

# 2020 INSIGHTS REPORT

Building the case for digital  
procurement

**Proxima**  
The Procurement Specialists

WBR  **INSIGHTS**



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# Methodology

In Q1 of 2020, Proxima commissioned WBR Insights to survey 200 CPOs, Heads of Procurement and those of a similar standing.

Respondents worked in the following verticals: Financial Services (Banking & Insurance), FMCG, Retail, Technology, Telecoms, and Travel.

The survey was conducted by appointment over the telephone.

The results were compiled and are presented here with analysis and commentary.

## Respondent Profile

### Region

Denmark	3%	Norway	1.5%
Finland	1%	Sweden	4%
France	10%	Switzerland	10%
Germany	10%	United Kingdom	30%
Iceland	0.5%	United States	30%

### Industry

Financial Services	30%
<i>(Banking &amp; Insurance)</i>	
FMCG	20%
Retail	15%
Technology	10%
Telecoms	15%
Travel	10%

### Role

CPO/Head of Procurement	34.5%
Global CPO/Global Head of Procurement	30.5%
Global Head Sourcing	5%
Head of Indirect	25%
Head of Procurement Excellence	5%

# Introduction

Digital continues to be one of the hot topics for procurement functions in 2020. This paper takes a temperature check on where procurement is at on digitizing the function. It looks into the opportunities and challenges that procurement is facing alongside the strategies that they are deploying to 'go digital.' The user group surveyed consists entirely of procurement professionals.

Procurement teams are looking to digital in order to improve decision-making and boost internal customer satisfaction. However, selling the vision to leadership and stakeholders remains a key challenge. This is not surprising; the majority of our respondents find the procure-tech market confusing, and hard to keep up to date with.

The 'old world' is disintegrating; with so many choices, gone are the days of defaulting to a one-size fits all 'platform technology solution'. There are now numerous different technologies and delivery methods available to CPOs which allow for very

different strategies and approaches. Today, leading procurement functions are increasingly choosing best of breed solutions to fit their specific needs, and the needs of their internal customers.

Our research suggests a rise in 'customer-centric'\* thinking with respondents valuing customer satisfaction as a key performance indicator and customer-centric design as the number one success factor behind successful transformation delivery. Despite this recognition, a worrying number expect their customers to judge procurement transformation as a failure.

A by-product of digital is the ability to reposition the procurement function into more value-adding activity. A high number of respondents saw a need to make this shift, seeing access to external expert perspectives as the key tool to building this trust with their internal customers. This may be the next frontier.

\* For the reader, in this report, the concept of 'customer-centricity' refers to gaining a deep understanding of and building from customer needs. Procurement 'customers' may apply to any group that is impacted directly or indirectly by procurement, be that stakeholders, leadership, workforce, consumers, shareholders, and more. A customer-centric approach will consider all of these to varying degrees. For clarity, and ease of reading, in this paper, procurement's immediate, internal customer is seen as the 'primary customer' and is referred to as the stakeholder.

## Key Findings

### Insight 1

30% expect their digital transformation to be regarded as a failure.

### Insight 2

Only 15% can easily articulate the benefits of digital transformation to their organization.

### Insight 3

'Knowledge sources and external perspectives' are the most valuable tools for repositioning procurement's value proposition with customers (38%).

### Insight 4

50% struggle to sell the vision to the C-Suite (27%) or gain key stakeholder buy-in (23%).

### Insight 5

84% find the current digital landscape complex or hard to keep up with.

### Insight 6

63% plan to move investments away from platform providers.

# EXECUTIVE SUMMARY

## SIMON GEALE, SENIOR VICE PRESIDENT, CLIENT SOLUTIONS, PROXIMA



There are two phrases which come to mind when reading through the results of the Proxima Digital Transformation Survey, these are 'customer-centricity' and 'best of breed'. The two are intrinsically linked and may hold the key to faster deployment and enhanced adoption of digital solutions, and therefore the route to better data, more informed conversations and smarter decisions.

The next thing that springs to mind, perhaps unsurprisingly for this moment in time, is the Coronavirus and how it might impact the digital agenda.

