

PwC Global

Digital Procurement

2022

4th edition

Survey



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On behalf of PwC Partners and employees, we are delighted to present the results of the 4th edition of our Digital Procurement Survey. This year, this barometer of digital transformation reaches an international dimension, with over 800 companies from more than 60 countries participating.

Navigating through supply chain disruptions, new remote working methods, soaring prices for many raw materials – procurement has been repositioned more than ever at the heart of companies' activities following the COVID-19 crisis.

The emergence of these new risks has changed the perception of digital transformation by procurement departments. While digitalisation continues to progress among companies in all sectors, it is now becoming a necessity to overcome the challenges of cost control, supply chain traceability and supplier relation securitisation.

Digital roadmaps are also embracing innovative use cases, such as CO2 emissions tracking, indicating that purchasing departments are preparing for the shift to sustainable development.



Dr Norbert F. Fischer

PwC Germany
Partner

Global Lead of the PwC Procurement
Consulting Practice



Isabelle Carradine Pinto

PwC France & Maghreb
Partner

Strategic Supply Management

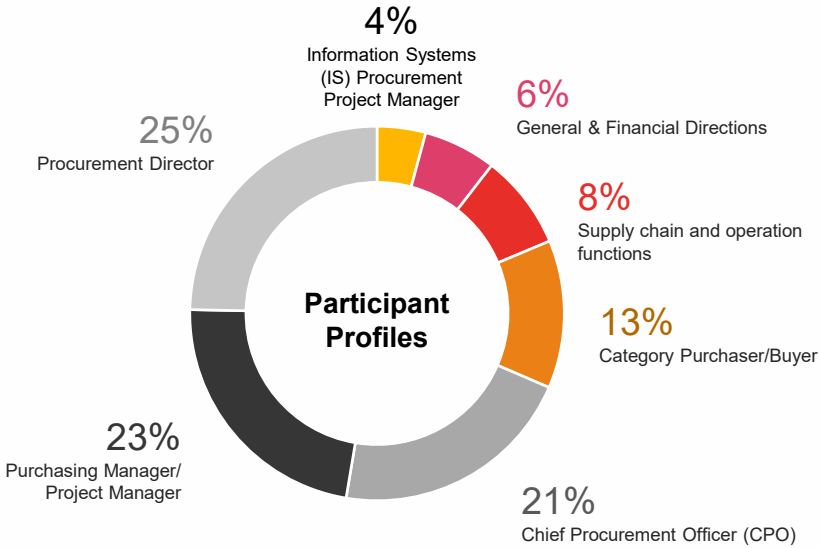
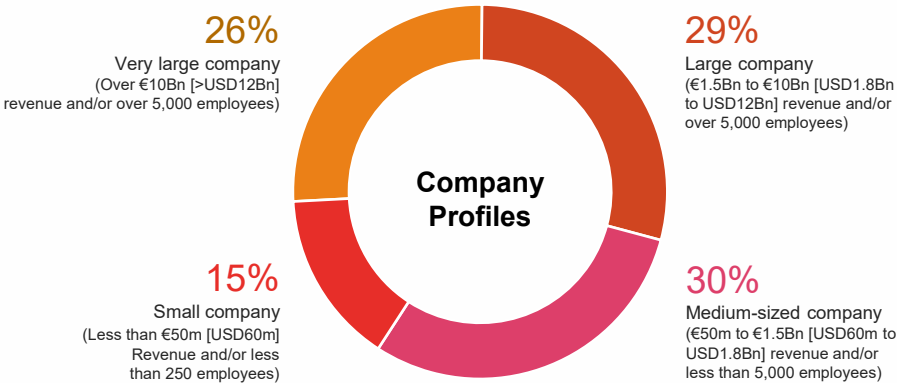
Survey sample:
A global insight into the procurement professionals' world

800+ procurement professionals

64 countries worldwide
on 6 continents

4 themes covered, including:

- ▶ The current vision of your procurement organisation
- ▶ Process automation
- ▶ Digital procurement tools
- ▶ Roadmap and future transformation



Current state of digital procurement

- ▶ **Digital transformation is progressing on CPOs' roadmap (+6 points)**, of which cost reduction and strategic sourcing are still the spearhead (61%).
- ▶ **Digital transformation is now also motivated by risk management and compliance**, in addition to traditional objectives of process optimisation and cost reduction.
- ▶ **Source-to-Pay digitalisation has become the 'new normal'** for procurement departments, as 90% of respondents use either S2C nor P2P solutions and 77% use both of them.
- ▶ **80% of companies with a high level of process digitalisation succeed with value creation** thanks to data availability. However, 55% of companies still struggle leveraging their data.

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 with this emerging use case within their organisation.
- ▶ **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 process.



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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

Shortages, price increase, inflation, health crisis – procurement departments are strongly focusing on their core objectives within the company in these times of increasing threats on supply chains.

New challenges appeared regarding costs, with the skyrocketing prices of raw materials, and decrease of activity for some sectors calling for drastic cost saving objectives.

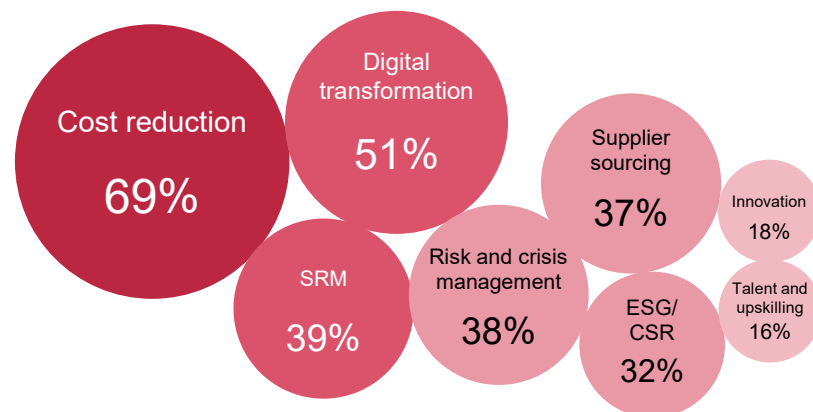
Building partnerships with suppliers, reshoring strategic suppliers and reviewing supplier panels to find alternative sources are key initiatives to secure needed supplies.

Digital transformation is strongly anchored in procurement departments' agendas

- It is ranked third among the top priorities, with an increase of 6 points compared to 2020
- It is mentioned by half of procurement professionals as being an important priority for coming years

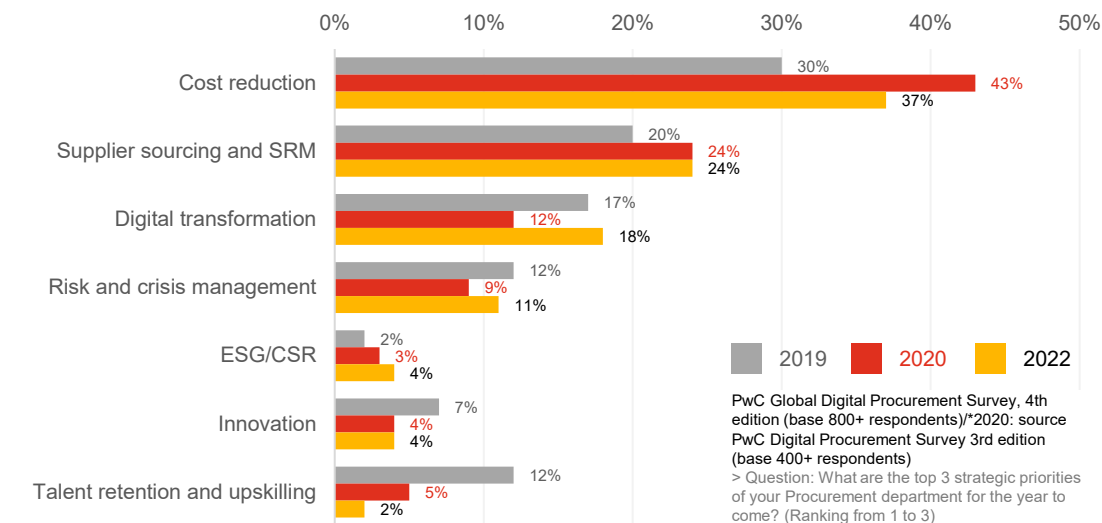
The necessity of digital has become mandatory to enable procurement departments to navigate a context of rising uncertainty and digitisation of all business exchanges. It helps at both reacting to immediate risks and at generating long-term procurement transformation.

Most-named strategic priorities of procurement departments among their Top #3



PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)
Question: What are the top 3 strategic priorities of your Procurement department for the year to come? (Ranking from 1 to 3)

Top #1 strategic priority of procurement departments



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 20% on CPOs' agendas.

The current context of crisis required a focus on urgent matters such as securing the supplies, managing supply chain risks and negotiating prices, while plans for deep transformation (including ESG/CSR) became secondary.

It is especially true regarding talent management, which shows a strong and consistent deficiency over the years. However, constantly evolving companies, ways of working and the digital environment raise the necessity of considering talent management to be a long-term investment for a sustainable future.

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

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

Procurement professionals are striving for process efficiency and transparency through their digital transformation initiatives. Indeed, a digital transformation project mostly aims at streamlining processes as well as business practices. It requires a deep knowledge of procurement processes and defining an optimised target operating model that will suit business objectives and solution capabilities.

✓ ... that reveals a strong user-centric consideration

While talent management seems to be a declining strategic priority for CPOs, easing the pressure on the workforce remains an important driver of procurement digital transformation. Optimising 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

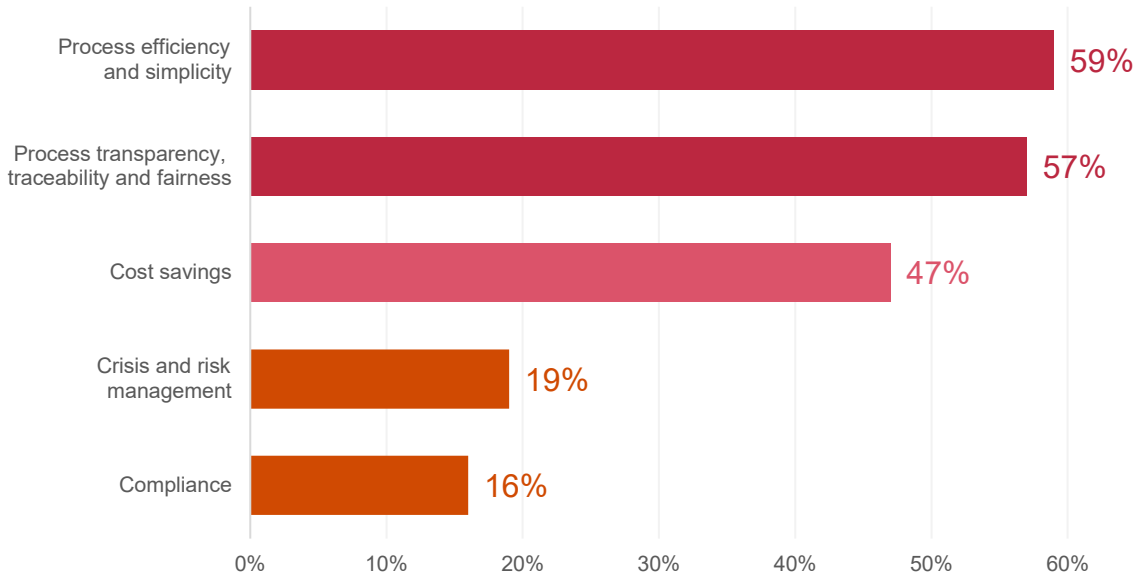
Aligned with the high priority level of cost reduction, it is a key driver for digital transformation. It can be achieved through the use of sourcing modules and by leveraging supplier data to identify savings opportunities.

Risk management and compliance appear as upcoming digital transformation drivers

COVID-19 highlighted the added value of digital operations, while challenging companies to ensure business continuity. It also made risks more tangible, especially for procurement and supply chain functions. Managing risks is then pointed out as an important driver for digital transformation and could increase over the coming years.

Compliance is also mentioned as being a driver in itself for digital transformation. The growing requirements for transparency, implied by regulations and triggered by customers, are steadily gaining traction and making compliance an essential for all companies.

Main drivers for procurement digital transformation



PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)
> Question: What are the main drivers for implementing a Procurement digital transformation? (select 2 choices)

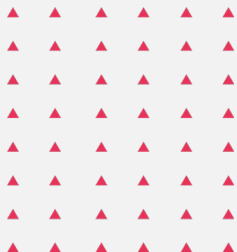


CPO vision

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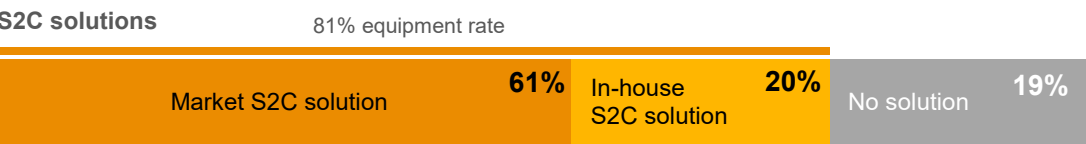
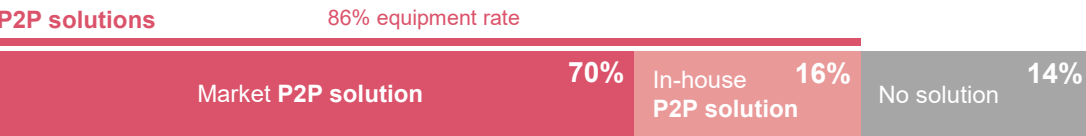
The main drivers for procurement digital transformation are agility, greater control and consequently more efficiency.

CPO of a very large company in the 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



PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)
Questions: Which digital Procurement solution does your company currently use for Source-to-Contract process? Which digital Procurement solution does your company currently use for Procure-to-Pay process?

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

Ten percent of companies use neither a S2C nor a P2P solution to manage their procurement processes. It appears that the adoption of these solutions is proportional to the size, the number of users, and to the investment capacity of companies. Among the non-equipped companies, 78% are small and medium-sized companies.

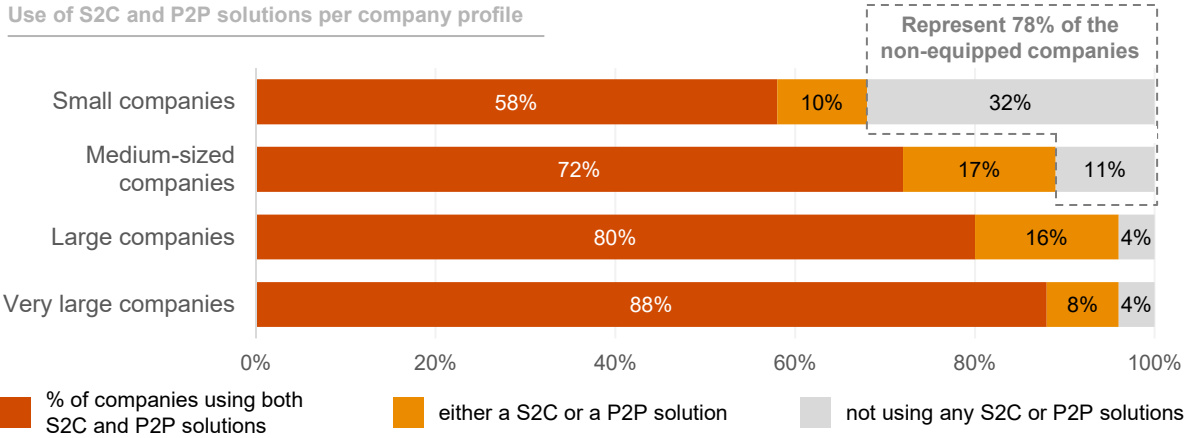
However, small and medium companies plan to catch up with larger companies by prioritising S2C and P2P transformation on their digital roadmaps, supported by strong investments.

