

A large, thick red chevron pointing to the right, positioned behind the text "High performance. Delivered."

High performance. Delivered.

Future of Procurement

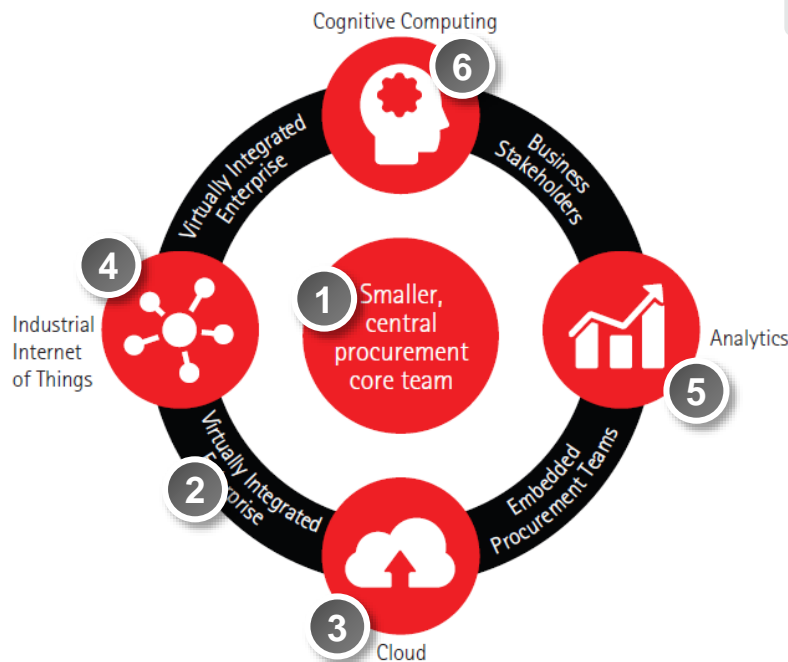
Zurich February 18th, 2016

Strategy | Consulting | Digital | Technology | Operations

Findings from our Future of Procurement Research

Four key digital technologies will give rise to a procurement organization of one: cognitive systems, analytics, cloud computing and the industrial internet of things

Key trends leading to the future of procurement:



1 The **future procurement organization** will consist of a group of procurement professionals embedded in the business connected back to a smaller, core-decision making team supported by technology.

2 Companies will establish a more intimate relationship with a small group of strategic suppliers, creating a '**virtually integrated company**', boosting top line growth through more effective innovation

3 Future procurement **cloud's advantage** will go beyond process and technology standardization and low cost to enhanced usability and more effective use of content

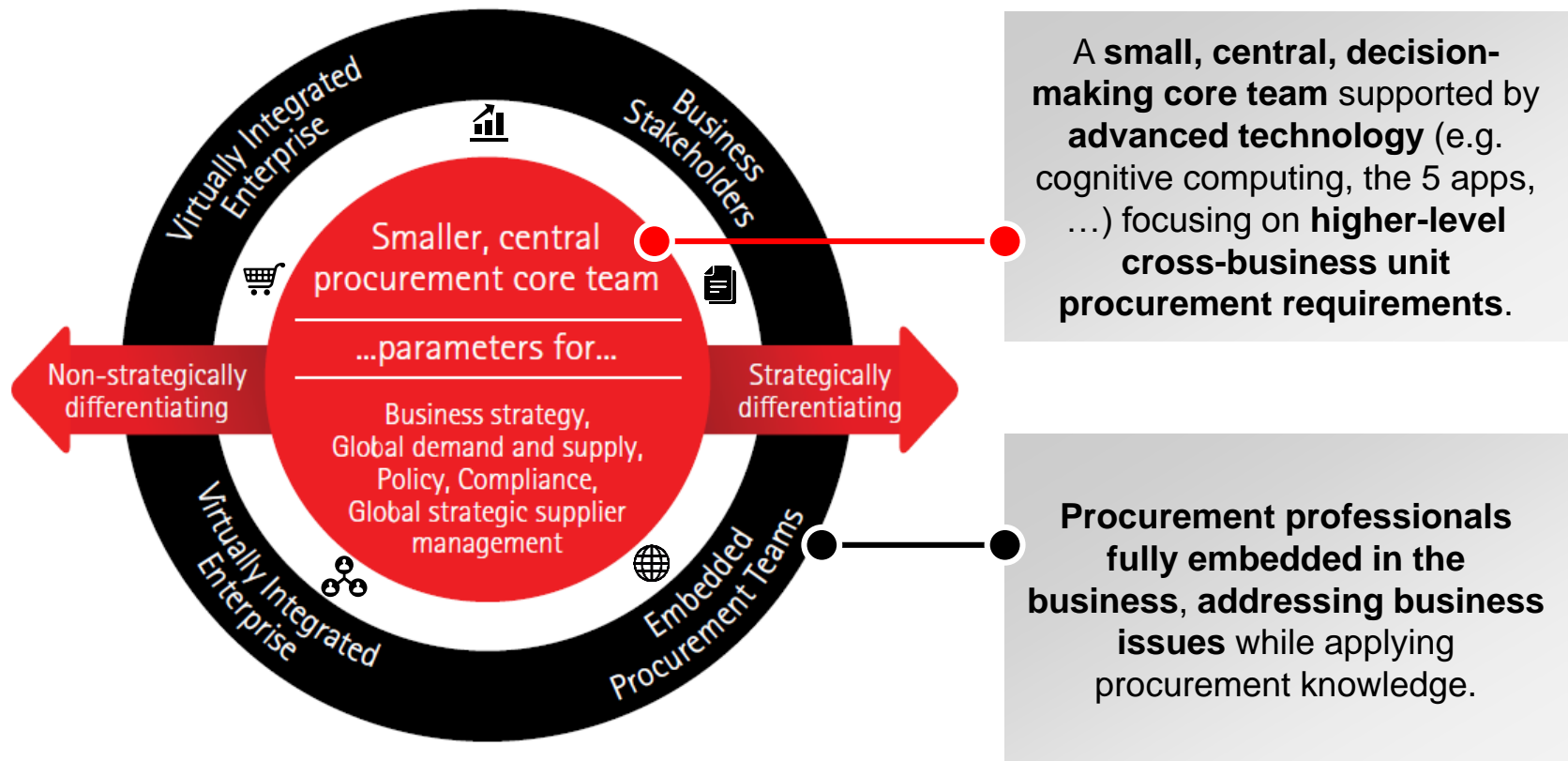
4 The **industrial internet of things** will reshape the procurement function offering increased traceability, enhanced use of analytics and challenging the status-quo of key procurement processes