### Understanding the digital imperative

The reasons for digital are well documented and yet the digitization of procurement seems to lag behind other business functions. It is not for the lack of 'procure-tech' solutions or the hype that surrounds them. There are more options available to CPOs than ever before. In our survey, it was clear that CPOs are suffering from too many options and too much information, bringing confusion over clarity, which may be turning analysis into paralysis.

This is a dangerous outcome because paralysis will hurt. As businesses seek to be faster, more agile, more data-led and more resilient, digital is a significant part of the answer. The time to start is now, and so if you are reading this report and the key takeaway is 'Everyone else is fairly scared too so why bother? Time for my next Zoom meeting', then you will be left behind.

But, if you do feel that you are behind, all is not lost. Whilst the leaders are well ahead, their examples give us more clarity on vision, approach and benefits. Learning from peers and taking external advice will help to puncture some of the myths and see a path; what it is, where to start, and what the benefits might be.

### The impact of a global pandemic

COVID-19 may actually be beneficial for the CPO's digital agenda. For many years (and as this survey points out) a key challenge for CPOs has been articulating the problem and selling the benefits of digital solutions (to economic buyers). Unlike many other commercial business cases, digital procurement is not always best measured in the efficiency savings that it delivers: it is sometimes better measured in the opportunities that it creates. For many, this has been a hard sell, and it shows.

Historically software has typically sold on problem, or opportunity. The complication with a lot of past 'procure-tech' business cases is that economic buyers didn't 'feel' the fear, and couldn't touch the benefits. COVID-19 has changed all that. Now everyone understands the problems and there will be a race to solve them. For the CPO this

presents an opportunity to start quickly, and build a digital function from the data up.

But, be warned: successful digital transformation does not start and end with the business case.

### And so it's about customer-centricity, and best of breed

The importance of constructing transformation around the (procurement) customer is a clear takeaway from this survey. As is the need to look deeper into their problems and needs rather than accept at face value what an organization thinks procurement should do. This is customer-centric procurement; using a deep understanding of your stakeholders and their customers, as the key to unlocking the potential of procurement.

Fortunately, the growth in interoperable best of breed solutions now also allows CPOs the opportunity to delight customers through great technology. If not the new default option, at the very least this best of breed model must now be seriously considered by CPOs when planning transformation.

These best of breed solutions aim to go deeper than platforms, solving specific problems held by specific user groups. Not only do they often excel in user experience, and customer service, but they also offer CPOs the ability to tailor their transformation journey; starting small, investing wisely, accelerating adoption and quickly showcasing benefits, before moving on to the next challenge.

### As a CPO, your challenge is to digitize in order to humanize

There is plenty to consider here about how human and digital resources need to work together for successful transformation. But, it is also important to note that while delivering digital procurement is a starting point, it is not the ending point for CPOs. When reading this paper, it is essential to keep in mind that the CPO's greatest impact is not going to be digitizing procurement processes per se, it is going to be what they do with the outcomes and how this helps their business.

Digital is a great enabler, but done in isolation it can also put more distance between procurement and its customers, dumbing down relationships rather than ramping up collaboration. We often talk about using digital as a means of moving into more value-adding work and we must use the time and insights we create to improve the business, rather than just settling for improving procurement.

Understanding our business, our customers *and* external markets is our north star. Whilst we 'become digital', we should also be focussing on what next; connecting and collaborating, bringing new insights and fresh perspectives. That work too, can start now.

# PART ONE:

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## THE CUSTOMER VALUE PERCEPTION



# IS CUSTOMER-CENTRICITY THE KEY TO DIGITAL TRANSFORMATION?



## What is your biggest barrier to digital transformation?

- Selling the vision/business case to C-Suite **27%**
- Stakeholder buy-in **23%**
- Lack of knowledge **16%**
- Talent **13%**
- Budget **11%**
- Technology doesn't exist **10%**

It is often said that the successful procurement people are good sales people. Traditionally this has been used in the context of selling to stakeholders, persuading them to buy into what procurement is trying to achieve, be that early engagement, following process, adopting preferred suppliers or something else.

A lot of this selling is conducted in the short-term, and relates to the process of buying. Often, the answer has linked back to compliance, using business risk or business benefit as the persuading argument. But is digital transformation different? Is the subject more expansive and less tangible to internal stakeholders? Does it mean different things to different people?