77% of companies are already onboard: S2P digitalisation is now a 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, confirming the shared vision on the fundamental aspect of the digitalisation of these processes. Transforming the Source-to-Pay processes has been a long-lasting effort and is today the new normal for procurement departments.

However, among the companies using a dedicated solution for S2C or P2P, around one in five companies is equipped with an in-house solution (16% for P2P and 20% for S2C). The evolving IT ecosystem will complexify the operability of such solutions in time. These in-house solutions will be more and more difficult to maintain.

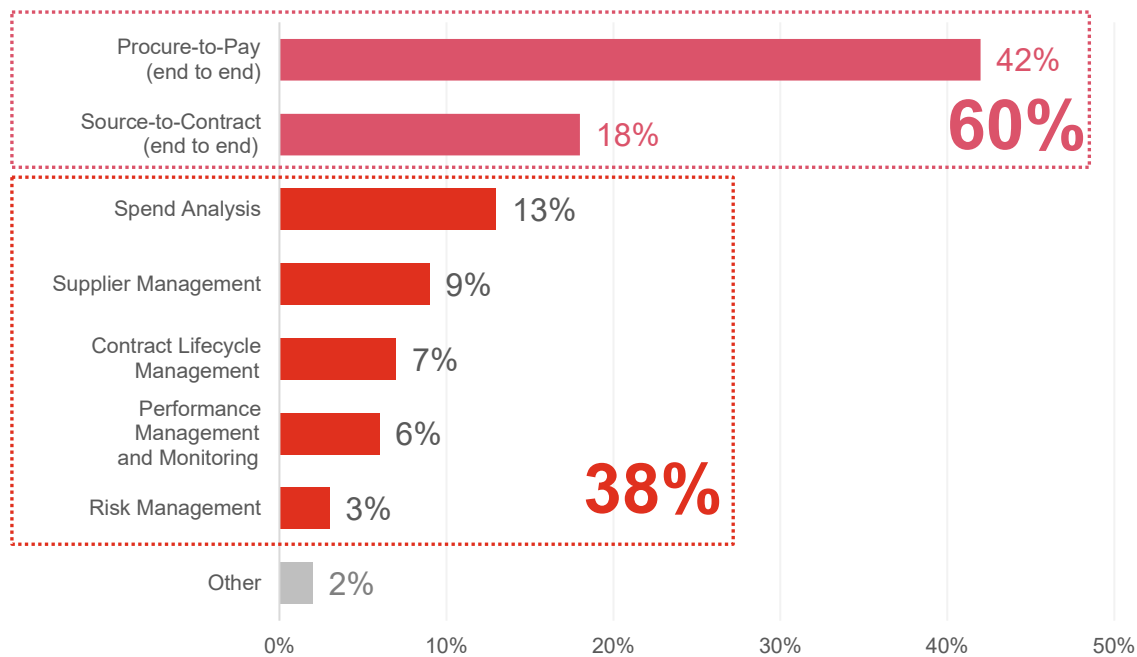
Use of S2C and P2P solutions per company profile



PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)
> Questions: Which digital Procurement solution does your company currently use for Source-to-Contract process? Which digital Procurement solution does your company currently use for Procure-to-Pay process?

Benefits from procurement digital transformation go beyond Source-to-Pay processes

Which procurement process improved the most with digitalisation?



PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)
Question: In which area of the Procurement process did you identify the greatest improvement brought by your digital tool? (please select 1 choice)

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 brought by digital are, not surprisingly, focused on the processes addressed by these solutions. P2P, the most digitised transactional process, represents the first step on the path to procurement digital transformation. P2P provides visible short-term ROI while being less cumbersome than others to digitalise.

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

The digital transformation of procurement departments does not limit itself to the S2C and P2P processes. It can cover the procurement processes from a 360-degree perspective, from strategy to execution to reporting. Spend analysis, SRM, CLM, performance and risk management are fully part of the role of procurement departments within the company and can be strongly enabled by digital transformation.

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

The digital solution market is composed of two main categories of vendors: the full suite S2P editors and the specialists on specific processes.

The specific solution providers are often best-of-breed solutions in their segment and will allow a comprehensive coverage of procurement processes. However, implementation can seem more complex, as integration with numerous other systems must be developed. This pain point can be addressed by full suites, which work at developing complementary modules through organic or external growth.

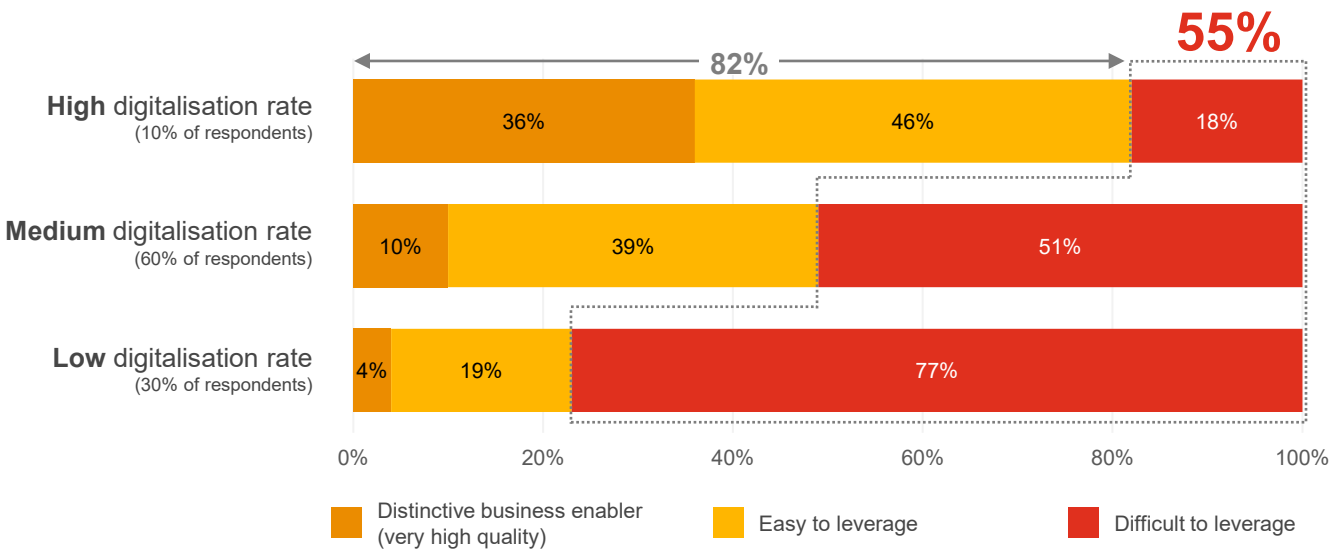


PwC best practice: ROI consideration

Respondents responding 'Other' to this question note having difficulties identifying the improvements brought by digital transformation due to unclear vision on ROI. The digital transformation of procurement departments is to be considered an investment and should be based on a business case for validating the opportunity. Companies should make sure that the added value tracking plan is prepared for monitoring the results of such an initiative. Make sure the added value creation is tracked along the digital transformation. It is advisable to start the transformation with less complex procurement processes. This results in higher acceptance as well as immediate efficiency gains.

Data management is still a struggle for many procurement departments, whereas process digitalisation is a significant driver of data quality and leads to data value creation

Perceived quality level of procurement data depending on process digitalisation rate



PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)
Question: How would you assess the quality level of your Procurement data? (suppliers, articles/SKUs, spend, contracts, ...)
Processes digitalisation rates: High >75% - Medium 25% to 75% - Low <25%

82% of companies with a high level of process digitalisation create value from their procurement data

The ability to exploit and leverage data is directly linked to the digital maturity of procurement departments, making digitalisation a real driver of data quality management. Indeed, more than 75% of companies with a low level of digitalisation within their procurement department declare having difficulties leveraging their data.

55% of respondents struggle to make the most of their data, showing that a lack of process digitalisation makes it difficult to use data for decision making

The majority of respondents struggle with data management, while only 10% claim that the quality level of their procurement data is high enough to be a real distinctive business enabler.

In the 2017 edition of the Digital Procurement Survey, 43% of respondents stated that their biggest challenge in using procurement data analytics was its very low quality, whereas 34% noted a lack of expertise in leveraging their data. The amount of data multiplies from year to year, complicating the levels of analysis and processing, thus requiring a system of continuous improvement in data management.



Throwback to 2017

43% Poor existing data quality

33% Poor access to relevant data

34% Lack of skills in procurement staff

19% Inability to identify relevant data

PwC's best practices: Handling data management for procurement departments

Data challenges for the procurement departments:

- ▶ **Growing amount of digital exchanges** among procurement ecosystem (purchasers, suppliers, internal clients, third parties, etc.) which increases the information flows
- ▶ Structure of data: complexity of purchased goods and services, and multiplication of stakeholders and intermediaries can create **unstructured data**
- ▶ Manage, consolidate, maintain **multiple sources of data** such as large catalogs, supplier data, spend data, etc.
- ▶ Leverage the potential of data for **sourcing improvement**; automation of market research can lead to valuable competitive advantage

The skills needed to improve data value creation rely on:



Data strategy

- Establish a roadmap and prioritise topics according to the company's strategy
- Know your purchasing maturity as well as that of one's operational teams, whether they are buyers or other roles in the organisation



Data management and data governance

- Have up-to-date and easily available repositories for the business
- Master standard market references and repositories
- Maintain and demand data quality from provider to avoid 'garbage in'
- Distribute roles and responsibilities between procurement, supply, operations and IT



Data analytics

- Automate analysis 'on the flow' to have the ability to serve long-term performance supervision as well as real-time alerts in case of emergency
- Develop capabilities to process unstructured data such as contracts, technical documents and specifications, etc.
- Leverage transactional data when supplier portal is available



Data platform

- Develop a data hub (not necessarily a data lake) that focuses on data sharing and flow rather than storage
- Ensure interconnection with other business Information Systems
- Supervise the company's inputs via the use of 'digital twins'

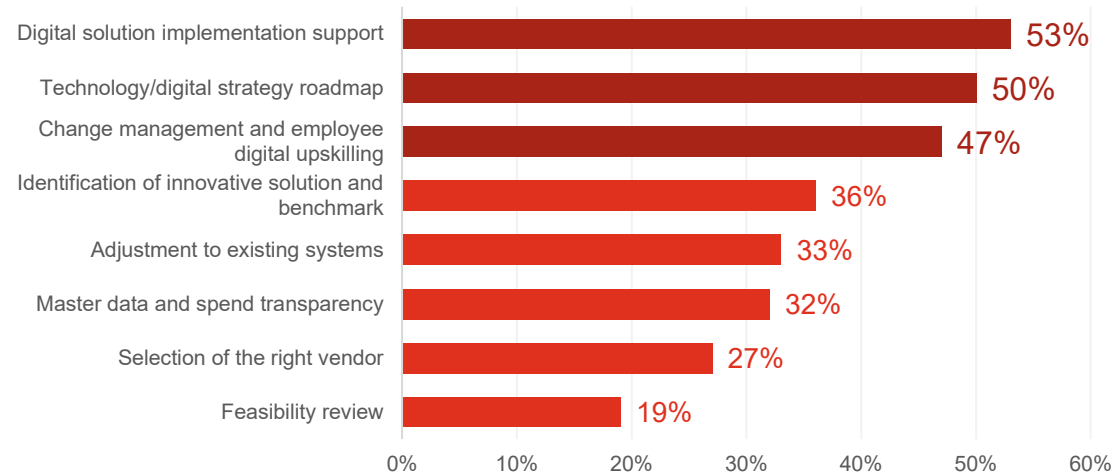


A company's value stream starts with its purchases. It is therefore necessary to have rigorous and complete control of all the physical and digital assets.

Marc Damez-Fontaine, PhD.
Director, Data & AI, PwC France & Maghreb

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

Need for external support in procurement digital transformation



PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)
> Question: Where do you see the greatest need of external support in Procurement digital transformation? (please select 3 choices)



CPO vision: needs for external support

“External benchmarks”

CPO from small company in the Professional Services sector

“Leading and obtaining buy-in from key stakeholders for change management”

Procurement Director from very large company in the Public sector

“Process re-engineering”

CPO from large company in the Healthcare and Pharmaceuticals sector

“Lessons learnt from similar implementations”

CPO from medium company in the 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 need for diverse expertise to help achieve the digital transformation of their procurement department. Among this required expertise, digital strategy roadmap support is named by 50%. This may reflect a lack of clarity regarding which direction their digital transformation should take and of the right way to approach it. Building a strong and realistic roadmap is a key success factor in implementing a sustainable and effective digital transformation.



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

Digital transformation requires specific skills to develop and maintain to secure a successful implementation and sustainable adoption by users. In the long term, developing employees’ digital skills will support an in-depth change in the organisation.

It can be enabled by creating a digital culture, through engaging employees in roadmap definition, taking the digital projects from a collaborative approach, and involving the teams in transformation projects.

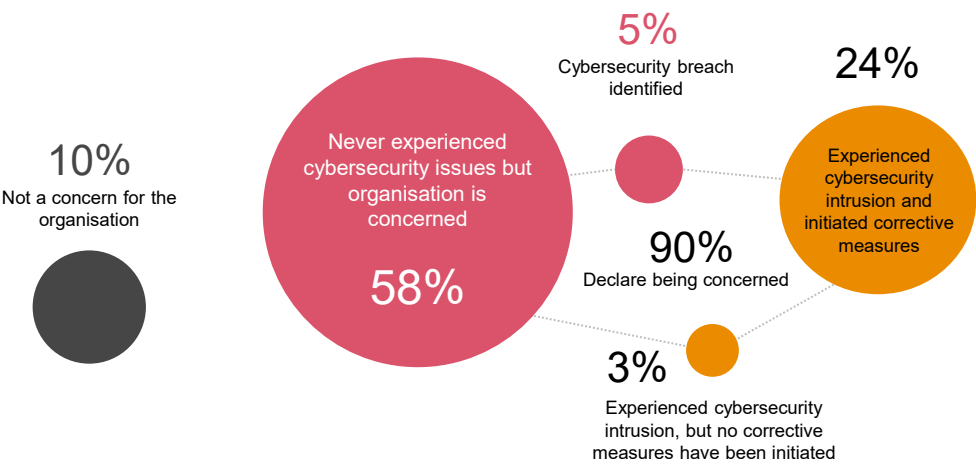


A third-party support in digital transformation projects will bring specific knowledge and know-how

Even if internal upskilling is a key lever to go digital, third-party supports can bring a specific added value in a more immediate way. In addition to external resources to strengthen a project, their external position creates an ability to challenge current beliefs in the organisation. Their experience provides robust feedback on transformation projects, benchmarks and knowledge about the digital vendor market, and best practices regarding processes and the change management approach.

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

Procurement perception of cybersecurity



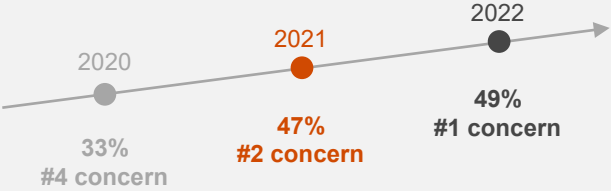
PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)
> Question: What is your degree of concern in terms of cybersecurity within your Procurement department?



CEO perspective

Cyber threats are on the rise, according to CEOs

Cyber has fast become a major source of anxiety. Yet despite myriad challenges, some organisations are starting to create a blueprint for the securable enterprise. They focus on establishing security and privacy as operational goals and business imperatives; hiring a chief information security officer; empowering this individual to create cross-functional teams; making cybersecurity part of other key decisions, such as acquisitions and product launches; and reducing complexity through steps such as vendor consolidation to minimise nodes of vulnerability.



Source: PwC 23rd, 24th, 25th Annual Global CEO Survey
> Question: How concerned are you about these potential threats to your organisation's growth prospects? ('extremely concerned' responses)

Procurement departments are not immune to cybersecurity concerns: 90% of them declare being concerned by cyber threats and 27% of them already experienced an intrusion.

Malware via software update, attacks on cloud services, ransomware, business email compromise, attacks on the supply chain – cyber threats are numerous and can come from many sources, such as cyber criminals, vendors and third-party sources, and even past and current employees.

Procurement departments are a preferential witness of business commercial exchanges and are then exposed to these risks specifically through the suppliers' payment process. They then have a significant role to play in protecting their company, for which a first step would be to align process compliance with company standards.

Company size is not an obstacle for cyberattacks: 63% of the companies that already experienced intrusion are large and very large companies, and 37% are small and medium companies.



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 Trust Insights Survey seem to have trouble seeing their third-party risks — risks obscured by the complexities of their business partnerships and vendor/supplier networks.

Only 40% of survey respondents say they thoroughly understand the risk of data breaches through third parties. Nearly a quarter have little or no understanding at all of these risks — a major blind spot which cyber attackers are well aware of and willing to exploit.

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

PwC's best practices: Approach cybersecurity in procurement departments

Procurement departments are catching up on digitalisation through significant investment. This digital transformation, coupled with the rise of connected technologies, is transforming the means of access to information and data, both within the company and with its partners, and is increasing the exposure and vulnerabilities of information systems (IS).

The transformation of working methods and tools is leading to the emergence of cyber risks that can have a direct impact on the operational activities of companies, particularly in terms of:



Productivity

The increasing dependence on digital tools (marketplaces, electronic signature, etc.) could, in case of unavailability, affect the proper conduct of business.



Competitiveness

Procurement departments have a variety of data that may be of interest to malicious actors and face the same risks as the whole company (e.g. theft, espionage, sabotage). Data that is binding on external third parties is the main data at risk, particularly data relating to their business activities (data from calls for tender, studies and plans, negotiated prices, etc.).

Still too often, cybersecurity is perceived by procurement departments as an IT risk that does not concern them, remaining a secondary issue after the digitalisation of working methods and tools, whereas a few fundamental principles would make it possible to reduce cyber risk:

- ▶ **Incorporate cybersecurity natively** by relying on the company's internal experts, from the design stage of any initiative involving IT/digital technology to protect against cyber risks from the outset.
- ▶ **Keep control of security**, being careful not to make the classic mistake of relying solely on vendors of digital solutions. Regularly check that these solutions respect the commitments made in terms of data protection, access control and security supervision.
- ▶ **Secure the entire IT chain**, particularly unstructured data spread across the information system or on exchange platforms with partners.
- ▶ **Map the data and tools used**, whether internal or external, as you can only protect what you know.
- ▶ Finally, **simplify the tools and services used** as much as possible, as any complexity increases the exposure to new vulnerabilities to technical debt.



The productivity brought by new tools and technologies can be a lure if the associated risk is poorly controlled.

Frédéric Malagoli
Partner, Cybersecurity, PwC France & Maghreb

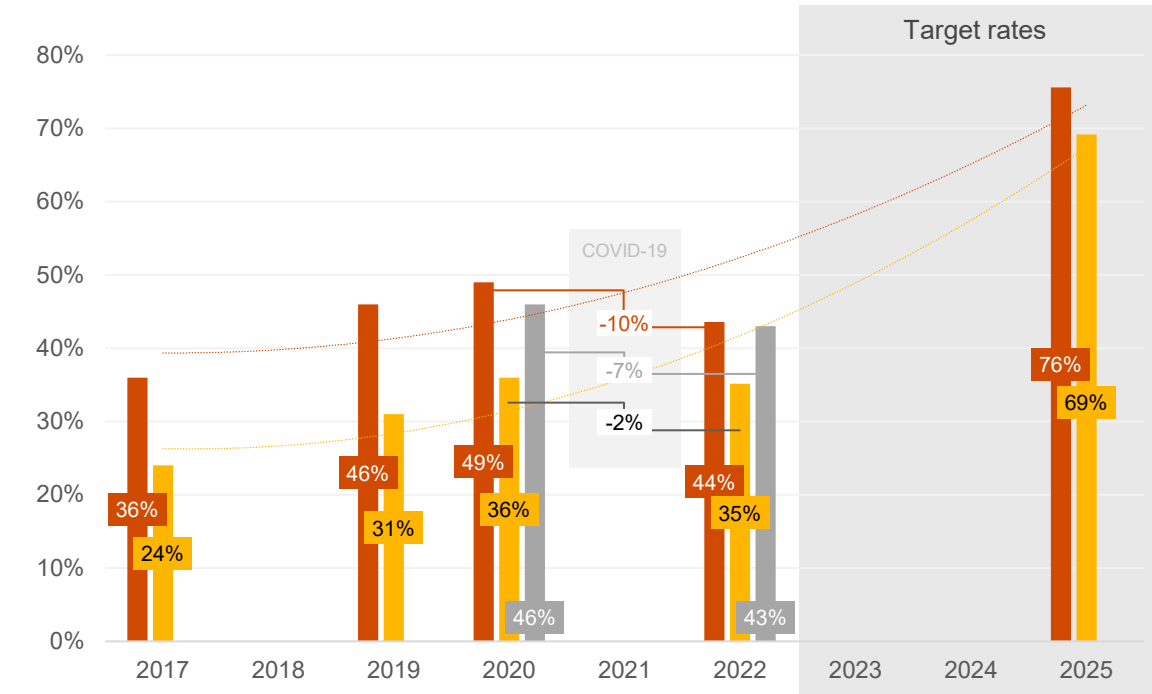


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Future state of digital procurement

Perception of actual digitalisation rates of procurement processes ran into COVID-19 reality, yet without discouraging ambitions for coming years

Digitalisation rates of procurement processes



Strategic processes:

- ▶ Strategic sourcing, supplier search, contract management, predictive processes, supplier relationship management, risks anticipation.

Transactional processes:

- ▶ Supplier data management, tender management, catalogue management, engagement processes (P2P).

Purchasing reporting:

- ▶ Spend analysis, business intelligence, economic performance management.

PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)

Questions: For each process type (transactional, strategic, reporting): Today, what is the current level of digitalisation of strategic processes within your Procurement department? By 2025, what will be the targeted level of digitalisation of strategic processes within your Procurement department?

Process digitalisation rates have been downgraded by procurement professionals, by 6% on average

Optimism on actual digitalisation rates has declined following the COVID-19 crisis

Indeed, the global situation characterised by important supply chain pressure and the necessity for remote collaboration raised awareness of the perception of digitalisation rates. Possible blind spots over procurement processes have been identified during the crisis, and the perceived scope of digital transformation has been extended.

The COVID-19 crisis challenges the quality of procurement digital transformation, enlightening both effective achievements and missing bricks.

Procurement departments slowed down their digital transformation in order to focus on immediate challenges

While crisis priorities appeared, such as cost pressure, supply chain risks and supplier panel review, procurement departments put their digital transformation projects on hold.

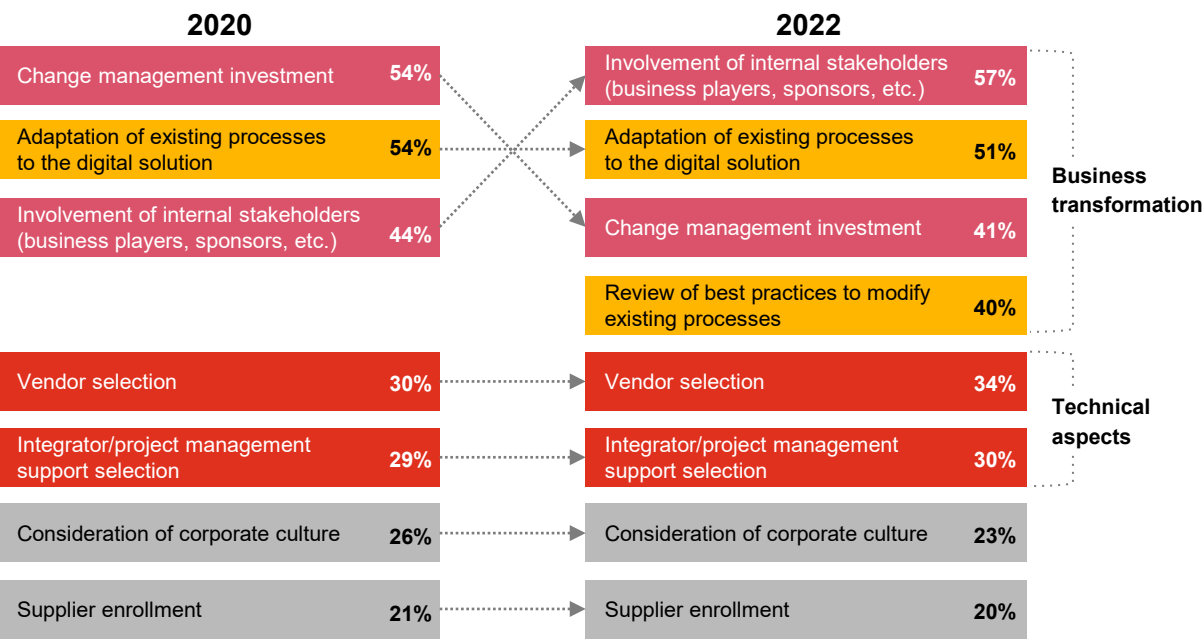
The efforts concentrated on managing immediate risks rather than on longer-term initiatives.

However, procurement departments set very ambitious digitalisation objectives for 2025

The COVID-19 crisis also raised the necessity for going digital to properly manage and address the supply chain and procurement risks in a resilient manner. Procurement professionals will accelerate their transformation in the coming years, and get closer to a 360-degree procurement digital approach, with digitalisation rates around 70% for both strategic and transactional processes.

Business transformation, including process, organisational and human aspects, remains the key success factor for digitalisation

Key success factors for implementing a digital procurement solution



PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)
> Questions: In your opinion, what are the key success factors for implementing a digital Procurement solution? (please select 3 choices)



CPO vision

“ Procurement management must be fully integrated into the organisation’s end-to-end processes.

Procurement Director of a very large company in the Healthcare industry

Organisational & human aspect

Organisational and human aspects remain the most important key success factors for implementing a digital procurement solution, maintaining their position in the top three. They are part of a **comprehensive business transformation**. Their importance has been confirmed with an accelerated awareness of the crucial role of **cooperation**, induced by the health crisis and remote working models, which led ‘Involvement of stakeholder’ to be named the most significant key success factor.

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. These process-oriented key success factors are aligned with the initial reasons for driving digital transformation, which are process optimisation and efficiency. Adaptation of processes must be considered from a user and a solution perspective to be successfully and sustainably implemented, all while relying on best practices inspiration.

Vendor & integrator selection

Technical aspects, such as the integrator or the chosen solution, are secondary success factors. The focus on process re-engineering and stakeholder buy-in, instead of solution features and capabilities, reveals that even the best tailored solution must be implemented considering the above.

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

42% of procurement professionals do not have a clear vision of their investments

Many professionals claim they do not know the investment budget of their company within procurement transformation, 15% of them being CPOs. Apart from the confidential nature of this information, this important statistic reveals that many procurement departments do not yet have a comprehensive vision on their digital roadmap.

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

These ambitious investment forecasts support the implementation of procurement departments' digital roadmaps. They show the expected tangible ROI and, therefore, the importance of the digital transformation of the procurement function.



CEO vision

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

Increase moderately 3-9%

34%

Increase significantly >10%

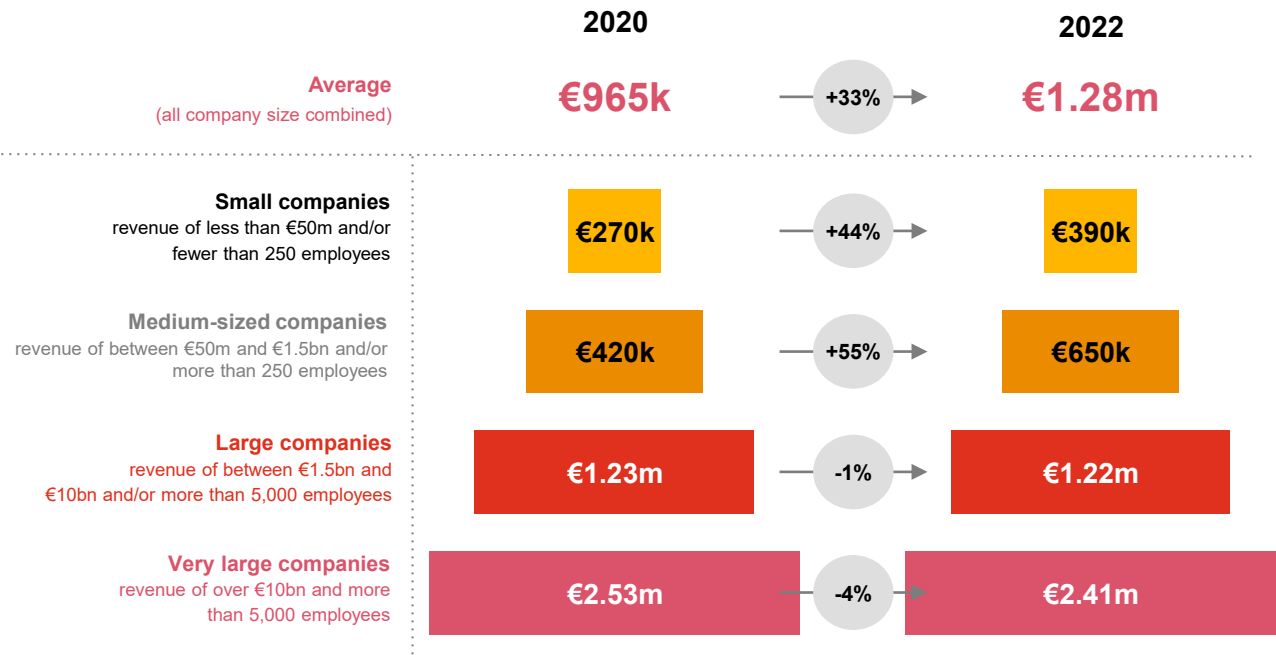
49%

Today's digital focus contrasts with the situation in 2010, after the global financial crisis, when the biggest investment priority for CEOs in our survey was gaining cost efficiencies.

> **Question:** How do you plan to change your long-term investments in the following areas over the next three years, as a result of the COVID-19 crisis?

Source: PwC 24th Annual Global CEO Survey

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



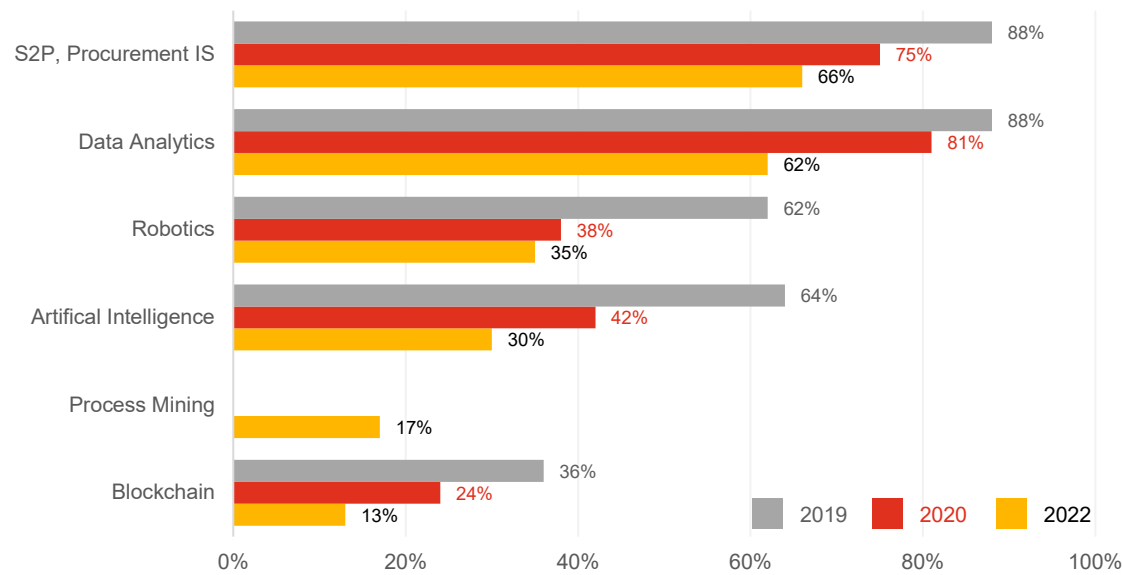
PwC Global Digital Procurement Survey, 4th edition (base 400+ respondents) / *2020: source PwC Digital Procurement Survey 3rd edition (base 400+ respondents)
 > Questions:By 2025, what will be your annual investment level dedicated to your Procurement digital transformation? (Investment can include: e.g. e-Procurement license, maintenance fees, upskilling training, etc.)

While large and very large companies maintain their investments over the years, middle-market companies (small and medium) plan to strongly increase their investments in digital transformation

Compared with 2020 results, small and medium-sized companies show an increasing interest in procurement digital transformation with about 50% of budget augmentation. After the slowing of digital transformation due to COVID-19, these companies are now very willing to support their digital transformation with actual investments.

The technological roadmap of procurement departments is abandoning the experimenting mode, with decreasing interest in emerging technologies such as blockchain and AI

Targeted technologies to invest in by 2025



2022: PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)
2020: PwC Digital Procurement Survey, 3rd edition (base 400+ respondents)
2019: PwC Digital Procurement Survey, 2nd edition (base 200+ respondents)
> Question 2022: By 2025, which of the following technologies will be the target of investments as part of your Procurement digital transformation project?

The number of targeted technologies on roadmap is becoming rationalised over the years

Average number of technologies on procurement departments roadmaps

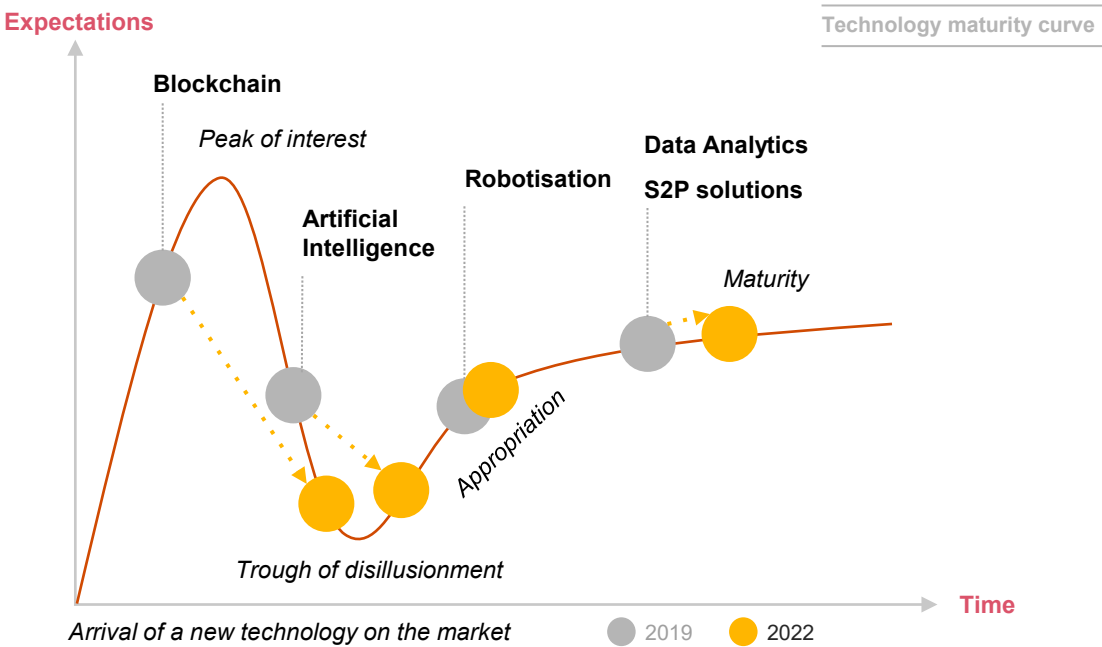


Procurement professionals are no longer in an experimenting mode, as many technologies see a declining interest

Procurement technology of Source-to-Pay solutions and data analytics are still drawing interest on procurement professionals roadmaps. Transformation roadmaps show a waning interest in robotics, AI and blockchain over the years.

Investment forecasts are concentrating on the proven added value technologies providing applicable use cases, while the hype around new technologies is running out of steam.

If technological investment is not an objective in itself anymore, these technologies are nevertheless being implemented in more and more companies through full suite solutions that integrate technology like AI, for example.



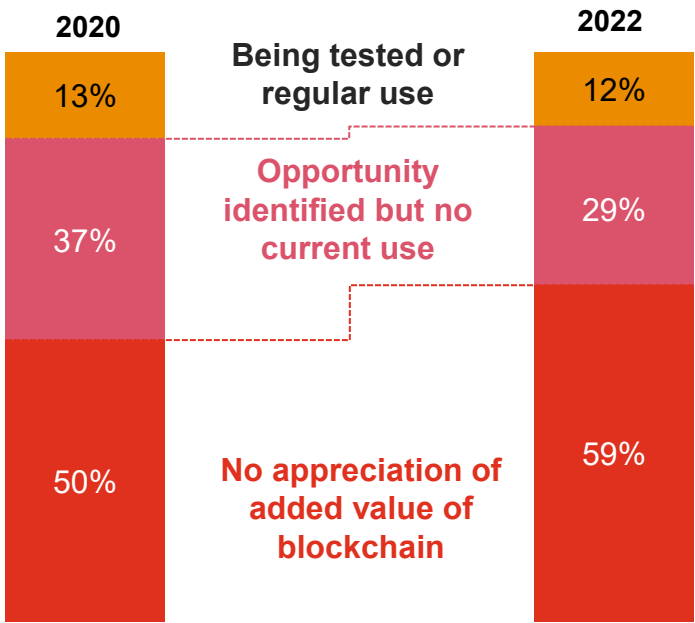
Blockchain can bring very significant value; however, it is inspiring fewer procurement professionals due to its unclear applicability

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

While the number of companies testing or using blockchain remain stable, the share of respondents who do not perceive potential added value in this technology is increasing.

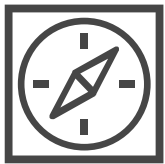
Blockchain is on the slow path of maturity, which includes a disillusionment on the initial hype around a new technology. The inflated expectations are decreasing for procurement professionals, who expect more tangible use cases applicable to their field.

Perception of blockchain by procurement professionals



2022: PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)
2020: PwC Digital Procurement Survey, 3rd edition (base 400+ respondents)
> Question 2022: "Blockchain - Supply Chain traceability & supplier knowledge" - What is your opinion about this use case applied to your Procurement department?

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 and benefits
37%



High implementation costs
17%

2022: PwC Global Digital Procurement Survey, 4th edition (base 600+ respondents)
> In your opinion, what are the main barriers for using Blockchain in your Procurement department? Select 1 to 3 answers (only if responded "I cannot appreciate the potential added value of Blockchain for my Procurement department" or "I identified an opportunity, but no relevant offer is available on the market" at previous question)

Unidentified or unclear opportunities and lack of skilled resources are the main entry barriers to benefitting 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. Blockchain suffers from a lack of understanding of the technology, then of its cost and implementation requirements, and procurement professionals struggle to identify use cases and value creation opportunities.

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 as well as in the overall extended supply chain operations. For instance:

Monitor supply chain flows, including complex supply chains (medical devices, aeronautical or automotive industries, etc.)

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

Draw a map of n-tier suppliers to protect the company's sovereignty in the event of a systemic crisis

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

Fundamental use cases are the target of increasing investments

These use cases related to core procurement activities were already the main targets of digital transformation in 2020, and they are on the roadmap of even more companies this year. procurement departments are more likely to invest in proven added value use cases. 50% of companies declare process optimisation as a main driver for digital transformation and confirm this objective by setting S2P use cases and automation as top investment targets.

Most of developing and high-potential use cases are de-prioritised in the short term

Many use cases that showed interesting development perspective have been de-prioritised by procurement departments for the coming years. These use cases are seen as a risky ROI that may not be worth the effort of implementation over a three-year time frame at this time.

Presence on procurement roadmaps of digital use cases: targets to invest in by 2025



2022: PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)
2020: PwC Digital Procurement Survey, 3rd edition (base 400+ respondents)
> Question 2022: By 2025, which use cases will be the priority targets in the digital transformation project of your Procurement department? (up to 3 choices)

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, arising from COVID-19 awareness raise, while risk management sees a decline of 4 points compared to 2020. Traceability could overlap risk management in parts of the supply chain where a higher transparency helps companies to assess potential disruptions, following the objective of achieving an extensive digital supply chain tower.

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 with 13 % of respondents claiming it to be on their digital roadmap for the upcoming two years, supporting the general growing interest in applying sustainability in procurement.

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

Many respondents already started the offensive. Tracking CO2 emissions is becoming regulatory and socially mandatory. Therefore, procurement has the opportunity to play a key role in this initiative. Gathering relevant supplier CO2 data and mapping supply chain emissions are the first steps towards making procurement a valuable business partner for the company and the overall society.



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

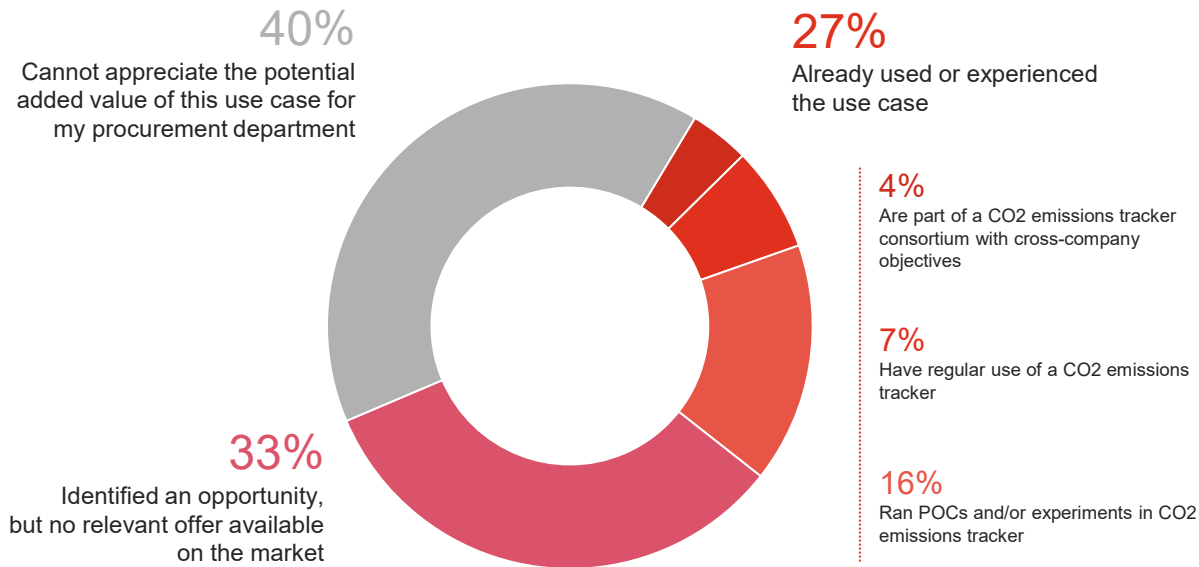
Another 30% of the respondents are already facing the change to net zero. However, they are lacking a structured way to tackle the problem and are in need of a tool.

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

Even though sustainability and thus tracking CO2 emissions are prevalent in industry discussion, the value-add often remains unclear, especially monetary savings. Starting with business cases can help define the use case:

- Limit the rise of CO2 taxes through vehicle fleet motorisation review
- Assess supplier portfolio location to review transportation practices and gain better TCO control through limited price volatility
- Optimise CO2 footprint to comply with Emission Trading System in EU and avoid additional charges
- Perform valuation of reputational improvement with customers

Procurement perception of CO2 emission tracker use case



PwC Global Digital Procurement Survey, 4th edition (base 800+ respondents)
> Question: "Tracking of suppliers' CO2 emissions in your Supply Chain" - What is your opinion about this use case applied to your Procurement department?



Industry vision

Top 5 industries 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 the procurement process



Strategic sourcing



Supplier selection



Contract and risk management



Supply management



Supplier payment

Supplier panel evolution

- Establish a sustainable sourcing strategy
- Identify innovative suppliers, sustainable sectors, circular economy, local suppliers, etc.

SRM management

- Optimise CSR aspects with suppliers
- Influence tier-N suppliers

Supplier offer analysis (CSR/TCO)

- Identify CSR risks and opportunities for international suppliers
- Integrate CSR specifications in mission statements, ensure evaluation transparency

Carbon footprint verification

- Measure environmental footprints for the entire value chain

Contract creation

- Integrate CSR aspects in procurement contracts (e.g. CSR charter, specific clauses, etc.)