5 The expanded use of **advanced analytics** will benefit the procurement function on different domains

6 **Cognitive systems** will take over routine, manual work resulting in cost savings through automation, increased quality, consistency & compliance and augmenting faster and better decision making

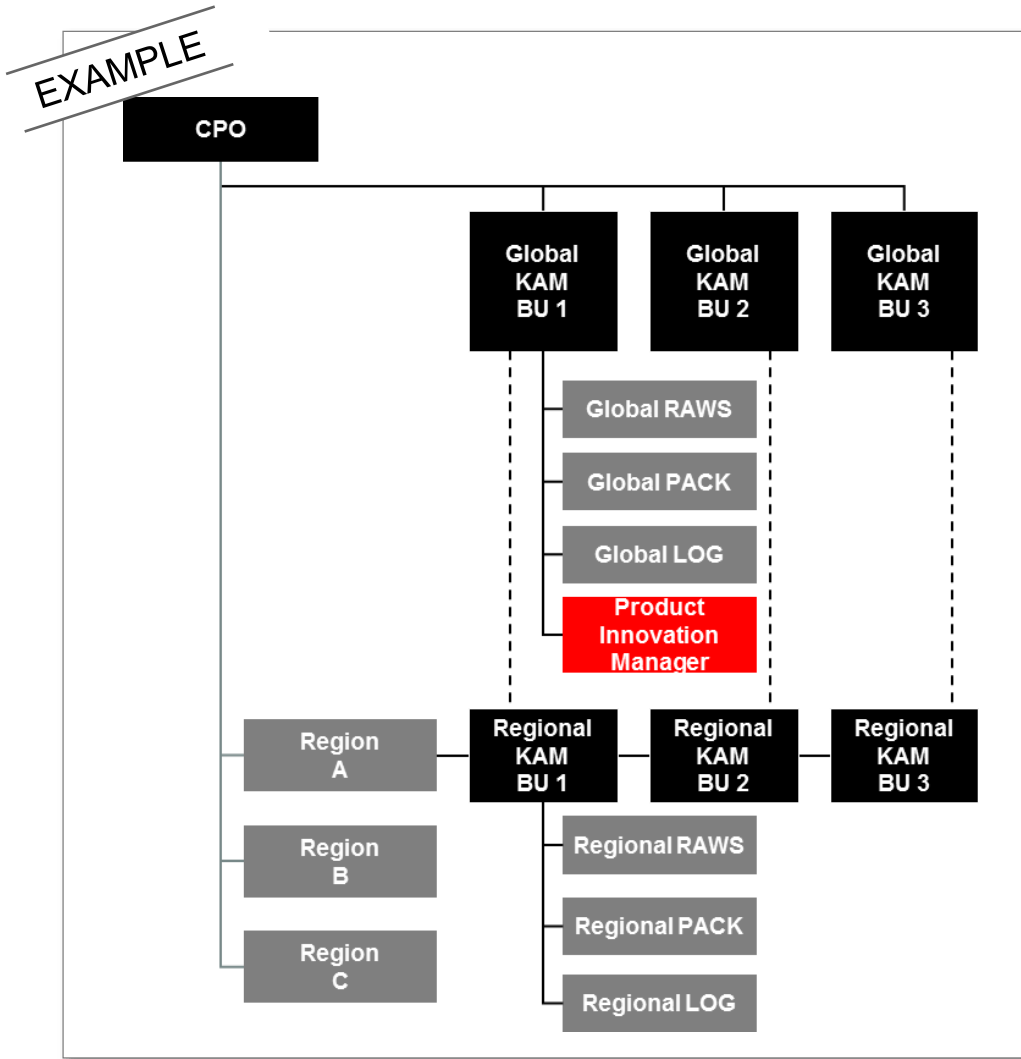
The Procurement Organization of the Future

The future procurement organization consists of a group of procurement professionals embedded in the business and connected back to a smaller, core-decision making team



Non-strategically differentiating activities will be conducted by technology (virtual agents) and/or the virtually integrated enterprise.

Example: Procurement as Business Partner



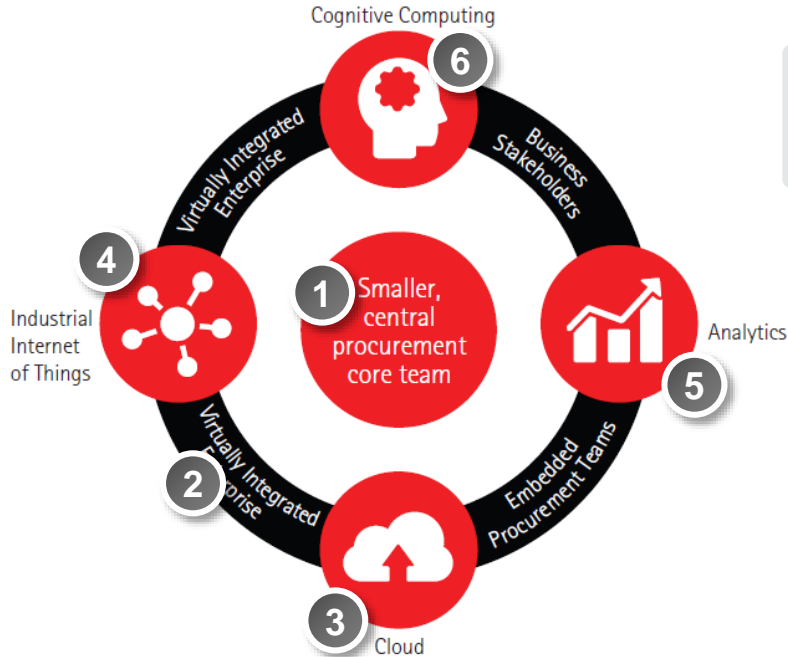
*Procurement as a Business Partner is **translating** business needs into Procurement activities*

- **Senior, dedicated procurement resource** addressing all brand needs (top- and bottom-line)
- **Full understanding of the brand strategy**
- **Translate brand needs** to the procurement spend areas for activation and prioritization of:
 - Innovation projects
 - Leverage Suppliers' best ideas
 - Regional and local integration of brand needs & market knowledge
 - Productivity projects

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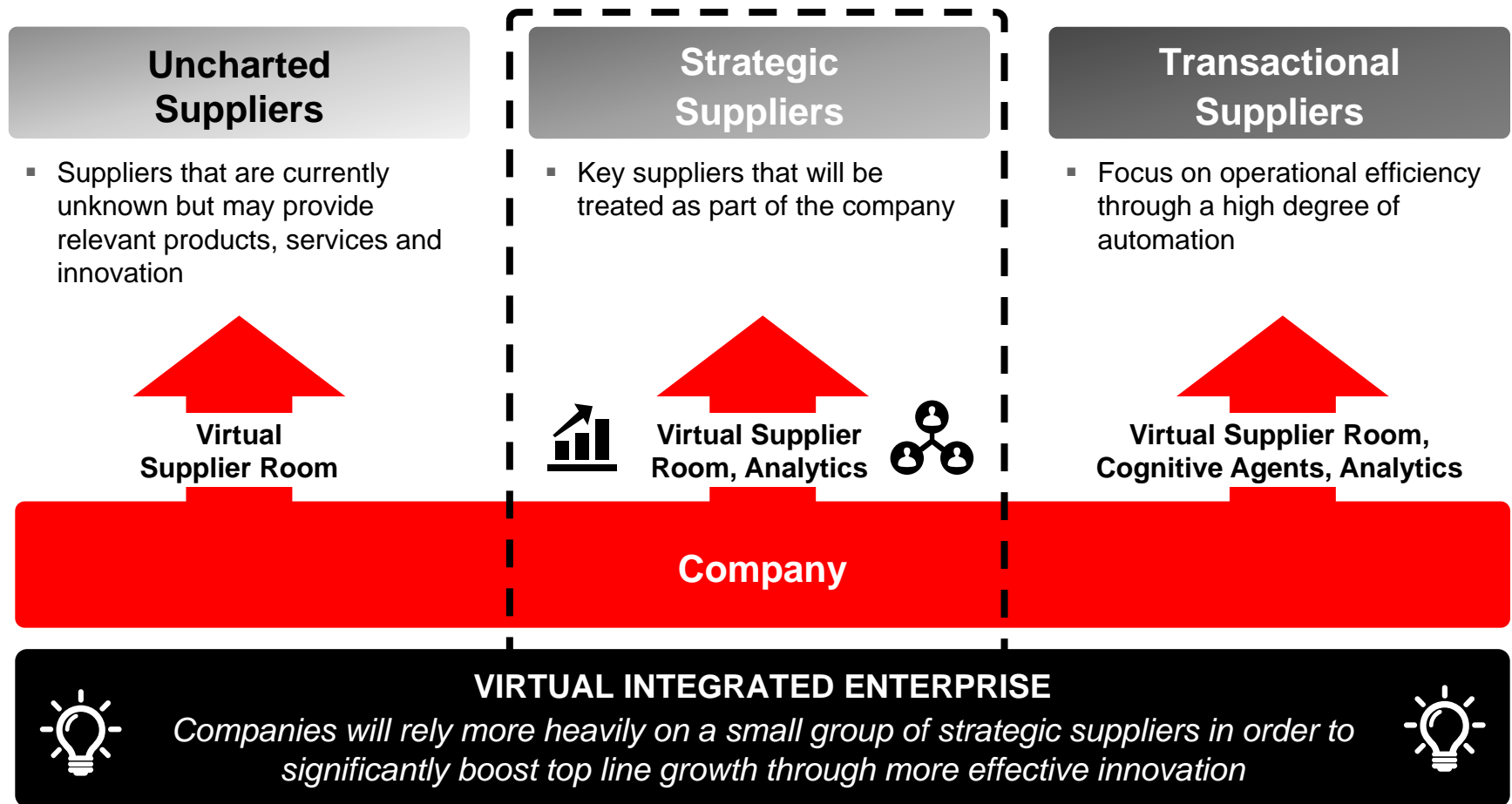
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Virtually Integrated Enterprise

Supported by digital technologies a more intimate relationship will be established with the company's strategic suppliers, creating a virtually integrated enterprise



Example: Integrate Suppliers in client offerings

EXAMPLE

flex

Silicon Valley's Customer Innovation Center



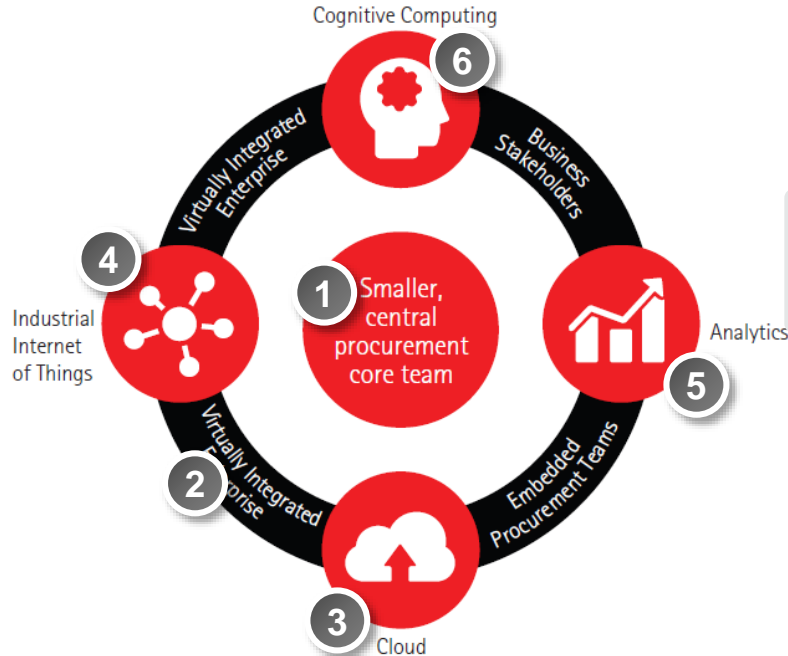
*Role of Procurement
is changed towards
Architecting
the Eco-System*

- Set up of worldwide network of **Customer / Product Innovation Centers**
- Start-ups can leverage the capabilities of strategic suppliers
- Through this new way of capturing innovation **time to market** is accelerated, **quality** improved and **costs** reduced

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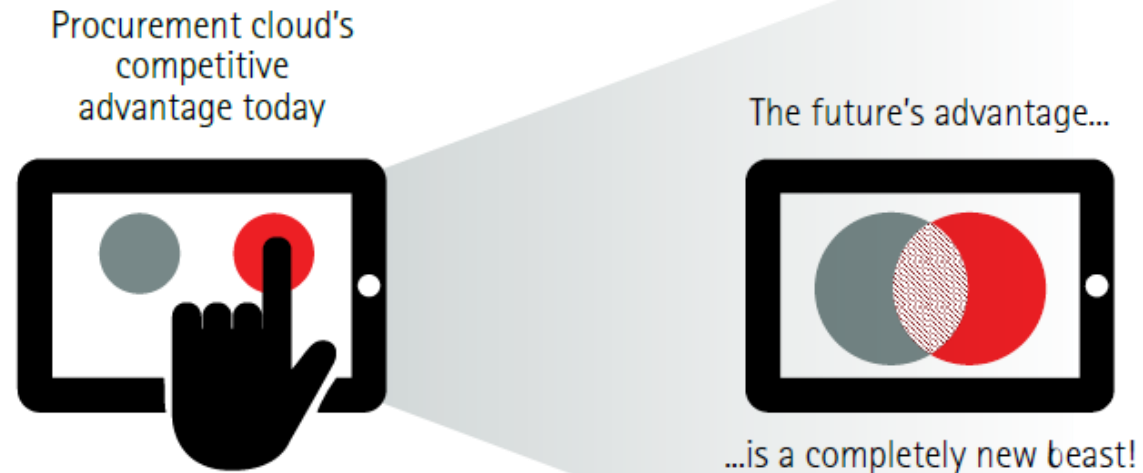
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Cloud Computing

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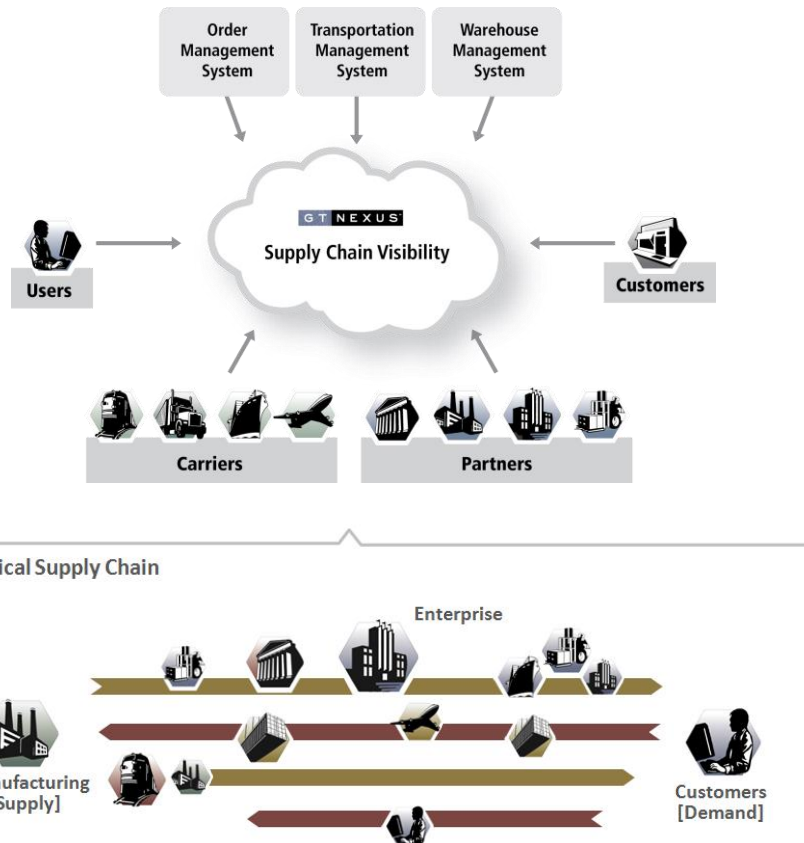


Benefits

- Lower operational costs (SaaS)
- Process and technology standardization
- Faster access to new functionalities
- Amazon like – **Usability** resulting in increased productivity and engagement
- Google like – Enriched **content** paired with **analytics** leading to better insights

Example: Cloud Provider provides aggregated insights

EXAMPLE



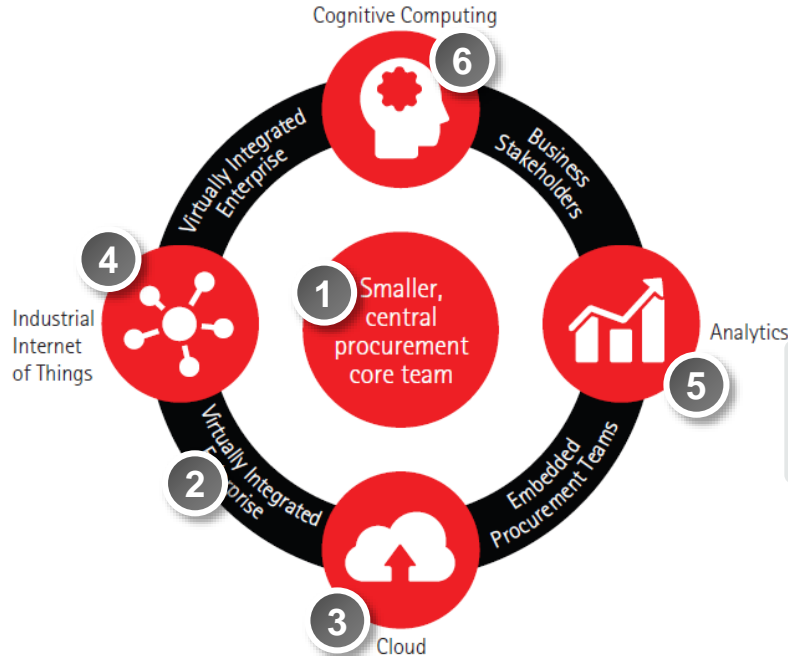
*Cloud Solution
invents
the Information
Supply Chain*

- Cloud service providers are able to **aggregate data** and provide **more insight that individual companies**.
- GT Nexus for example, was able to predict increases in dwell times in Dhaka and Chittagong, when they saw the move of production from China to Bangladesh, leading to an increase of traffic going through those ports.

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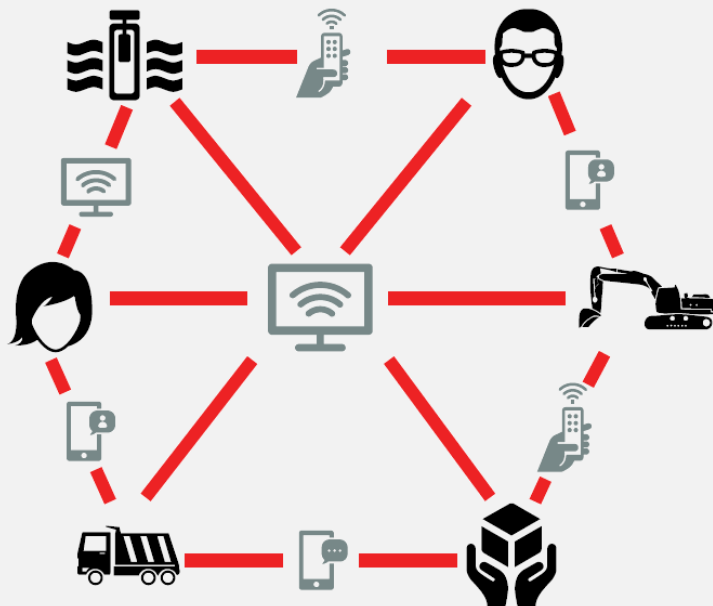
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Industrial Internet of Things

Today's mobile device-driven market will shift to an interconnected Industrial Internet of Things reshaping the procurement function

INDUSTRIAL INTERNET OF THINGS (IIOT)



Combining sensor-driven computing, industrial analytics and intelligent machine applications into a single universe of connected intelligent industrial products, processes and services.