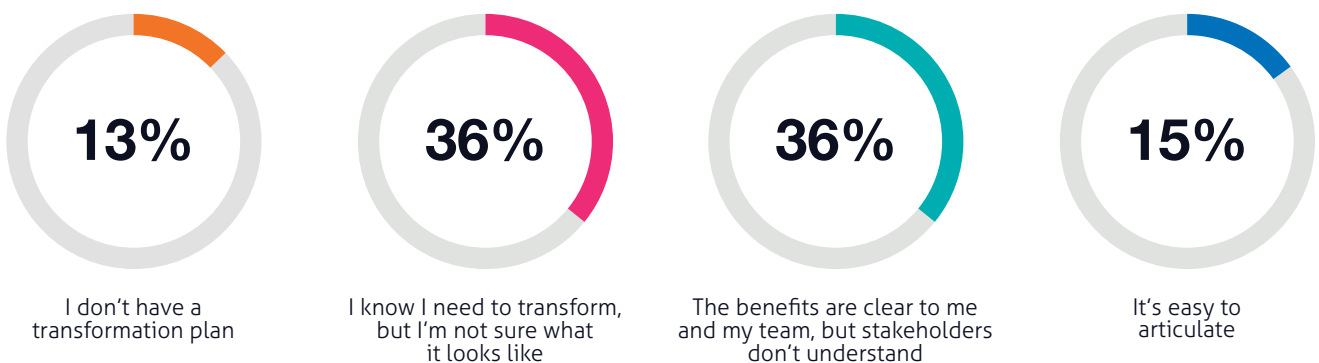
Our research found that half of all respondents were encountering some form of stakeholder or executive buy-in challenge when taking the first steps in 'going digital'. Selling the vision/business case to the C-Suite, at 27% was the most commonly

faced challenge by our group. Furthermore, 23% pointed to challenges gaining stakeholder buy-in. This is hardly surprising when only 15% feel that they can easily articulate the benefits of digital transformation to their organization.

The research further indicates that, articulating the plan, or the benefits thereof is a big sticking point. In total 85% were having some sort of problem constructing the compelling case for change. Stepping back to consider the role of procurement, it is one of the few functions that has the potential to touch all parts of the organization. Stakeholders are numerous and their needs are varied.

Procurements value proposition, and the benefits of digital needs to talk to all of these stakeholder groups, but the message is different for each. The answer is not just to be found in commercial vision and story-telling skills, it's also about embedding customer-centricity into thinking and actions.

## How easy is it to articulate the benefits of your digital transformation plan?



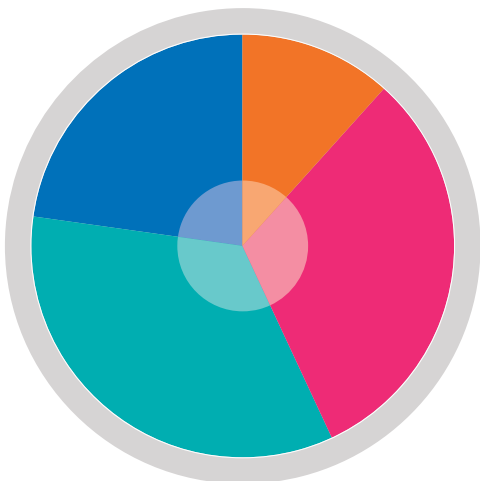
# DOES DIGITAL REALLY REPOSITION PROCUREMENT?

One often cited benefit of digital is that it frees up staff to do more value-adding tasks, which immediately begs the questions; how do you define value, what are those tasks, and are you equipped to do them?

Overall, respondents felt that they were either well on their way (23%) or were already seen as a value-adding function by their stakeholders (32%). However, a third (33%) saw the need to reposition, but were unsure of where to start.

