</td>
<td>6%</td>
</tr>
</tbody>
</table>

* Including machine learning, natural language processing, speech recognition, expert systems, augmented reality
** Growth represents limited adoption + mainstream adoption

Source: Key Issues Study, The Hackett Group, 2018
Deutsche Telekom – process controlling with near real time advanced analytics

But going digital does not come without risk

**PERCENTAGE OF COMPANIES RANKING AS “HIGH RISK”**

<table>
<thead>
<tr>
<th>Category</th>
<th>2016</th>
<th>2017-2018 (projected increase)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cyber / information security</td>
<td>47%</td>
<td>20%</td>
</tr>
<tr>
<td>Intensified competition</td>
<td>41%</td>
<td>17%</td>
</tr>
<tr>
<td>Disruptive innovation</td>
<td>32%</td>
<td>24%</td>
</tr>
<tr>
<td>Access to critical talent</td>
<td>31%</td>
<td>20%</td>
</tr>
</tbody>
</table>

Source: 2017 Key Issues Study, The Hackett Group
We need to enable P2P to blend technology with human capabilities

Capability augmentation

- Understanding the tasks that will be eliminated vs. those that will be augmented (repetitive vs. creative…the “so what”)
- An opportunity to join forces, a way to succeed in the new working environment

Source: The Hackett Group

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What will be long term impact of digital transformation to P2P?

A perspective in the not too distant future

- Transactional roles will be eliminated through digital transformation
- Company policies will be digitally embedded reducing bypass and providing intuitive, real-time guidance
- Distributed ledgers will catch on in certain industry segments, disrupting “closed networks”
- Digitisation of information will create new streams of value but also increase risk exposure
- Instant processing will become commonplace, enabling new digital services to stakeholders
- Real-time data cleansing and enrichment will become increasingly necessary to drive digital compliance and deliver insights
THANK YOU

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