Impact on Procurement:



Increased traceability of products & materials



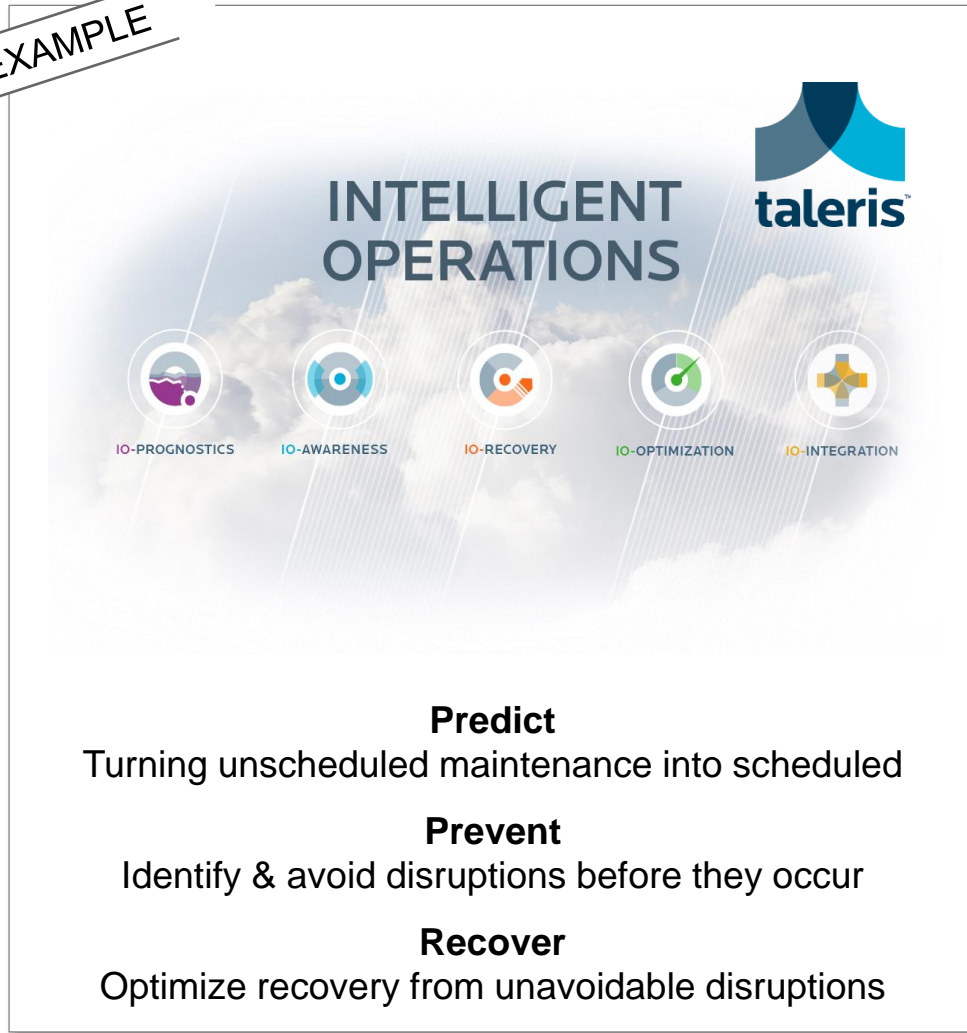
Enhanced use of analytics to improve decision-making



Challenging the status-quo of key processes

Example: Intelligent operations services for carriers

EXAMPLE



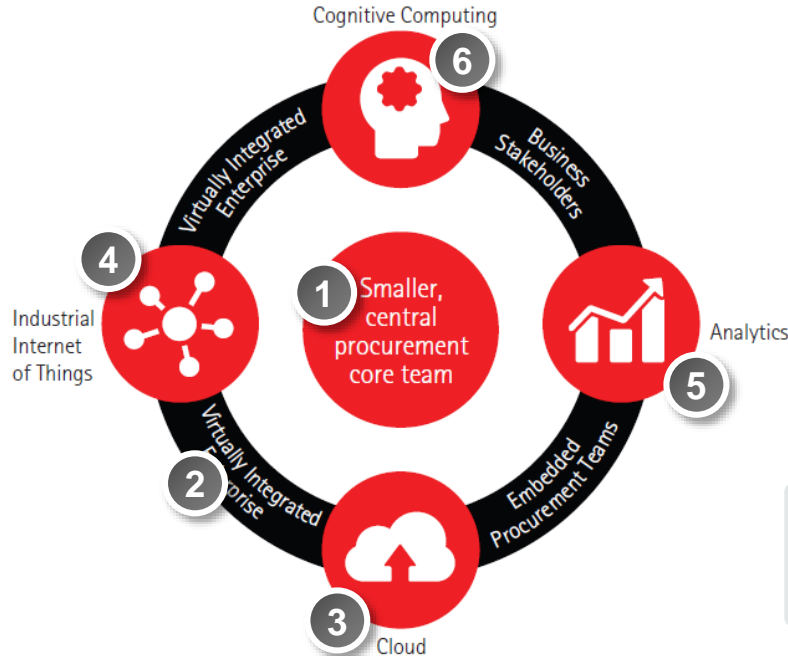
NEW *Industrial Internet of Things **Creates** new Service Offerings*

- Joint venture between GE Aviation and Accenture
- Provides global passenger and cargo carriers **Intelligent Operations services**
- Focused on efficiency improvements by leveraging aircraft **performance data, prognostics, recovery and planning optimization** solutions
- Technologies and services are OEM and **equipment agnostic**