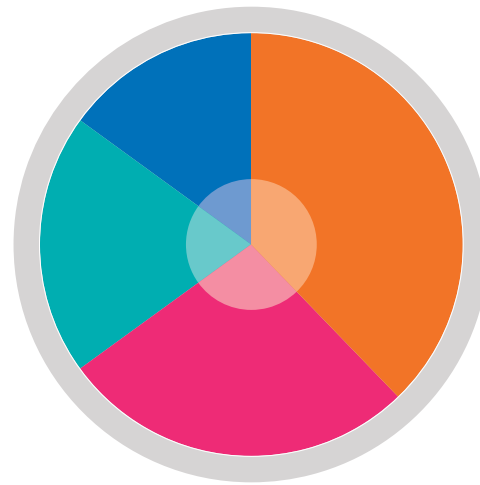
The definition of value becomes important here. Procurement functions can have a broad scope, from processing transactions to leading collaboration and innovation programs. The stakeholder’s perception of value will change along that spectrum; what one group of stakeholder value, another will not.

To reposition procurement, CPOs need to contemplate the unique and flexible nature of their stakeholder value proposition. This means going beyond merely understanding what procurement is being ‘asked to do’, and in to a deeper appreciation of what differing stakeholder challenges are, and how procurement can solve them.



## Do you feel that Procurement needs to be repositioned as a value-adding function?

- No, our job is savings **12%**
- No, we are already seen as a value-adding function **32%**
- Yes, but we don't know how to start **33%**
- Yes, we're well on our way **23%**



## Which of the following will be most valuable to your ability to reposition your value proposition with your stakeholders?

- Knowledge sources and expert external perspectives **38%**
- Spend analytics and real time internal data **27%**
- Supplier ratings and feedback **20%**
- Frictionless and intuitive requisition to pay **15%**

As procurement functions expand their remit, they need to consider this real and total value that procurement can bring in order to build new baselines for customer trust. Our question ‘what do you feel will be most valuable to your ability to reposition your value proposition with your stakeholders’ sought to explore this concept further. The professionals surveyed chose ‘knowledge sources and expert internal perspectives’ as their clear winner with 38% ahead of real time internal data (27%) and supplier ratings (20%).

Currently, most early stage digital transformation projects focus on the automation of internal process, and the aggregation and interrogation of internal data. However, our research clearly shows that procurement professionals think access to external thinking and data is key to repositioning their value proposition with their stakeholders.

There is plenty to consider here about how human and digital resources need to work together. There is also a nuanced but critical distinction between solving the challenges that a stakeholder has, rather than solving only those that they think procurement can solve.



# PART TWO:

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## CREATING A CLEAR OBJECTIVE



# UNDERSTANDING WHY

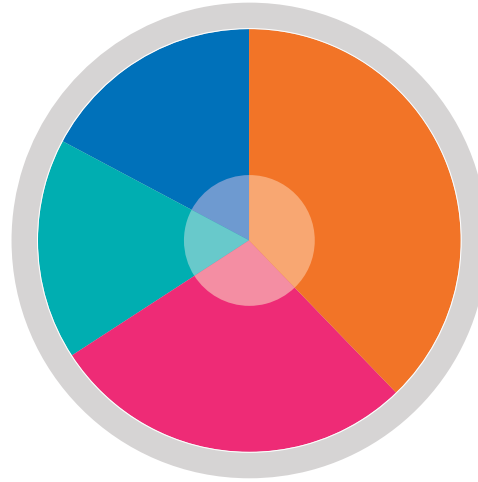
If we are struggling to articulate the stakeholder value proposition then perhaps we should be asking ourselves 'why are we doing this?' A useful barometer is our peer group; the objectives that they set, how they constructed the case, and the outcomes that they achieved.

The most common objective for digital transformation either undertaken, or being undertaken within procurement is the improvement of decision-making (38%). Procurement leaders are primarily looking to digital to give their teams better data and insight, rather than reduce costs or drive internal operating efficiencies.

But do key stakeholders and economic buyers feel the same about digital? Research suggests that there are mixed objectives for digital transformation within other functional areas. For instance, Finance research suggests that first-time digital transformers often focus on cost as the primary objective, if not the key benefit actually delivered (in hindsight). In Marketing, it is data and insight that is the initial clear objective, not efficiencies.

Understanding this asymmetry is important for creating a clear objective and a case for change that is likely to resonate beyond procurement. Digital, like any other transformation plan must be articulated using language and concepts that build this common understanding and create a shared vision. The objectives and benefits of digital transformation must extend beyond the procurement function to make a compelling case for change, adoption and investment.

