



**ZYCUS**<sup>™</sup>

PROCURE PERFORMANCE

# Advanced Spend Analysis

A new offering for your procurement initiatives



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Organizations looking for intelligence from their buying processes generally resort to spend analysis as a first step to their process. Over time, there have been advances that have improved how data is collected, cleansed, classified, analyzed and managed. Customers today are looking into solution partners who are;

- Nimble
- Provide flexible modes of deployment and most important
- Provide an enriched user experience through solutions that combine sophisticated technology with an intuitive user interface which is extremely easy to use

Spend analysis has evolved leaps and bounds from its initial stages of manual classification. This whitepaper provides an insight into the latest advances in spend analysis from Zycus Inc. From being known for analysis of historical spend data, spend analysis has now evolved to include features like automatic savings opportunity finder and real time classification etc.

Let us now consider how Zycus with its customer driven innovativeness is fuelling the growth of the customer by meeting the required needs of the customer.

## THE ZYCUS ADVANTAGE

In keeping with the changing customer requirements, Zycus has continually innovated to ensure it delivers on its core value of providing easy to use solutions with the most advanced functionalities. The innovations can be basically classified under 3 heads with their features as follows,

DATA CLASSIFICATION	ANALYTICS & SAVINGS	EASE OF USE
Artificial Intelligence (AI) based classification	iMine (Mining Savings Opportunity)	Change of Classification (COC)
Live Connect	iCost (Cost modelling & Commodity price linkage)	Opportunity pipeline management

Now let us consider each feature under their respective heads:

## DATA CLASSIFICATION

Data classification even today is carried out on the basis of defining certain rules, whereas what customers today require is a classification system which is intuitive, accurate and real time. So let's look at what Zycus has on offer vis-à-vis the market

Zycus Approach	Competitors Approach
<p><b>Artificial Intelligence (AI) based classification system</b></p> <ul style="list-style-type: none"> <li>• Consistent classification of cryptic, incomplete, multilingual, and otherwise fragmented spend data to UNSPSC or any other taxonomy of your choice.</li> <li>• Rapid classification speeds exceeding 200K records per hour</li> <li>• Intelligent, flexible, self-learning, iterative, statistical spend classification model ensures increase in accuracy over time</li> </ul>	<p><b>Rule based classification system</b></p> <ul style="list-style-type: none"> <li>• Experts write rules for classification</li> <li>• Tedious &amp; resource intensive process with low accuracy</li> <li>• Not scalable - Rules begin to clash with increase in spend data leading to low accuracy</li> </ul>
<p><b>Real time spend data classification by means of Live Connect (ACLC)</b></p> <ul style="list-style-type: none"> <li>• Automatic classifications of free text requisitions in less than 3 seconds</li> <li>• Results into higher accuracy with time</li> <li>• Reduced maverick spend as the system guides these requisitions to preferred / contracted suppliers.</li> </ul>	<p><b>Data classification by means of batch process</b></p> <ul style="list-style-type: none"> <li>• Classification on the basis of historical spend, no real time spend classification</li> </ul>
<p><b>ACLC integration with eProcurement</b></p> <ul style="list-style-type: none"> <li>• Frees the end user from searching and entering the correct item descriptions of commodity to be purchased during time of purchase.</li> <li>• Procurement system verifies for the presence of a catalog and thereby allow for re-routing of purchases.</li> <li>• Prevents maverick spend</li> <li>• Gain control over suppliers and prices selected, and leverage the benefits of contract compliance</li> </ul>	<p><b>Not available with the competitors</b></p>
<p><b>Turnaround Time (TAT)</b></p> <p><i>Hours - (classification speeds above 200K records/hr)</i></p> <ul style="list-style-type: none"> <li>• On-going refreshes of data classification can be executed in a matter of hours, rather than weeks/ months (needed for services approach).</li> <li>• Accelerates the pace of the sourcing activity within the organization and enables compliance monitoring on an ongoing basis.</li> <li>• In cases of new acquisition, the software can submit overlapping spend reports in a matter of hours.</li> </ul>	<p><b>Turnaround Time (TAT)</b></p> <p>In-consistent TAT's due to heavy manual intervention, rules-techniques. Refresh is often delayed leading to opportunity identification and assessment delay</p>

Zycus Approach	Competitor Approach
<p><b>Data Consistency</b> <i>High</i></p> <ul style="list-style-type: none"> <li>• Zycus' automated classification approach ensures that all the challenges associated with "inconsistent quality" on manual classification shops are eliminated</li> <li>• Similar items are classified in the same bucket and does not introduce perception distortions, unlike other (manual) classification approaches.</li> </ul>	<p><b>Data Consistency</b> <i>Average</i></p>
<p><b>Multi-Lingual Support</b> Yes</p> <ul style="list-style-type: none"> <li>• Zycus has proven deployments where we have delivered spend visibility across multiple languages. Customers such as Alcoa, Cargill, Amgen, CitiGroup and our international customers have used AutoClass for classifying their spend in European and Asian languages. For Orkla Foods in Europe we are providing spend visibility in over 13 languages.</li> </ul>	<p><b>Multi-Lingual Support</b> Yes</p> <p>However, maintenance can be high because Classification rules need to be re-written for every language</p>
<p><b>Maintenance</b> <i>Negligible</i></p> <ul style="list-style-type: none"> <li>• Zycus' AI based engine is easy to maintain since all the calculation are done by tool and not by human beings. Based on the learning's tool automatically identifies the item so no human intervention to determine sequence of rules will be needed.</li> </ul>	<p><b>Maintenance</b> <i>High. Inability to maintain accuracies during refresh due to semi-automated and rules based approach</i></p> <ul style="list-style-type: none"> <li>• A rules based engine becomes difficult to manage once the number of rules is in thousands. It would take an army of technical experts to manage the complex sequence logic for rules application.</li> </ul>
<p><b>Quantum of Data</b> <i>More the data, the consistency increases</i></p> <ul style="list-style-type: none"> <li>• Zycus' AI based self-learning algorithm has a closed loop feedback mechanism, which helps the tool to boost its capabilities as the quantum of data increases.</li> </ul>	<p><b>Quantum of Data</b> <i>More the data, the consistency decreases</i></p> <ul style="list-style-type: none"> <li>• As the quantum of data increases in a rules based classification engine, inconsistencies sneak in due to conflict of rules.</li> </ul>

## ANALYTICS

With the spend analysis solutions that are presently in the market today, end users need to scan through volumes of data to find a savings opportunity. This process ends quickly if the end user has a lucky day. But in reality this task consumes a lot of time of the user. (Industry observers quote that almost 12-15 % of the sourcing cycle and 30-50% of the commodity manager's time is spent in manual reviews to analyze spend data.).

Zycus Approach	Competitor Approach
<ul style="list-style-type: none"> <li>• <b>Pre-packaged report templates:</b> Reports generated with a logical flow Eg: What is the Spend volume- Which are the categories - With which suppliers etc.</li> <li>• <b>One click &amp; drill down reporting:</b> helps simplify the analysis of data</li> </ul>	<ul style="list-style-type: none"> <li>• Report generation is a tedious process resulting in lack of adoption by users</li> <li>• Lack logical flow making analysis difficult</li> </ul>
<p><b>Cost modelling &amp; Commodity price linkage</b> <i>iCost overcomes any information disparity between the buyer &amp; the supplier. The buyer can now,</i></p> <ul style="list-style-type: none"> <li>• Zycus has proven deployments where we have delivered spend visibility across multiple languages. Customers such as Alcoa, Cargill, Amgen, CitiGroup and our international customers have used AutoClass for classifying their spend in European and Asian languages. For Orkla Foods in Europe we are providing spend visibility in over 13 languages.</li> </ul>	<p><b>Cost modelling &amp; Commodity price linkage</b> <i>Some of the competitors provide commodity indices in the form of an information portal</i></p> <ul style="list-style-type: none"> <li>• With no cost models and absence of a link between market data and spend data users cannot make use of advanced analytics for eg 'comparing the trend between internal prices and prices of the top cost drivers'</li> </ul>
<p><b>Mining Savings opportunity</b></p> <ul style="list-style-type: none"> <li>• With iMine, the mantle of finding opportunities now lies with the application rather than the user.</li> <li>• End users directly gets pre-packaged and prioritized savings opportunity reports based on standard strategies like supplier rationalization, purchase price variance etc.</li> <li>• Quick automatic search saves time and resources which can be invested in designing and executing sourcing strategies</li> <li>• End users can instruct the application to list savings opportunities based on the business constraints/logic defined by them</li> </ul> <p><i>Eg.</i> <i>If as a purchasing manager, you want to know all the categories in which the supplier count is greater than 50 suppliers and top 80% spend is distributed across more than 10 suppliers With spend miner, this report can be generated within minutes</i></p>	<p><b>Mining Savings opportunity</b></p> <ul style="list-style-type: none"> <li>• With manual approach to opportunity finding, savings remain uncovered behind data causing difficulty in analysing savings potential from individual opportunities</li> <li>• Complex searches by adding constraints takes 3- 4 hours to generate reports</li> </ul> <p><i>Eg.</i> <i>If as a purchasing manager, you want to know all the categories in which the supplier count is greater than 50 suppliers and top 80% spend is distributed across more than 10 suppliers.</i> <i>When done manually report generation will take 2-3 days and 2-3 category managers find out categories...</i></p>

## EASE OF USE & USER EXPERIENCE

As mentioned earlier, Zycus has consistently worked towards providing solutions which are easy to use and at the same time enables the user to make use of advanced analytics to make decision making simpler. A few of the features within the spend analysis application which demonstrates this endeavour are as follows,

Zycus Approach	Competitor Approach
<p><b>Classification Updates</b></p> <ul style="list-style-type: none"> <li>• With RTCU - real time classification update users can make immediate changes in the classification of commodities by making changes within the analytics UI</li> <li>• Enhanced user experience</li> <li>• Avoids unnecessary delays and backlogs - changes reflected within 4 hours</li> </ul>	<p><b>Classification Updates</b></p> <ul style="list-style-type: none"> <li>• Company executives visit the site and make the necessary changes in the classification at the back end</li> <li>• Classification changes occurs only during the next spend refresh which is usually per quarter</li> </ul>
<p><b>Opportunity pipeline management</b></p> <ul style="list-style-type: none"> <li>• This feature provides a robust workflow to prioritize and manage multiple savings opportunities identified</li> <li>• Savings leakage is minimized as each and every opportunity progresses through stages</li> <li>• Easy workflows ensure creation of reports which are more intuitive and easy to understand.</li> </ul>	<p><b>Opportunity pipeline management</b></p> <ul style="list-style-type: none"> <li>• No such capability to prioritize and manage once identified savings leading to inefficient</li> </ul>

## CUSTOMER FOCUS:

Zycus believes not just in selling the solution but also partnering with the customers in ensuring the customers (irrespective being small or large) reach the targeted ROI. With globalization, organizations have their data in multiple languages spread across different ERP systems. Also every organization has its unique business requirements. Implementation of the solution requires extraction, transformation and loading (ETL) of data from disparate systems. Let us look into how Zycus simplifies the process for the customer:

Zycus Approach	Competitor Approach
<p><b>ETL process</b></p> <ul style="list-style-type: none"><li>• Flexible approach. - Customer can always opt for Zycus to assist in ETL if they are short of resources or expertise.</li></ul> <p>If Zycus carries our data ETL, it brings in,</p> <ul style="list-style-type: none"><li>▶ Experience from past work on a host of ERP platforms</li><li>▶ Pre-built adaptors</li><li>▶ Compilation of best practices on data ETL</li><li>▶ ETL Experts</li><li>▶ If Customer proceeds with ETL, then Zycus provides,</li><li>▶ Free consultation</li><li>▶ Checklists depending upon type of ERP and its implementation type</li><li>▶ A compilation of ETL best practices</li></ul>	<p><b>ETL process</b></p> <ul style="list-style-type: none"><li>• