

Growth: the cost and digital imperative

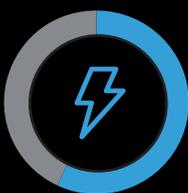
The Deloitte Global Chief Procurement Officer Survey 2017: A local view

A need for increased profitability in a low growth domestic economy and increased global uncertainty are pushing chief procurement officers to add more value to their organisations. Defensive strategies being implemented by Chief Financial Officers are demanding rapid, sustained cost reduction in parallel to a greater focus on risk from procurement. Traditional procurement operating models are therefore changing, driven by a lack of talent and an increase in digital innovation.

The top four business priorities for CPOs in 2017 show an increased focus on cost reduction and increasing cashflow



79%
Cost reduction



57%
Managing risks



48%
Increasing cashflow



52%
Introducing new products/
services or expanding into
new markets

To address the top four priorities, CPOs are focusing on the following procurement levers in the next 12 months.



40%
Consolidating
spend



35%
Specification
improvement



28%
Increased
competition



26%
Increased supplier
collaboration



26%
Reducing total
ownership costs

Schalk Human

Director: Acting Chief Procurement Officer at National Treasury

Market Outlook: In a low-growth economic environment, a number of cost related strategies are key; cost reduction, cost avoidance, cost containment, aggregation with a view to lower unit costs, cost deferment and in extreme cases, cancellation of contracts. Risk management is of the essence given service delivery requirements.



@schalkhuman

Executive support for procurement change exists for 75% of procurement leaders. The majority of CPOs rate their current effectiveness of business partnering at less than 70% and have an ambition for future effectiveness to be greater than 90%.



Venkatesan Giridhar

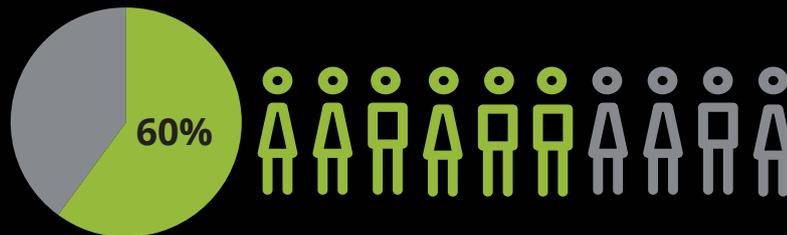
Vice President Finance and Commercial at AngloGold Ashanti



Value & Collaboration: In the past there were no expectations from the procurement function. This function worked largely in a silo with the only expectation being just-in-time contracting and delivery, keeping in mind that there was no economic pressure at the time. We're slowly moving towards value and optimisation. The desired future state is where organisational value is created through collaboration between cross-functional teams with appropriate vendor relationship management.

Appreciation to see procurement function as a value creator is paramount to its success.

60% of CPOs surveyed do not believe their teams have the skills to deliver their procurement strategy.



Khutso Sekgota

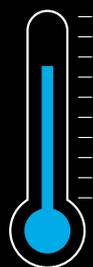
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Talent: Our clients are increasingly recognising that procurement skills are dependant on the operating model of the organisation in which they operate. When the organisation is structured in a transactional manner, the talent will also function in a transactional manner. CPOs need to invest more in strategic procurement skills and be expected to learn and benchmark themselves against global peers.

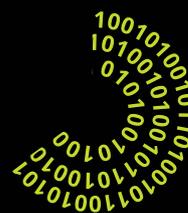


75% of CPOs responding believe that procurement's role in delivering digital strategy will increase in the future and analytics will have the largest impact for over 65% of procurement leaders.



75%

Believe procurement's role will increase



65%

Think analytics will have the largest impact

Rieta De Villiers

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Digital Procurement: Those CPOs who accelerate the adoption of predictive and cognitive analytics will enable end-to-end supply chain visibility and start using their data to drive decision-making. The majority of CPOs are already thinking about how to augment their existing tools by leveraging the cloud, analytics and robotics. The challenge for them will be ensuring that their investments are well spent.