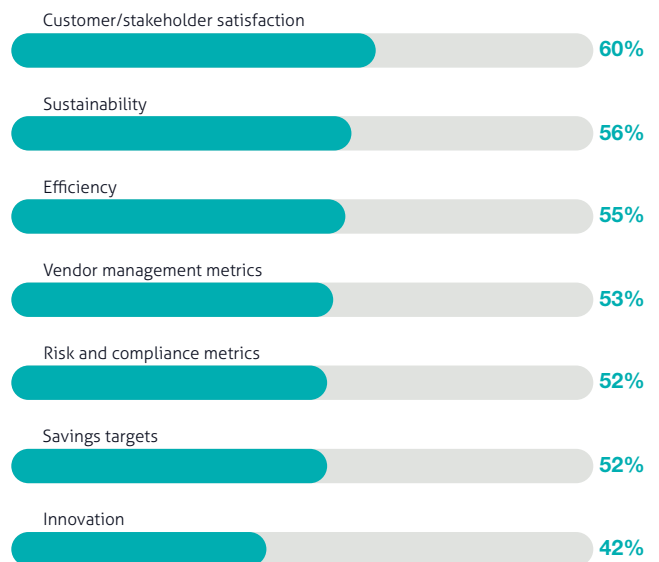
The CPOs surveyed also measure their internal success across a wide variety of metrics. It is no surprise to see CPOs looking beyond cost savings targets, selected by 52% of respondents, and towards a more business orientated set of indicators. In fact there were five measures polling above savings. CPOs can frame digital transformation as to how it improves delivery against these procurement KPIs, paying special attention to what stakeholder satisfaction really means, and how this translates into more functional success measures.



## If you are undertaking (or have undertaken) a digital transformation, what is your main objective?

- To improve decision-making **38%**
- To add value for my customers **28%**
- To reduce costs **17%**
- To make my team more efficient **17%**

## What are Procurement's KPIs?



*Respondents were asked to select all that apply*

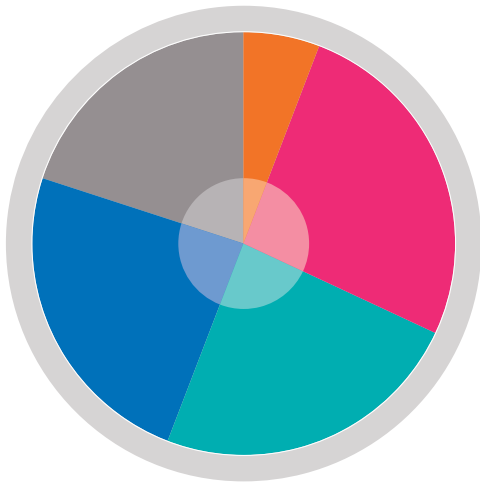
# PART THREE:

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## SETTING FOR SUCCESS



# THE IMPORTANCE OF POSITIVE EXPECTATIONS



## Do you expect digital transformation to over or under deliver against corporate expectations?

- Deliver less value than corporate expectations **6%**
- Deliver slightly less value than corporate expectations **26%**
- Deliver as expected **24%**
- Deliver slightly more value than corporate expectations **24%**
- Deliver more than corporate expectations **20%**

Alarming nearly a third of respondents expect digital transformation to under deliver against stakeholder and, or corporate expectations. Put simply this means that three out of every ten procurement professionals surveyed expect their efforts to be regarded as a failure.