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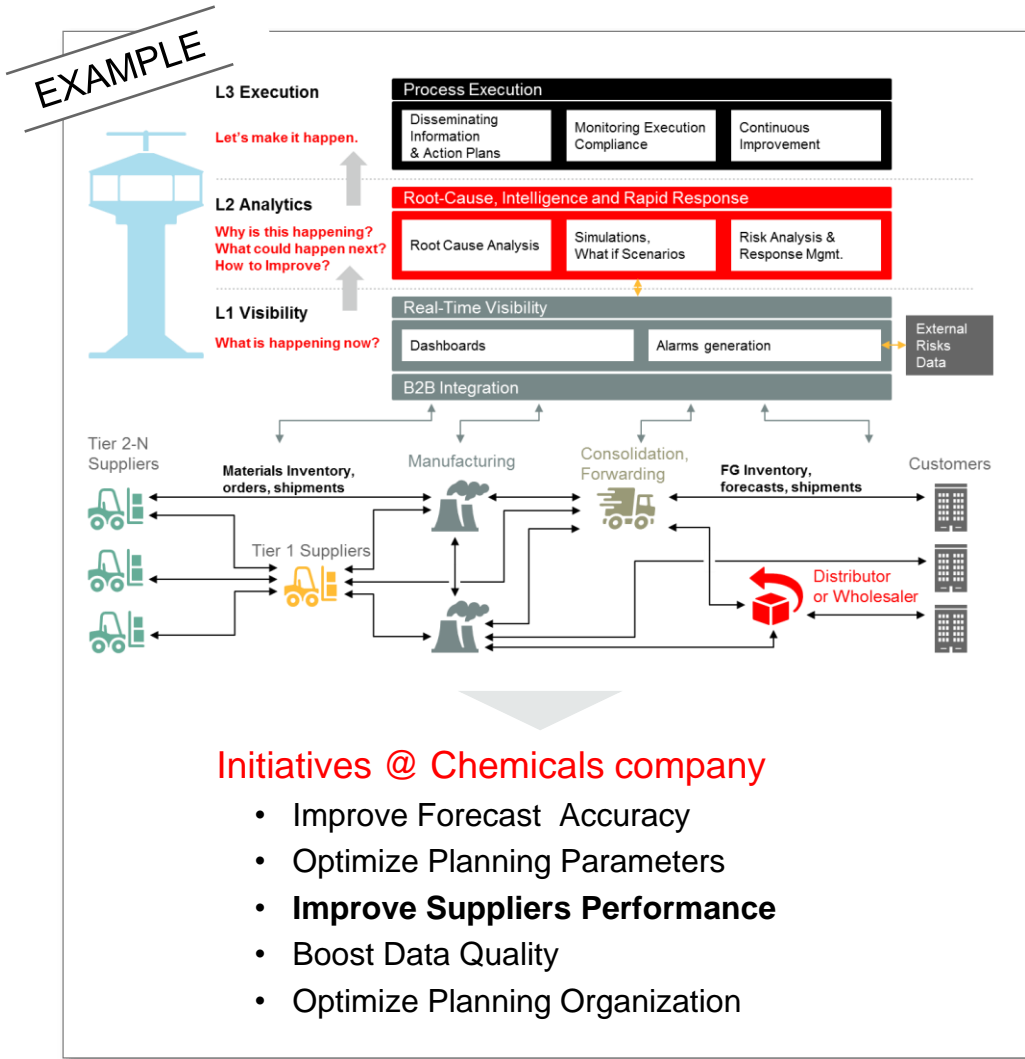
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Example: Bridging descriptive & predictive Supply Chain



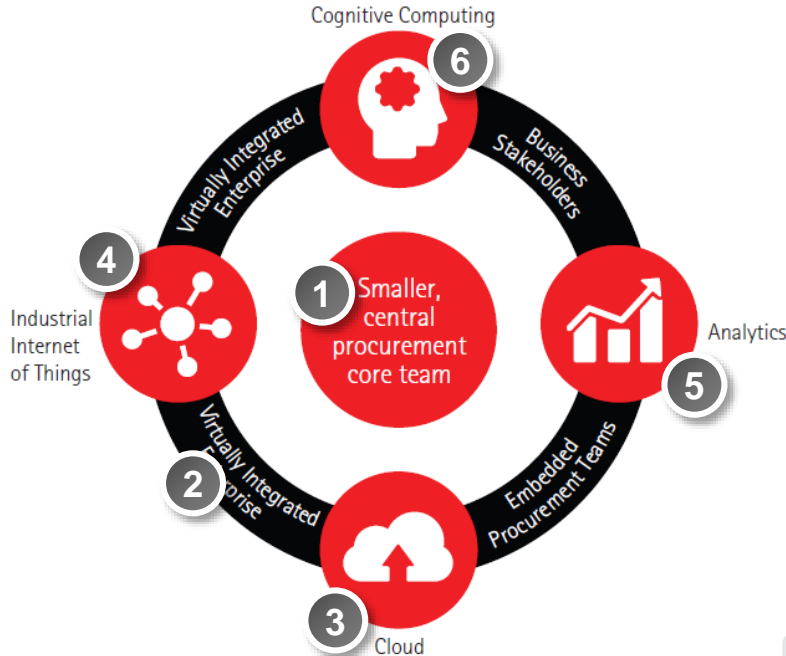
*Advanced Analytics
powers
the Supply Chain
Control Tower*

- Analytics next to Real-Time visibility and Execution crucial element of a Control tower
- Focus on Root Cause Analysis, Simulation and Risk / Response management
- In any digitized supply chain, there's a ton of data available → need to translate the data into meaningful, actionable insight and precise decision making.