Monitoring contract application

- Establish a clear CSR action plan for the supplier
- Integrate CSR performance in contract management
- Evaluate suppliers with respect to CSR engagements
- Open alerts devices

Compliance monitoring

- Ensure the application of the CSR charter for the entire supply chain

Supply chain traceability

- Reduce the number of supplier intermediaries
- Downsize the number of interactions between buyers and suppliers thanks to automation
- Secure supplies for tier-N suppliers

Payment digitisation

- Implement e-signature, e-invoicing, e-archiving to reduce paper waste

Payment delays optimisation

- Optimise working capital requirements with respect to local laws and regulations

Continuous improvement

- Strengthen the CSR performance of suppliers





3

Geographical overview

Find out more

For more geographical insights, do not hesitate to reach out to your local PwC contact!

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 digitalisation rate	44%	36%	41%	41%	45%
2025 target process digitalisation 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 and 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	<ol style="list-style-type: none"> 1. Cost reduction (35%) 2. Supplier sourcing (32%) 3. Digital transformation (12%) <ul style="list-style-type: none"> ▶ Africa is strongly focused on supplier sourcing to support supplier portfolio diversification and foster innovation ▶ While being less equipped in S2P solutions than other continents, Africa is creating value from its procurement data ▶ Digital transformation will be supported by significant investments 	<ol style="list-style-type: none"> 1. Cost reduction (33%) 2. Digital transformation (20%) 3. Supplier sourcing (14%) <ul style="list-style-type: none"> ▶ The continent seems to have the lowest digitalisation rates, which makes data management a challenge ▶ However, America has planned to invest considerably to support digital transformation ▶ Risk management use cases are attracting investment interest on about 30% of transformation roadmaps 	<ol style="list-style-type: none"> 1. Cost reduction (41%) 2. Supplier sourcing (18%) 3. Digital transformation (17%) <ul style="list-style-type: none"> ▶ ESG/CSR is the fourth strategic priority of the continent's CPOs, which is the best ranking among continents. Seventy percent of respondents see value potential in ESG digital use cases ▶ Investments are about 15% lower than global average; however, the priority is set on S2C and P2P digitalisation, which gather important shares of roadmaps 	<ol style="list-style-type: none"> 1. Cost reduction (36%) 2. Digital transformation (18%) 3. Supplier sourcing (15%) <ul style="list-style-type: none"> ▶ Europe is concerned about risk management and places it as its fourth strategic priority ▶ To address this stake, Europe is betting on innovative use cases, such as risk management and supply chain traceability ▶ CO2 emission tracking is also on the agenda for 15% of respondents, while over 30% already track CO2 emissions 	<ol style="list-style-type: none"> 1. Cost reduction (43%) 2. Digital transformation (25%) 3. Supplier sourcing (23%) <ul style="list-style-type: none"> ▶ Middle East is leading the procurement transformation race, with the highest equipment and digitalisation rate ▶ It will keep on this track by setting digital transformation as the top priority for 25% of procurement departments, and by strongly investing in S2P digitalisation ▶ The innovative use case of smart sourcing/relocation sourcing is also emerging on roadmaps for 35% of respondents (13% globally)



4

Industry benchmark

Industrial



Manufacturing



Energy & Utilities



Healthcare & Pharmaceuticals



Consumer Goods



Building & Infrastructures



Automotive

Services



Banking, Insurance, Financial Services



Technology, Software, Telecoms



Distribution & Retail



Transportation & Logistics



Professional Services



Public Sector

Find out more

Purchasing issues and practices can vary widely from one industry to another. That's why we wanted to study the digital characteristics of procurement departments in the industries most represented in this survey – to benchmark them within their sector and observe what is specific about them.



Manufacturing Industry

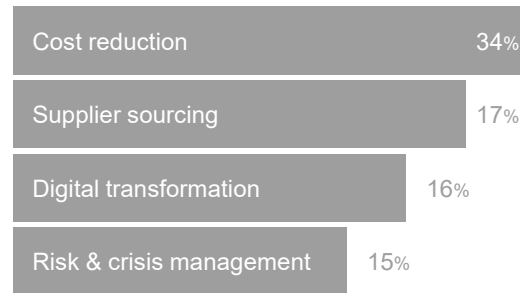
Current state of digital procurement

Strategic priorities of procurement departments

Manufacturing



Industrial sector



Digitalisation status

	Manufacturing	Industrial sector
Source-to-Pay equipment rate	79%	77%
Average current digitalisation rate of procurement processes	38%	40%
2025 target digitalisation rate	69%	71%

Component manufacturers and assembly activities have resumed business after the COVID-19 downturn and need to remobilise their globalised supply chain as they are strained by copper, aluminum inflation and shortages in plastic parts. This implies higher attention towards capital expenditure and investments, which are lower by 10% versus previous years.

Ever more challenged access to resources, such as supply and logistic threats, skills shortages and freedom of movement force players to aggressively secure suppliers and develop new sources. Risk-management approaches influence criteria to select suppliers for a 'stress test' of resilience as economies reopen: sole-sourcing situations and previous supply chain failures are closely considered in addition to the costs to serve.

Qualifying and developing capable suppliers at an early stage, defining commercial agreements and mutualising capabilities are key in situations of supply base attrition and strong industrial recovery: Up to 30% output increase in 2022 versus 2021 is not uncommon for equipment manufacturers.

Main challenge is to rapidly and safely exchange data of post-COVID demand with an even more heterogeneous and disrupted supplier base

Manufacturing companies favor investments related to P2P digitalisation and improved traceability (including CO2 trackers), but are still lagging behind in terms of S2C digitalisation and data analytics. Clients who face severe capacity constraints at their Tier 1 and Tier 2 suppliers plan to set up platforms of collaborative demand versus capacity pooling. This supposes a higher level of mutual transparency than traditional supplier 'mailbox' portals. Co-financing on Capex and more flexibility on OEM specifications are creative levers with trusted suppliers.

Future state of digital procurement

Investments in procurement digital transformation by 2025 (yearly)

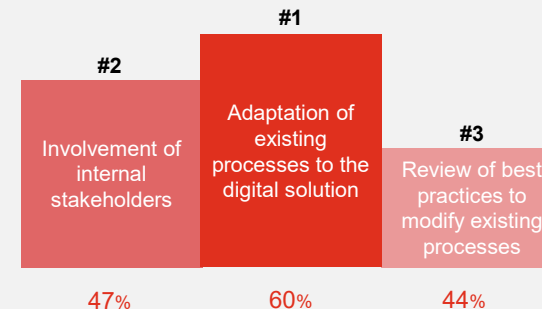
	Manufacturing	Industrial sector
Small & medium companies	€570k	€600k
Large & very large companies	€1.540k	€1.720k

Use case digital roadmap by 2025

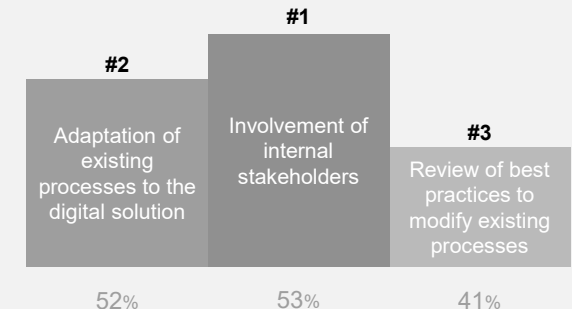
	#1	#2	#3	#4
Manufacturing	Procure-to-Pay digitalisation 56%	Supply chain traceability 38%	Source-to-contract digitalisation 37%	Data analysis and visualisation 35%
Industrial sector	Procure-to-Pay digitalisation 50%	Data analysis and visualisation 41%	Source-to-contract digitalisation 37%	Supply chain traceability 32%

Key success factors for digital transformation

Manufacturing



Industrial sector





Energy & Utilities Industry

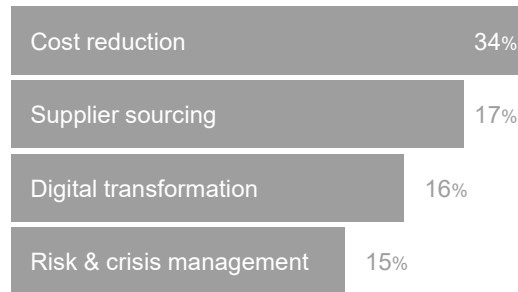
Current state of digital procurement

Strategic priorities of procurement departments

Energy & Utilities



Industrial sector



Digitalisation status

	Energy & Utilities	Industrial sector
Source-to-Pay equipment rate	75%	77%
Average current digitalisation rate of procurement processes	41%	40%
2025 target digitalisation rate	76%	71%

The Energy industry is facing price increases in several – especially direct – categories. Increasing copper prices for cables, for instance, increasing wages and workforce shortage in construction, as well as the societal and governmental pressure of the energy transition heavily affects the procurement departments. Thus, cost reduction remains the top priority next to digital transformation.

Supplier sourcing is also a key priority of procurement departments, supply securisation being a prevalent topic in the industry. New suppliers and sources are required to secure the constant supply of material, especially in a shortage context where portfolios have been deeply challenged by COVID-19 crisis. The strong regulatory influence applied to this industry makes risk and crisis management the fourth strategic priority of the procurement departments, 7 points less than their Industrial peers.

Energy transition is driving new challenges for procurement departments that aim at process efficiency through digitalisation

Small and medium-sized companies in Energy & Utilities (E&U) plan to invest more than the overall Industrial sector average, as the equipment rate in Source-to-Pay solutions is currently lower than the average. Like the Industrial sector, E&U identified Procure-to-Pay digitalisation as the priority of its digital transformation roadmap. Process transformation through best practice identification E&U's most important key success factor for digital implementations. E&U companies could benefit from a wide benchmarking panel, due to the important number of actors in a geographically oriented repartition of the global market.

Future state of digital procurement

Investments in procurement digital transformation by 2025 (yearly)

	Energy & Utilities	Industrial sector
Small & medium companies	€970k	€600k
Large & very large companies	€1.650k	€1.720k

Use case digital roadmap by 2025

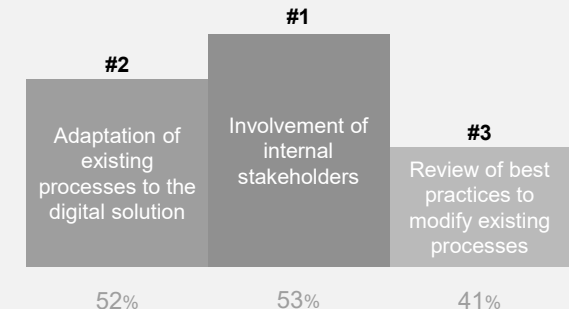
	#1	#2	#3	#4
Energy & Utilities	Procure-to-Pay digitalisation 53%	Data analysis and visualisation 45%	Source-to-contract digitalisation 37%	Supply chain traceability 31%
Industrial sector	Procure-to-Pay digitalisation 50%	Data analysis and visualisation 41%	Source-to-contract digitalisation 37%	Supply chain traceability 32%

Key success factors for digital transformation

Energy & Utilities



Industrial sector





Healthcare & Pharmaceuticals Industry

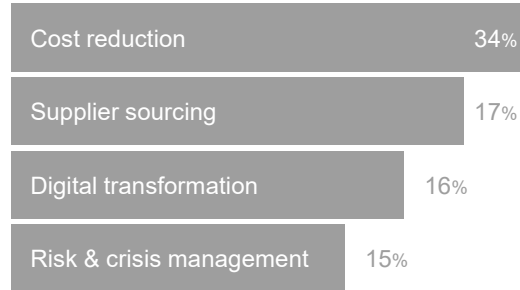
Current state of digital procurement

Strategic priorities of procurement departments

Healthcare & Pharmaceuticals



Industrial sector



Digitalisation status

	Healthcare & Pharma.	Industrial sector
Source-to-Pay equipment rate	70%	77%
Average current digitalisation rate of procurement processes	36%	40%
2025 target digitalisation rate	74%	71%

The Healthcare & Pharmaceuticals sector, facing a multitude of challenges and pressure on innovation, is continuously forced to invest in research and development, resulting in the constant need to optimise costs. The COVID-19 pandemic has simply accentuated this trend, which is actually inherent to the sector. Cost reduction is then the number one strategic priority for procurement departments (36%).

Sourcing new suppliers remains a complex issue in the Healthcare & Pharmaceutical sector. The numerous specific developments, complex technical standards and historical collaborations often imply strong dependencies on suppliers, which makes it challenging to switch suppliers.

On the front line of the health crisis, procurement departments are now aiming at ensuring their digital transformation to gain supply resilience and reactivity

This industry has a lower degree of digitalisation than the average, but intends to catch up by 2025. Indeed, digitalisation has proven to be a major support in these crisis times, especially in a sector where capacity needs have not stopped increasing and where no supply interruption is conceivable, especially for product categories such as drugs of major therapeutic interest (DMTIs). This desire to digitise the function is reflected in significant investments, especially among large companies, which intend to invest 30% more than their peers in the industry sector. As a result, professionals in the sector are fully aware that such large-scale transformation projects will require investment in change management and commitment from all stakeholders.

Future state of digital procurement

Investments in procurement digital transformation by 2025 (yearly)

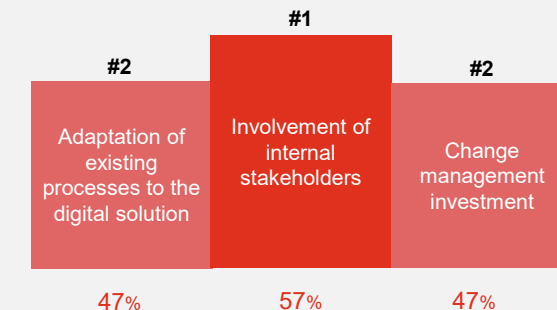
	Healthcare & Pharmaceuticals	Industrial sector
Small & medium companies	€550k	€600k
Large & very large companies	€2.230k	€1.720k

Use case digital roadmap by 2025

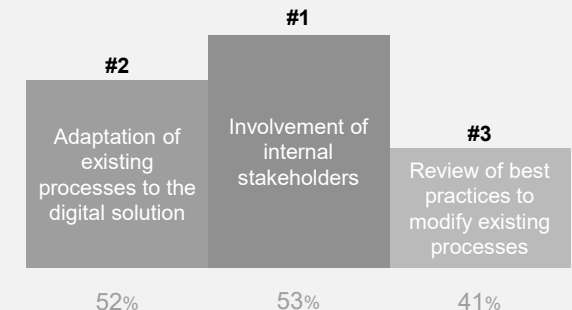
	#1	#2	#3	#4
Healthcare & Pharma.	Data analysis and visualisation 53%	Procure-to-Pay digitalisation 47%	Automation of admin. tasks 35%	Source-to-contract digitalisation 33%
Industrial sector	Procure-to-Pay digitalisation 50%	Data analysis and visualisation 41%	Source-to-contract digitalisation 37%	Supply chain traceability 32%

Key success factors for digital transformation

Healthcare & Pharmaceuticals



Industrial sector





Consumer Goods Industry

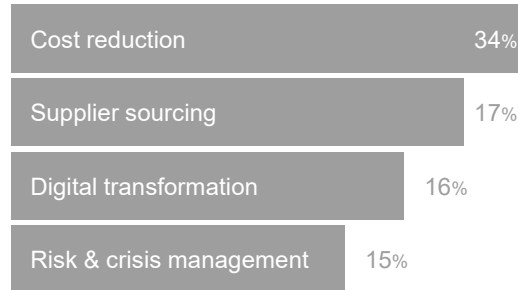
Current state of digital procurement

Strategic priorities of procurement departments

Consumer Goods



Industrial sector



Digitalisation status

	Consumer Goods	Industrial sector
Source-to-Pay equipment rate	76%	77%
Average current digitalisation rate of procurement processes	39%	40%
2025 target digitalisation rate	68%	71%

Procurement departments in the Consumer Goods sector naturally attach great importance to cost reduction and consider it their first strategic priority (38%), due to high sensitisation to margin optimisation and logistics efficiency.