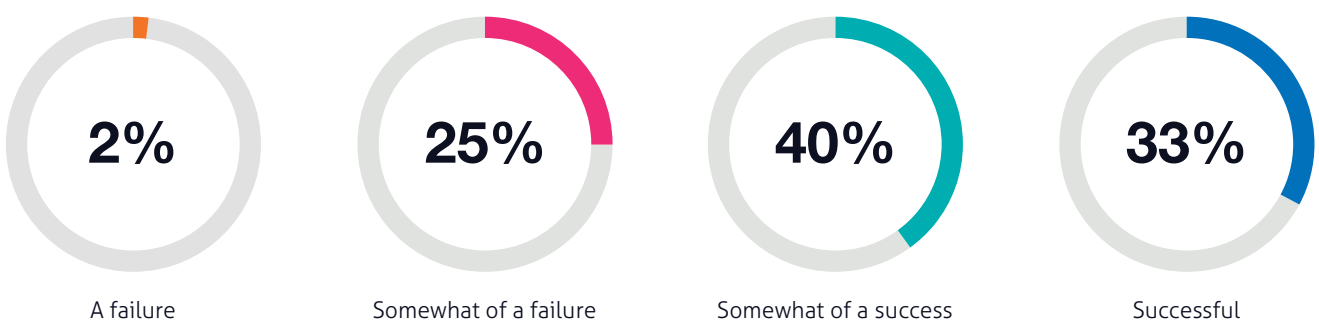
We can however, take some comfort in knowing that only a small percentage think that this will be a significant failure, and at roughly 30%, the total expected failure rate is far below the numbers that are commonly cited by analysts and consultancies; often mid to upper quartile.

In fact, the majority of respondents are cautiously optimistic about the success of their digital transformations, 68% expect their program to meet or exceed corporate expectations, an outcome that is mirrored when the same question is posed at a customer expectation level. With digital having permeated further than ever before, we have more experience available to us and more perspective on the successes and mistakes of the past.

So what can be done to raise expectations further? When we combine the key themes from sections one and two the importance of "customer-centric by design" is clear; the ability to frame digital transformation in a way that appeals to, and delivers on, stakeholder needs is critical to garnering organizational excitement and support.

CPOs also need to consider what team they need around them to deliver. Successful execution will depend on how CPOs are able to infuse transformation experience in their team, and instil confidence and trust in those around them. Stellar delivery will build on the design with strong project management, functional and stakeholder collaboration, constant reference to and delivery against the value case, and excellent communication and change management. These skills are most often bought in, allowing CPOs to construct best of breed change transformation teams.

## If you are running or planning to run a digital transformation, do you expect your stakeholders to regard it as...



# THE NEED FOR CLARITY OF THINKING

## What are the key factors that define the success of your digital transformation?

(Rank the below options, 1 – 5, 5 being the most significant)



When it comes to critical success factors for digital transformation, a customer-centric design was the outright leader, respondents having been asked to rank success factors in order of importance. Given that most survey recipients cited customer satisfaction as their key KPI, we find that the customer, and their needs should be front and centre of the digital strategy and roadmap. However, as earlier questions pointed out, the ability to articulate the need for, and benefits of digital in a way that stakeholders and leadership understand, may still be a sticking point.

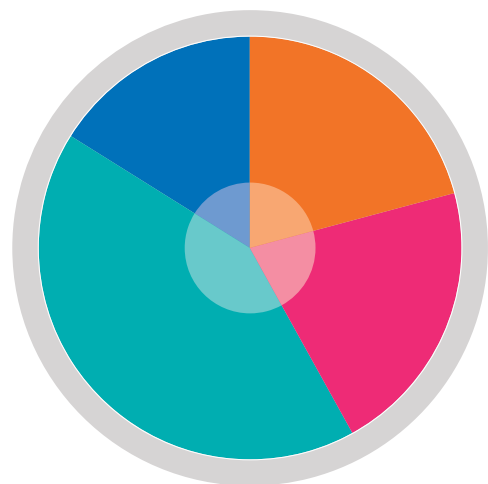
Although a close run thing, it is somewhat surprising that 'organizational readiness' and 'availability of talent' were third and fourth on the list. These of course represent the internal factors, the big external factor being the choice of partners to work with.

Procurement teams find the digital marketplace complex, in fact only 16% feel they can easily understand the market enough to make smart decisions. The other 84% professed to having some kind of challenge, be that the complexity or the ability to keep up with external solutions.

Overall the market seems to be moving too fast for most to keep up. This is a concern when we consider the value stakeholders place on gaining external knowledge. The findings support the idea of procurement teams using peer support, and, or specialist external expertise to cut out trial and error and raise the probability of success.