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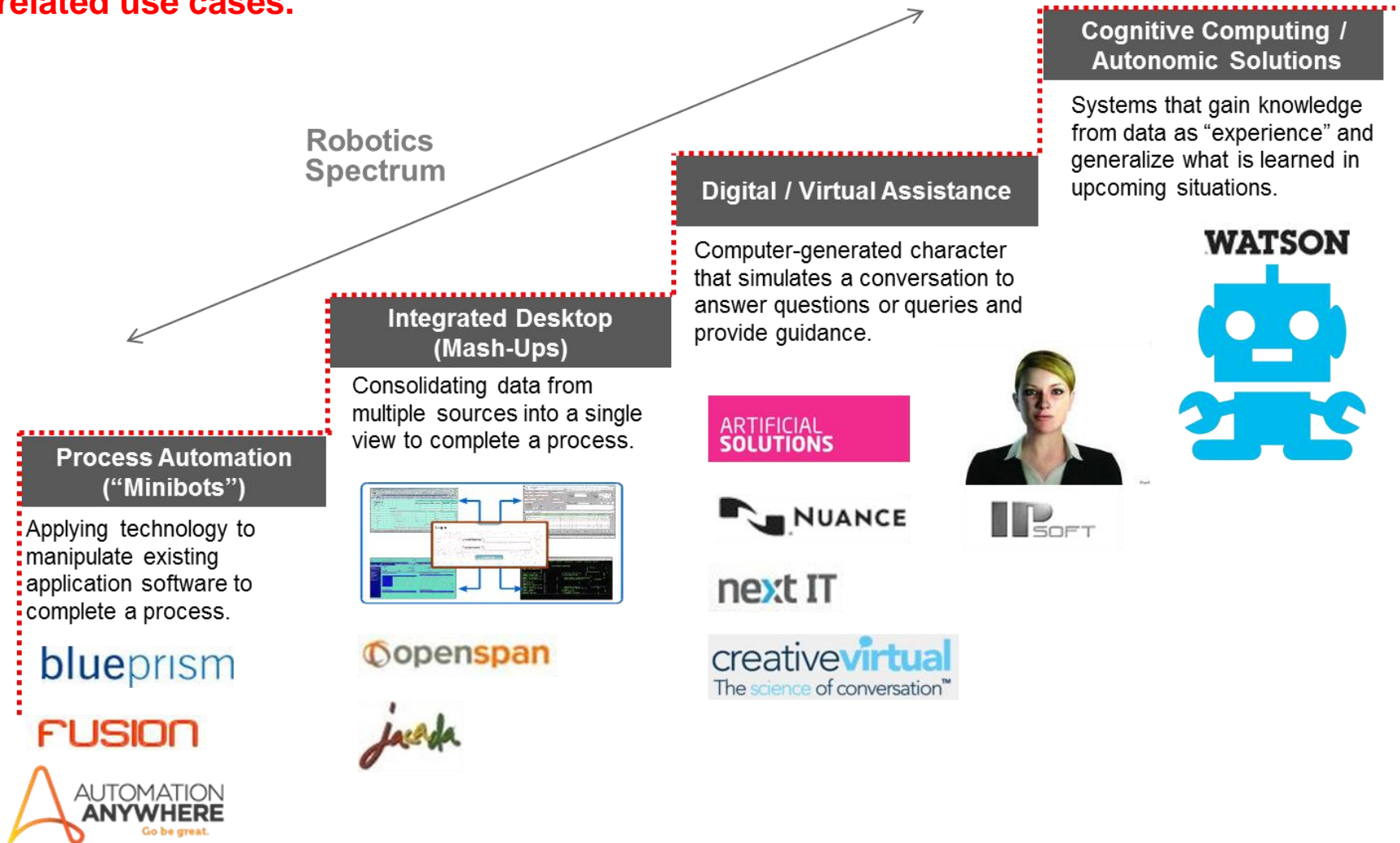
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Cognitive Computing Evolution

Cognitive computing is constantly evolving towards sophisticated capabilities with related use cases.



Example: Cognitive Computing for investment decisions

EXAMPLE



VITAL: Virtual smart machine which deals with **forecasting and investment analysis in the biotechnology industry**. VITAL makes its decisions by scanning prospective companies' financing, clinical trials, intellectual property, and previous funding rounds. Most powerful robotized expert system in the biotechnology industry.



SPOCK: Big data system for **commercial space development**, the Space Program Ontological Computed Knowledge system. Machine learning program capable of producing real-time analysis of the global space ecosystem, which it will use to make intelligent investment recommendations.



Nanotech AI: Big data **predictive analytic system for the nanotechnology industry**. A machine learning program capable of producing real-time analysis of the developments in the nano technologies field, which it will use to make intelligent investment recommendations.



*Artificial Intelligence
Complements
human decision
making process*

- Hong Kong-based **life sciences venture capital fund**
- Applies **machine learning programs**
- **Capable of making investment recommendations** based on a wide set of complex variables.
- Uses historical data-sets to uncover **trends that are not immediately obvious to humans**

Conclusion

A new digitally driven, strategically focused procurement organization