Cost reduction can be supported by digitalisation of procurement process, for instance with the adoption of catalogues and marketplaces, that could considerably optimise the product flow, speed up the processes, and help achieve a more effective cost control. The increasing development of marketplaces is also a business driver that allows companies to find both new suppliers and clients. 22% of Consumer Goods procurement departments are planning to invest in marketplaces by 2025, compared to an average of 16% for Industrial companies.

The digitalisation of product-oriented use cases, such as data analysis or S2C, enables better monitoring of cost and margin control objectives

The sector's investment culture and the high investment capacity of large companies lead to investment forecasts that are much higher than the sector average (about +30%). These investment projects are primarily focused on product-oriented use cases, specifically data analysis and the source-to-contract part of the purchasing process. In this way, these use cases will enable price breakdown and thus target product margins transparency, as well as supplier panel optimisation (rationalisation or diversification involving strategic sourcing).

Future state of digital procurement

Investments in procurement digital transformation by 2025 (yearly)

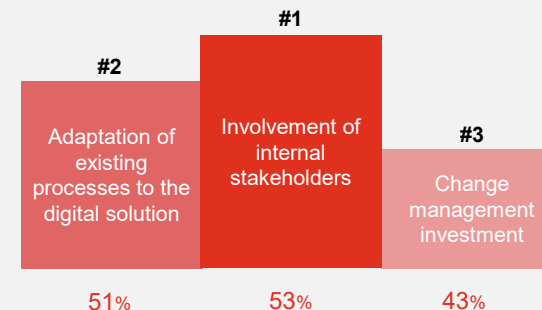
	Consumer Goods	Industrial sector
Small & medium companies	€420k	€600k
Large & very large companies	€2.200k	€1.720k

Use case digital roadmap by 2025

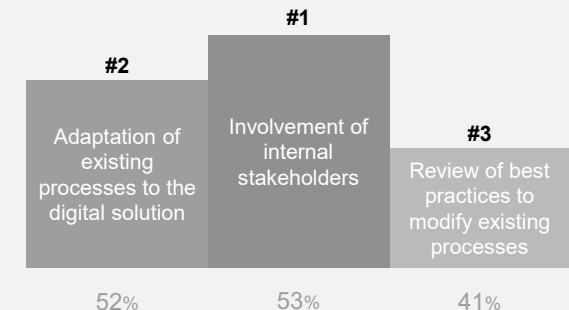
	#1	#2	#3	#4
Consumer Goods	Data analysis and visualisation 51%	Source-to-contract digitalisation 45%	Procure-to-Pay digitalisation 35%	Automation of admin. tasks 33%
Industrial sector	Procure-to-Pay digitalisation 50%	Data analysis and visualisation 41%	Source-to-contract digitalisation 37%	Supply chain traceability 32%

Key success factors for digital transformation

Consumer Goods



Industrial sector





Building & Infrastructure Industry

Current state of digital procurement

Strategic priorities of procurement departments

Building & Infrastructure



Industrial sector



Digitalisation status

	Building & Infrastructure	Industrial sector
Source-to-Pay equipment rate	75%	77%
Average current digitalisation rate of procurement processes	40%	40%
2025 target digitalisation rate	74%	71%

Building & Infrastructure procurement departments make risk and crisis management their second priority. Indeed, the operational approach into project mode often makes short-term contingency management a key driver of activities, including for procurement departments that have to work with categories that are hard to plan and to centralise. In this context, digital transformation is not perceived as a top priority and is led by cost reduction objectives for 60% of respondents, surpassing traditional drivers of process optimisation.

Human considerations are strongly perceived as success factors of digital transformation, with change management being the first reason for calling external support. To secure user adoption of new digital tools, acknowledging a wide variety of habits and processes, the challenges are to earn a strong sponsorship from the overall organisation, and to make sure that adoption obstacles are limited by focusing on user experience capabilities. As an illustration, marketplaces are gaining importance in digital procurement roadmaps, with 25% of companies willing to invest (versus 16% in the Industrial sector), as this use case will allow them to reach both user satisfaction and procurement benefits.

[31]

PwC Digital Procurement Survey - 4th edition

Base: 45 respondents

In mostly decentralised procurement departments, the challenge of digitalisation is to ensure user adoption by focusing on change management

Sustainability appears as an upcoming challenge that Building & Infrastructure companies are willing to address. About 25% of their procurement departments plan to invest in a CO2 emission tracker use case by 2025, compared to 14% in the Industrial sector. The in-depth transformation to sustainable and eco-friendly activities will involve all the actors of the value chain, from raw materials extraction to waste management, passing by innovative materials and ways of building. Digitalisation may support this shift by providing visibility on improvement fields and connecting the supply chains.

Future state of digital procurement

Investments in procurement digital transformation by 2025 (yearly)

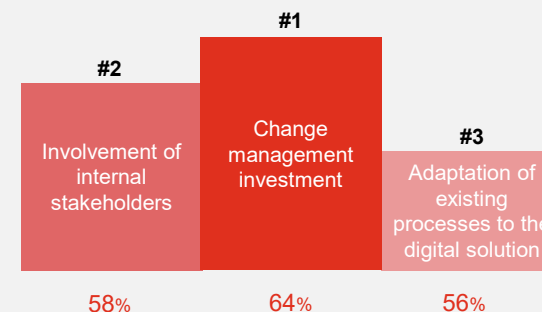
	Building & Infrastructure	Industrial sector
Small & medium companies	€490k	€600k
Large & very large companies	€1.740k	€1.720k

Use case digital roadmap by 2025

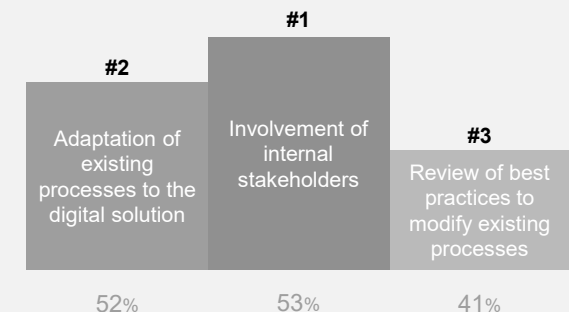
	#1	#2	#3	#4
Building & Infrastructure	Procure-to-Pay digitalisation 50%	Source-to-contract digitalisation 44%	Data analysis and visualisation 41%	Automation of admin. tasks 41%
Industrial sector	Procure-to-Pay digitalisation 50%	Data analysis and visualisation 41%	Source-to-contract digitalisation 37%	Supply chain traceability 32%

Key success factors for digital transformation

Building & Infrastructure



Industrial sector





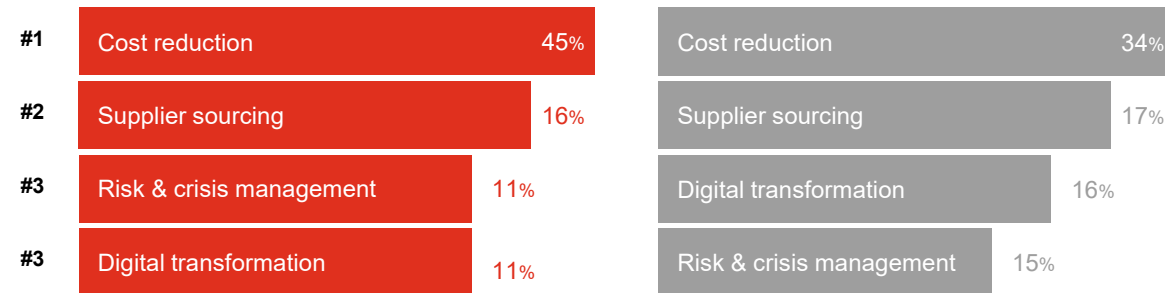
Automotive Industry

Current state of digital procurement

Strategic priorities of procurement departments

Automotive industry

Industrial sector



Digitalisation status

	Automotive industry	Industrial sector
Source-to-Pay equipment rate	85%	77%
Average current digitalisation rate of procurement processes	43%	40%
2025 target digitalisation rate	72%	71%

E-mobility transition brings new challenges to Automotive manufacturers regarding sourcing, creating the need to secure new supply sources in competitive categories across multiple markets, making sourcing the second priority of this industry. This challenge may be illustrated by the recent global chip shortage, though it did not lead to a significant shift in strategic priorities for the Automotive industry compared with Digital Procurement Survey 2020 results.

“Due to low capacity utilisation caused primarily by the global chip shortage, cost reduction remains one of the top priorities in the Automotive industry. Especially Tier 1 to n suppliers are under pressure to fight for keeping their margins in order.”

Michael Thon, Partner, PwC Procurement Germany

Already strongly digitalised, companies in the Automotive sector are willing to go further by increasing their investments to tackle new challenges of e-mobility

Investments by 2025 significantly outperform the Industrial sector average for both small and medium companies and large and very large companies, while this industry is already performing well regarding its procurement digital transformation. This reveals the strategical importance of procurement departments within Automotive companies. The automation of administrative tasks is leading the race, followed by process digitalisation. Contrary to the 2020 results, the involvement of internal stakeholders is seen as the key success factor for digital transformation. The adoption of existing processes to the digital solution ranks second, followed by consideration of corporate culture.

Future state of digital procurement

Investments in procurement digital transformation by 2025 (yearly)

	Automotive industry	Industrial sector
Small & medium companies	€1.230k	€600k
Large & very large companies	€2.240k	€1.720k

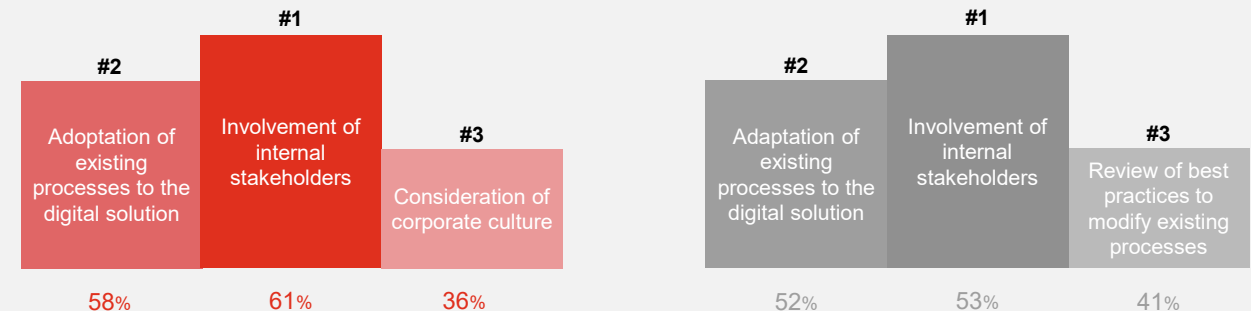
Use case digital roadmap by 2025

	#1	#2	#3	#4
Automotive industry	Automation of admin. tasks 39%	Procure-to-Pay digitalisation 35%	Source-to-contract digitalisation 32%	Data analysis and visualisation 29%
Industrial sector	Procure-to-Pay digitalisation 50%	Data analysis and visualisation 41%	Source-to-contract digitalisation 37%	Supply chain traceability 32%

Key success factors for digital transformation

Automotive industry

Industrial sector





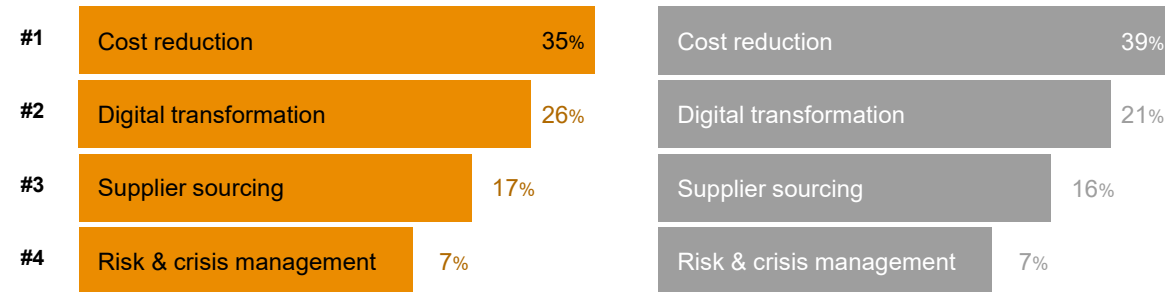
Banking, Insurance, Financial Services Services

Current state of digital procurement

Strategic priorities of procurement departments

Banking, Insurance, FS

Sector of Services



Digitalisation status

	Banking, Insurance, FS	Sector of Services
Source-to-Pay equipment rate	71%	76%
Average current digitalisation rate of procurement processes	40%	42%
2025 target digitalisation rate	76%	75%

With increasing pressure on costs in the Financial Services, procurement departments are not spared, as cost reduction appears as their most strategic priority. Reducing costs will require digital transformation investments, they will primarily target Source-to-Pay digitalisation because the equipment rate is lower compared to other services.

"A key challenge to transform procurement in the Financial Services sits in the capacity of organisation to mobilise and enhance collaboration between internal stakeholders, most often shared between procurement and finance functions."
Timothée Huignard, Director, PwC Financial Services France

The Banking, Insurance, Financial Services (FS) industry makes digital transformation a key priority and will highly invest in Source-to-Pay digitalisation by 2025

Despite efforts to make processes smoother internally and for the suppliers, the average digitalisation rate for Source-to-Pay remains below the Sector of Services average by 5 points. This gap could be moderated with expected improvements of financial results in 2021 among this industry as investments in procurement digital transformation are expected to return to the agenda.

Future state of digital procurement

Investments in procurement digital transformation by 2025 (yearly)

	Banking, Insurance, FS	Sector of Services
Small & medium companies	€560k	€530k
Large & very large companies	€1.790k	€1.780k

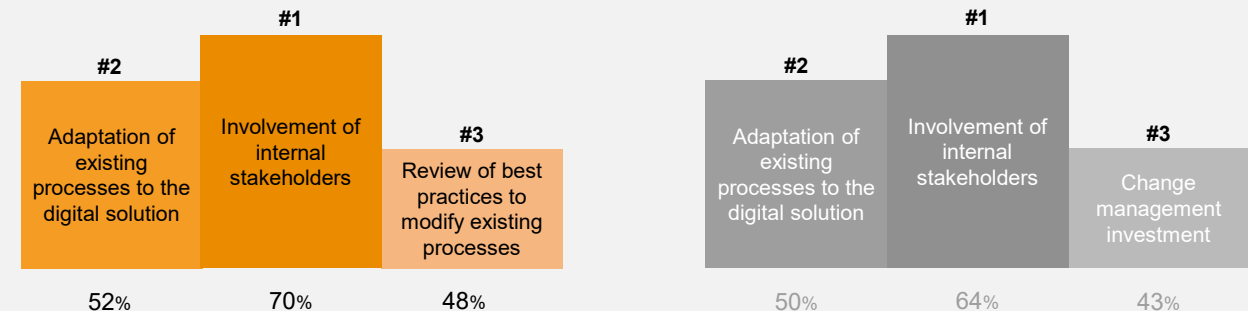
Use case digital roadmap by 2025

	#1	#2	#3	#4
Banking, Insurance, FS	Procure-to-Pay digitalisation 48%	Automation of admin. tasks 48%	Source-to-contract digitalisation 38%	Data analysis and visualisation 35%
Sector of Services	Procure-to-Pay digitalisation 44%	Source-to-contract digitalisation 41%	Automation of admin. tasks 38%	Data analysis and visualisation 37%

Key success factors for digital transformation

Banking, Insurance, FS

Sector of Services





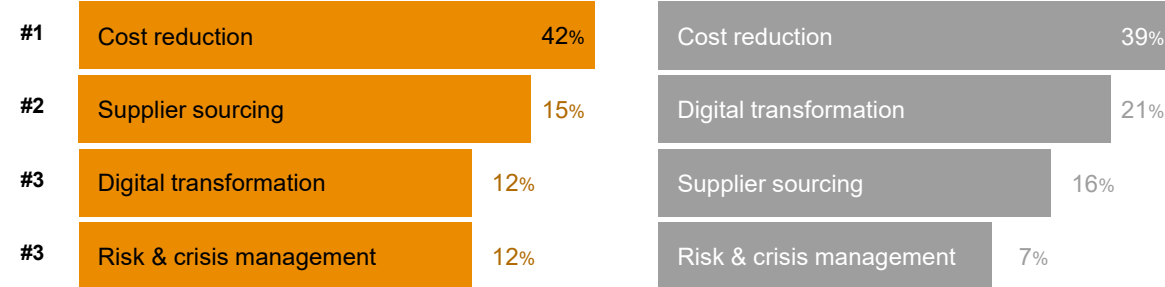
Technology, Software, Telecoms Services

Current state of digital procurement

Strategic priorities of procurement departments

Technology, Software, Telecoms

Sector of Services



Digitalisation status

	Technology, Software, Telecoms	Sector of Services
Source-to-Pay equipment rate	92%	76%
Average current digitalisation rate of procurement processes	53%	42%
2025 target digitalisation rate	79%	75%

For the Technology, Software, Telecoms industry, cost reduction and supplier sourcing appear as the top priorities. Indeed, the sector has been affected by the chip shortage and the raw material crisis, which led to an important pressure on cost to preserve margins and to a re-evaluation of the supplier portfolios.

The industry ranks at the top of the procurement digital transformation race, with higher solution equipment rate (92%, +16 points versus Service average) and digitalisation rates of processes, inherited capability from their technology-native mindset. As transformation is already deeply engaged, digital transformation only comes third on the list of procurement strategic priorities.

Technology companies will further extend their leading position in procurement digitalisation and increase investments in innovative use cases

Because the large Technology companies have the ambition to keep their leading position in digitalisation, their investments in transformation are higher than the average. Due to the already high degree of equipment rate, supply chain traceability, data analysis and visualisation, and smart/relocation sourcing (25% of roadmaps versus 16% for Services average) are the logical next use cases building up on successful digitalisation efforts.

Future state of digital procurement

Investments in procurement digital transformation by 2025 (yearly)

	Technology, Software, Telecoms	Sector of Services
Small & medium companies	€320k	€530k
Large & very large companies	€2.095k	€1.780k

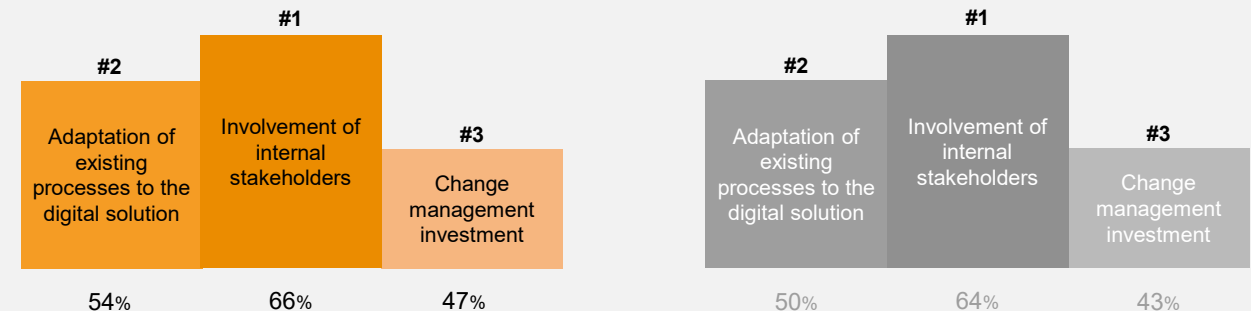
Use case digital roadmap by 2025

	#1	#2	#3	#4
Technology, Software, Telecoms	Supply chain traceability 43%	Source-to-contract digitalisation 39%	Data analysis and visualisation 36%	Procure-to-Pay digitalisation 32%
Sector of Services	Procure-to-Pay digitalisation 44%	Source-to-contract digitalisation 41%	Automation of admin. tasks 38%	Data analysis and visualisation 37%

Key success factors for digital transformation

Technology, Software, Telecoms

Sector of Services





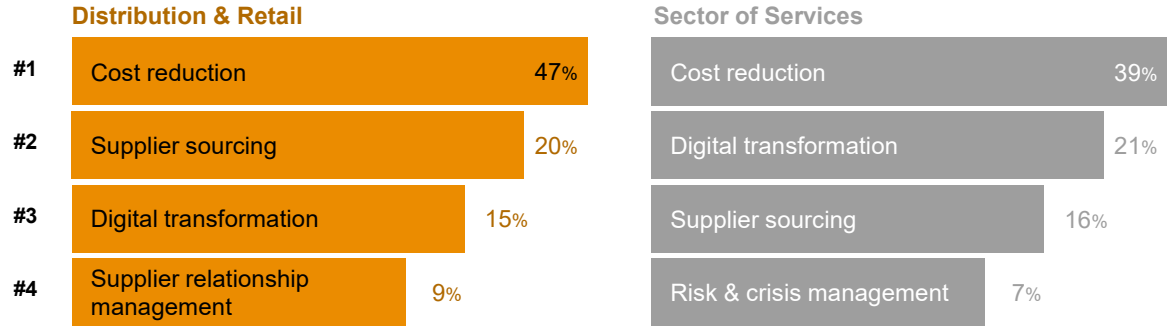
Distribution & Retail Services

Digitalisation is imperative to protect margins and gain clients in a challenging and competitive market

Small and medium companies in Distribution & Retail plan to invest more in procurement digital transformation by 2025 than the average service sector. The smaller retailers invest in digitalisation as they are trying to catch up with the larger retailers and increase their margins, by achieving cost reduction through process optimisation.

Current state of digital procurement

Strategic priorities of procurement departments



Digitalisation status

	Distribution & Retail	Sector of Services
Source-to-Pay equipment rate	71%	76%
Average current digitalisation rate of procurement processes	36%	42%
2025 target digitalisation rate	71%	75%

Cost reduction is the most important strategic priority for half the procurement departments in the Distribution & Retail industry. It is explained by the rising transportation and raw material costs and excess inventory, combined with narrow margins in this very competitive market.

Surprisingly, survey respondents ranked supplier sourcing second due to increasing customer demands regarding sustainability. Sustainability is becoming a key market differentiator in this industry, that can strongly be supported by procurement departments.

Digital transformation is only placed third even though clients, particularly in the discount retail area, demand it. procurement departments need to adapt to disruptive changes within the Distribution & Retail sector as new entrants with new concepts challenge the market and supply dynamics.

Future state of digital procurement

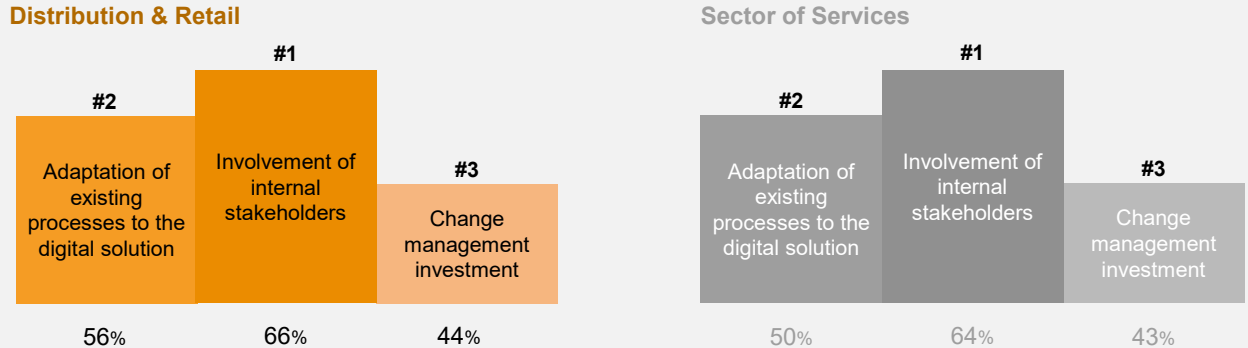
Investments in procurement digital transformation by 2025 (yearly)

	Distribution & Retail	Sector of Services
Small & medium companies	€740k	€530k
Large & very large companies	€1.495k	€1.780k

Use case digital roadmap by 2025

	#1	#2	#3	#4
Distribution & Retail	Procure-to-Pay digitalisation 48%	Source-to-contract digitalisation 48%	Data analysis and visualisation 35%	Automation of admin. tasks 35%
Sector of Services	Procure-to-Pay digitalisation 44%	Source-to-contract digitalisation 41%	Automation of admin. tasks 38%	Data analysis and visualisation 37%

Key success factors for digital transformation





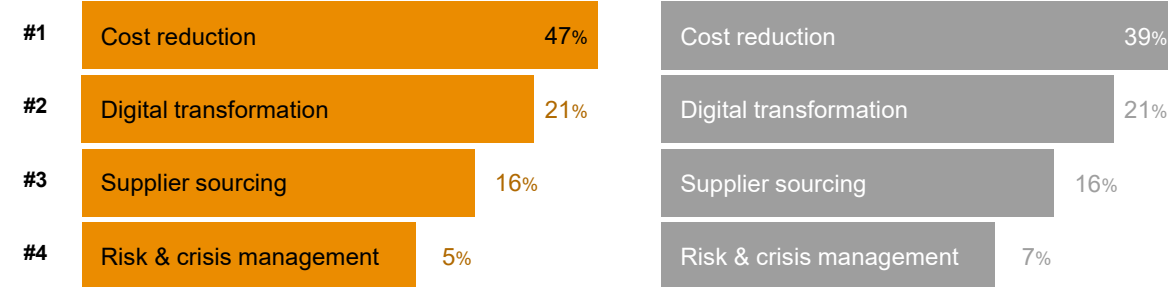
Transportation & Logistics Services

Current state of digital procurement

Strategic priorities of procurement departments

Transportation & Logistics

Sector of Services



Digitalisation status

	Transportation & Logistics	Sector of Services
Source-to-Pay equipment rate	83%	76%
Average current digitalisation rate of procurement processes	41%	42%
2025 target digitalisation rate	73%	75%

The Transportation & Logistics industry's procurement departments are integrated in the core business of their companies, which aim to serve supply chain efficiency. This orientation is also expressed in their approach of procurement digitalisation, with a process and operational performance-driven transformation.

Indeed, this industry is better equipped with digital solutions covering the S2P processes (>80%), and set sourcing as the first target of its transformation roadmap. Supply chain traceability is also on the agenda to address a need for developing a 360-degree vision of their supply activities. Processes and technical capabilities of solutions are named as the requirements for a successful digitalisation project, while other companies in the Service sector are betting on human transformation.

The panorama of digital solutions in the Transport & Logistics industry differs from the traditional ProcureTech actors. It is also composed by specialised 'all-in-one' solutions that allow a complete management of transportation operations, including procurement activities, that may better suit the specific needs of the industry.

Procurement departments as part of core business activities are seeking cost optimisation, while digitalisation aims at serving overall operational performance

Cost reduction appears to be a strong preoccupation of CPOs in the Transportation & Logistics industry. It is the first priority for about 50% of them. Indeed, the recent market context showed an exacerbated volatility, especially on fuel and transportation prices. In addition, this industry is also subject to a very competitive environment, which tends to lower the margin of sales and to make cost control a necessity.

Future state of digital procurement

Investments in procurement digital transformation by 2025 (yearly)

	Transportation & Logistics	Sector of Services
Small & medium companies	€320k	€530k
Large & very large companies	€1.410k	€1.780k

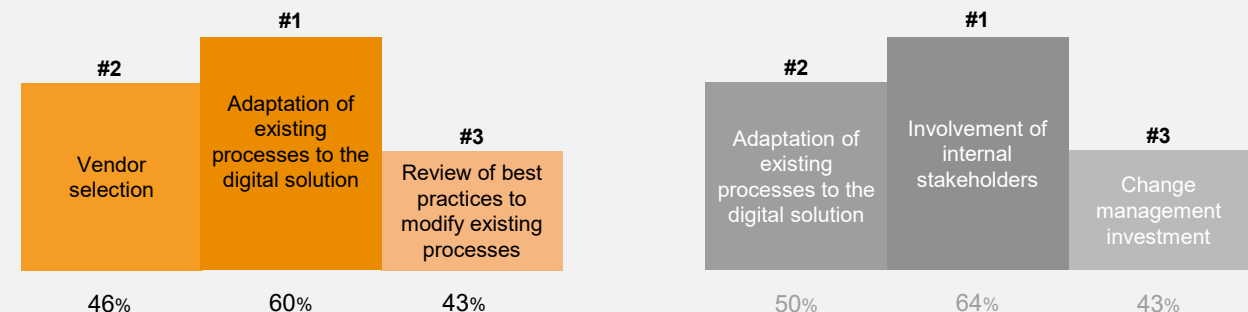
Use case digital roadmap by 2025

	#1	#2	#3	#4
Transport. & Logistics	Source-to-contract digitalisation 55%	Procure-to-Pay digitalisation 48%	Supply chain traceability 42%	Data analysis and visualisation 39%
Sector of Services	Procure-to-Pay digitalisation 44%	Source-to-contract digitalisation 41%	Automation of admin. tasks 38%	Data analysis and visualisation 37%

Key success factors for digital transformation

Transportation & Logistics

Sector of Services





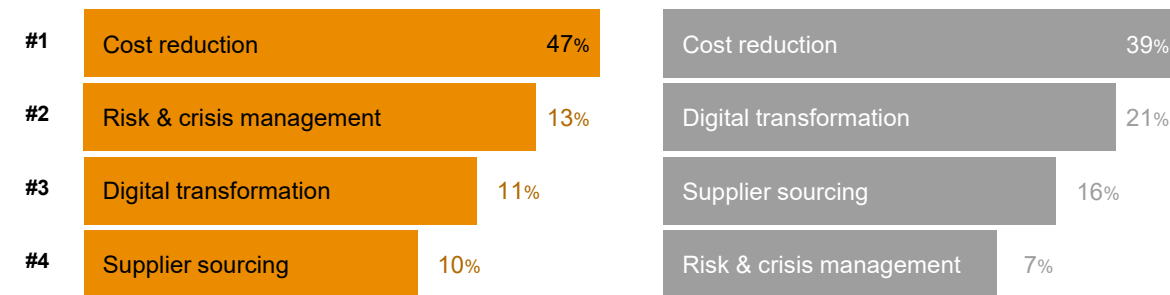
Professional Services Services

Current state of digital procurement

Strategic priorities of procurement departments

Professional Services

Sector of Services



Digitalisation status

	Professional Services	Sector of Services
Source-to-Pay equipment rate	68%	76%
Average current digitalisation rate of procurement processes	40%	42%
2025 target digitalisation rate	71%	75%

Professional Services companies are mainly focused on indirect procurement such as intellectual expertise, often managed by operational teams, and on classical indirect categories (IT, T&E, utility, marketing, etc.). Historically attached to finance departments, the performance of Professional Services procurement departments inherited of a financial culture of measurement, which leads to set cost reduction as the first priority for about 50% of respondents.

Some items then become secondary priorities, such as digital transformation. Professional Services companies are currently 12% less equipped with Source-to-Pay solutions than the Service sector average and are willing to invest about 25% less in digital roadmap. However, digital transformation is a strong vector of cost reduction with proven ROI through process optimisation and reduction of administrative tasks for both procurement and operational teams.

While cost reduction is a cultural priority for procurement departments, ESG appears as the upcoming issue to tackle

Professional Services companies have a balanced digital roadmap, focusing on fundamental procurement use cases, as well as on innovative ones. For instance, 21% of respondents are willing to invest in ESG use case like the CO2 tracker, compared to 12% for the overall Service sector, while it is currently used by 15% of Professional services companies and 27% in the Service sector. ESG appears as an upcoming issue for this industry, through monitoring internal and supplier CO2 emissions, and achieving more socially inclusive procurement. The challenges will be to step into this transformation and to materialise ESG initiatives within procurement.

Future state of digital procurement

Investments in procurement digital transformation by 2025 (yearly)

	Professional Services	Sector of Services
Small & medium companies	€370k	€530k
Large & very large companies	€1.490k	€1.780k

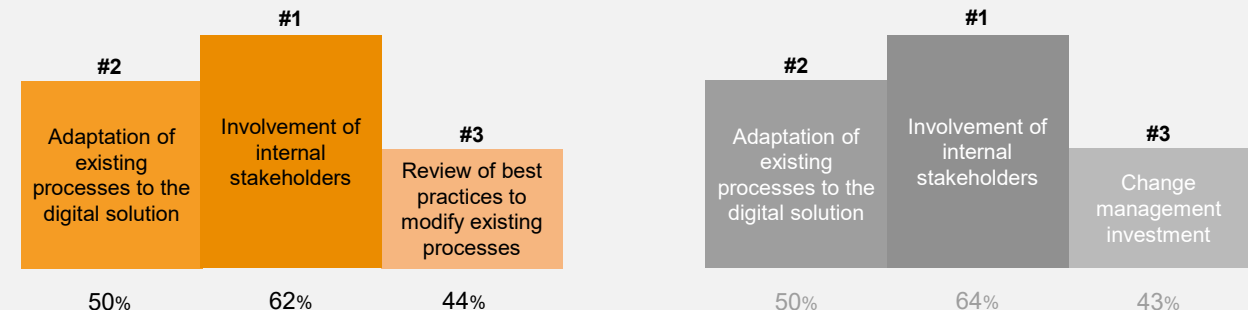
Use case digital roadmap by 2025

	#1	#2	#3	#4
Professional Services	Procure-to-Pay digitalisation 36%	Data analysis and visualisation 36%	Automation of administrative tasks 36%	Source-to-contract digitalisation 33%
Sector of Services	Procure-to-Pay digitalisation 44%	Source-to-contract digitalisation 41%	Automation of admin. tasks 38%	Data analysis and visualisation 37%

Key success factors for digital transformation

Professional Services

Sector of Services





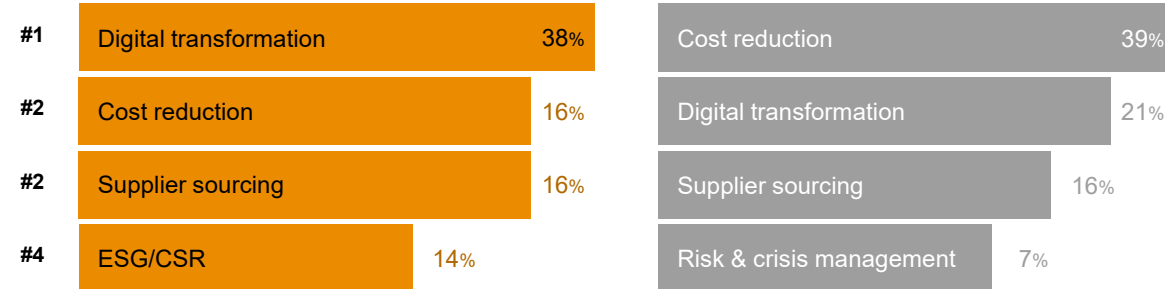
Public Sector Services

Current state of digital procurement

Strategic priorities of procurement departments

Public Sector

Sector of Services



Digitalisation status

	Public Sector	Sector of Services
Source-to-Pay equipment rate	82%	76%
Average current digitalisation rate of procurement processes	40%	42%
2025 target digitalisation rate	73%	75%

Digital transformation is at the top of the agenda for 38% of Public Sector institutions versus 21% for companies in the Sector of Services. Moreover, the Public Sector has a clear vision on the different use cases to implement within its roadmap by 2025. As a clear strategic priority, Digital transformation is supported by a high level of investments with €2.220k per year by 2025 for large institutions versus €1.780k for large services companies.

"If change management and involvement of internal stakeholders are clearly identified as key success factors, we can wonder if the importance of adapting existing processes to the digital solution is not underestimated regarding the constraints linked to purchasing processes in the Public Sector."
David Martin, Director, PwC Public Services France

Public sector services consider the digital transformation of their procurement department as a major priority and will massively invest by 2025 to succeed in their digital transformation journey

The global momentum for ESG, supported by most governments, can be identified through the importance of ESG as a strategic priority for procurement departments in Public sector services.

The priority given to cost reduction is not as high in the Public sector services as in the whole Sector of Services despite a high level of debts for most governments, due to the COVID-19 pandemic. The priority most public services institutions give to local and national suppliers may justify the secondary consideration for cost reduction.

Future state of digital procurement

Investments in procurement digital transformation by 2025 (yearly)

	Public Sector	Sector of Services
Small & medium companies	€790k	€530k
Large & very large companies	€2.150k	€1.780k

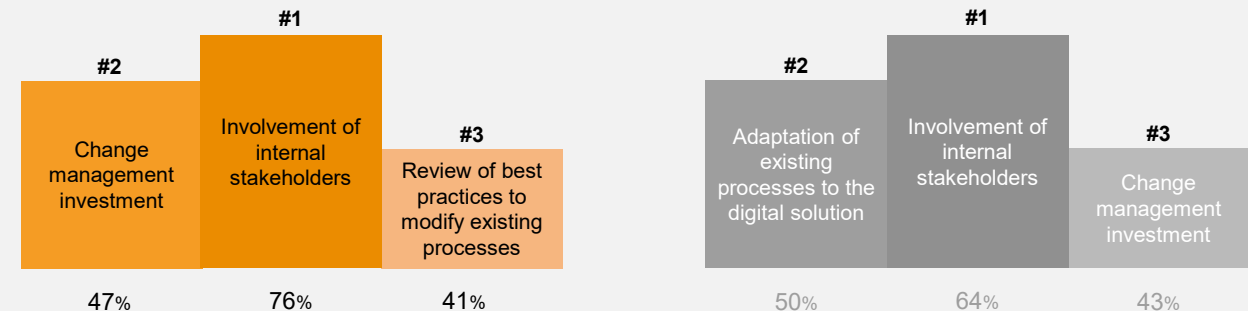
Use case digital roadmap by 2025

	#1	#2	#3	#4
Public Sector	Procure-to-Pay digitalisation 52%	Data analysis and visualisation 52%	Source-to-contract digitalisation 48%	Automation of admin. tasks 48%
Sector of Services	Procure-to-Pay digitalisation 44%	Source-to-contract digitalisation 41%	Automation of admin. tasks 38%	Data analysis and visualisation 37%

Key success factors for digital transformation

Public Sector

Sector of Services



Glossary: acronyms & technical terms

This survey contains numerous acronyms and technical terms. Please refer to this Glossary for clarification.

AI	Artificial Intelligence
Automation	To implement a technology, software or programme to accomplish a procedural outcome with little or no human interference
Blockchain	A system in which a record of transactions made across several computers that are linked in a peer-to-peer network
CEO	Chief Executive Officer
CSR	Corporate Social Responsibility
CO2	Carbon dioxide, a gas with a molecular structure composed of two oxygen atoms and one carbon atom.
COVID-19	Coronavirus disease, an infectious disease caused by the SARS-CoV-2 virus
CPO	Chief Procurement Officer
Cybersecurity	Computer security, cybersecurity, or information technology security is the protection of computer systems and networks from information disclosure; theft of or damage to their hardware, software, or electronic data; as well as from the disruption or misdirection of the services they provide.
Data analytics	The science of analysing raw data to make conclusions about that information.
Digital procurement tools/solutions	A full-suite or half-suite procurement tool covering the entire purchasing processes (e.g. Coupa, Ivalua, Jaggaer, SAP Ariba, etc.)
Digital transformation	Leveraging emerging technologies to build new business systems by integrating several workflows for a singular objective

Digitalisation	To convert business processes over to use digital technologies, instead of analogue or offline systems such as paper or whiteboards
Digitisation	To convert something into a digital format; usually refers to encoding of data and documents
ESG	Environmental, Social, and Governance is an evaluation of a firm's collective conscientiousness for social and environmental factors
P2P	Procure to Pay. Also called 'transactional processes' as part of the survey.
POC	Proof of concept, a demonstration to verify that certain concepts or theories have the potential for real-world application. In a nutshell, a POC represents the evidence demonstrating that a project or product is feasible and worthy enough to justify the expense required to support and develop it.
Process intelligence	Data that has been systematically collected to analyse the individual steps within a business process or operational workflow
ProcureTech	Ecosystem of digital solutions and technologies addressing the procurement process
ROI	Return on Investment
S2C	Source to Contract. Also called 'strategic processes' as part of the survey.
S2P	Source to Pay
SMEs	Small and Medium-sized Enterprises
SRM	Supplier relationship management

Contact us!

Global PwC Strategic Supply Management network

Europe

Dr Norbert F. Fischer
Global Lead of the PwC Procurement
Consulting Practice, Partner
norbert-f.fischer@de.pwc.com
PwC Germany

Jan Herrmann
Partner
jan.herrmann@pwc.com
PwC Germany

Robert Weissbarth
Director, Strategy&
robert.weissbarth@pwc.com
PwC Germany

Harald Dutzler
Partner
harald.dutzler@pwc.com
PwC Austria

Mark Rajal
Director
marc.rajal@pwc.ch
PwC Switzerland

Ismail Karakis
Partner
ismail.karakis@pwc.com
PwC Turkey

Slaven Curic
Director
slaven.curic@pwc.com
PwC Croatia

Isabelle Carradine Pinto
Partner
isabelle.carradine@pwc.com
PwC France & Maghreb

Hubert Verweij
Director
hubert.verweij@pwc.com
PwC Sweden

Patrick Marter
Partner
patrick.marter@pwc.com
PwC United Kingdom

Frederic Chapelle
Partner
frederic.chapelle@pwc.com
PwC Luxembourg

Thomas Siersbæk Heller-Njor
Partner
thomas.siersbaek.heller-njor@pwc.com
PwC Denmark

Athanasios S. Spanos
Director
athanasios.s.spanos@pwc.com
PwC Greece

Manuel Diaz Delgado
Partner
manuel.diaz.delgado@es.pwc.com
PwC Spain

Mikko Kultanen
Director
mikko.kultanen@pwc.com
PwC Finland

Selim Sumer
Director
selim.sumer@pwc.com
PwC Norway

Lorenzo Paolo Brunello
Director
lorenzo.paolo.brunello@pwc.com
PwC Italy

Mark McKeever
Director
mark.mckeever@pwc.com
PwC Ireland

Peter Feyen
Senior Manager
peter.feyen@pwc.com
PwC Belgium

Jiří Jakoubek
Senior Manager
jiri.jakoubek@pwc.com
PwC Czech Republic

Xander De Jong
Senior Manager
xander.de.jong@pwc.com
PwC Netherlands

Asia/Oceania

Ho-Seung Shin
Partner
ho-seung.shin@pwc.com
PwC Korea

Marc Philipp
Partner
marc.philipp@pwc.com
PwC Singapore

Avinash Agarwal
Associate Director
avinash.a@pwc.com
PwC India

Justin Meade
Director
justin.meade@pwc.com
PwC Australia

Africa & Middle East

Alex Murage
Partner
alex.murage@pwc.com
PwC Kenya

Retief Ferreira
Associate Director
ferreira.retief@pwc.com
PwC South Africa

Emovwerha Nwaefuna
Senior Manager
emovwerha.nwaefuna@pwc.com
PwC Nigeria

Pirata Phakdeesattayaphong
Partner
pirata.phakdeesattayaphong@pwc.com
PwC Thailand

Takeshi Noda
Partner
takeshi.noda@pwc.com
PwC Japan

Edmund Lee
Partner
edmund.ym.lee@hk.pwc.com
PwC China

Assia Benhida
Partner
assia.benhida@pwc.com
PwC France & Maghreb

Dr Bashar El-Jawhari
Partner
bashar.el-jawhari@pwc.com
PwC Middle East

America

Meghan Murray
Partner
meghan.l.murray@pwc.com
PwC United States

Jose Luis de los Santos
Partner, Strategy&
joseluis.delossantos@pwc.com
PwC Mexico

Jamie Siu
Partner
jamie.y.siu@pwc.com
PwC Canada

Rodrigo Damiano
Partner
rodrigo.damiano@pwc.com
PwC Brazil

Boris Miranda
Partner
Boris.miranda@pwc.com
PwC Chile

Oscar Prada
Partner
oscar.prada@pwc.com
PwC Colombia

Damian Vazquez
Partner
damian.vazquez@pwc.com
PwC Argentina

Thank you

Authors



Dr Norbert F.
Fischer



Alexandre
Roux



François
Haas



Alexander
Platsch



Isabelle
Carradine



Florian
Tué



Laura
Schäfer



Janis
Meintrup

Graphism

Creative Lab - PwC France

Special thanks for contributing

Alex Kennewell
Augustin Ausseur
Constanze Häbel
Dan Michaux
David Martin
Gavin Morton
Elodie Vial

Faïda Assoumani
Felix Kesselberg
Frédéric Malagoli
Hendrik Spoering
Jean-Paul Bouteloup
Kai Dresch
Lu Yu

Luca Grieco
Mansour Shouman
Marc Damez-Fontaine
Marine Boigontier
Matthieu Costa
Maxence Jouvenot
Michael Thon

Nicolas Staquet
Olivier Tcheng
Philippe Gaurois
Timothée Huignard
Tyler Shackman



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