## Do you find the current landscape of digital providers (both software and services) to be complex or simple?

- It's too complex to manage, understand, and make smart decisions **21%**
- It's quite complex **21%**
- It's easy to manage our current providers, but hard to keep up with market trends **42%**
- It's simple to manage, understand, and make smart decisions **16%**



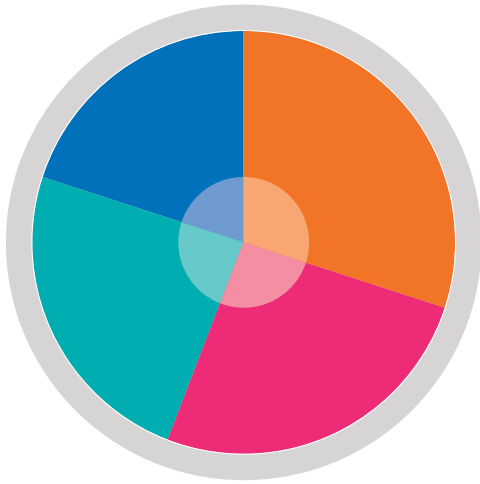
# PART FOUR:

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## DELIVERING BEST OF BREED



# THE NEW FUTURE OF PROCUREMENT



## What do you think will be your vendor strategy for delivering digital transformation of Procurement?

- Using a service integrator to manage multiple, best-in-class solutions and service providers **30%**
- Working with a legacy outsourcing/BPO provider **26%**
- Working with a single technology platform/integrator **24%**
- Self-managed **20%**

The responses here may point towards an even split of strategies and approaches, but the statistics could mask what appears to be a growing trend of 'best of breed' solutions. The options open to CPOs are growing and responses may reflect a decreasing confidence in both the effectiveness of traditional BPO arrangements and the performance of legacy procurement platforms. These options represented a combined 50% of vendor strategies.

The vendor strategy is now as likely to be best of breed, with 20% opting to self-deliver and 30% preferring to use a service integrator to knit together best of breed solutions. This is an important shift that has largely been driven by the growth of highly customer-centric and feature rich niche solutions appearing in the procure-tech space. These often offer buyers deeper, more customized functionality that solve specific problems, as well as fast and flexible on-boarding. Size and complexity of business may play a role here. For some, the 'legacy' platform approach still makes operational and commercial sense, but it is often no longer a clear cut choice. In the market,

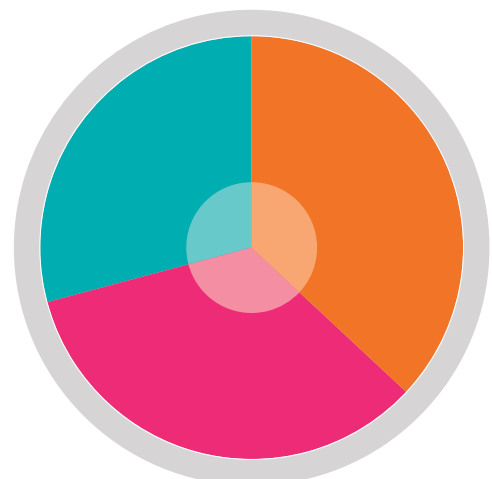
platforms are racing to improve functionality, experience and interoperability.

For a long time the key sales message in procure-tech was 'connectivity of systems'. Today, that appears to be 'connectivity of data'. Over the next 5 years 63% of respondents were planning to invest mostly in either niche solutions, or internally developed applications, favouring these over platform solutions. This trend should not be interpreted as daunting; rather it points toward a greater ability to quickly segment and solve procurement and stakeholder challenges one at a time. It should encourage action rather than apathy.

The need to start is not going away, and the market will not become any less complex in the short-term. CPOs now have impetus and options available. It is an exciting time for digital procurement and an exciting future for those that take action now.

## Where do you plan to make the most technology investments over the next five years?

- Platforms **37%**
- Internally developed applications **34%**
- Niche providers **29%**



## About Proxima

At Proxima we help our clients to spend their money wisely. We work with some of the world's most recognizable businesses to optimize costs, ensuring that each \$, €, or £ is productive and enabling business performance.

As a knowledge aggregator with a specialist delivery engine, we support either by delivering entire procurement programs or by working with the in-house team in a best of breed hybrid.

We influence billions annually across a broad range of expenditure categories, commercial disciplines and business programs.

From cost savings to innovation, or from operating models to coaching, many of the world's leading businesses trust Proxima to deliver, enabling business performance in the world around you.

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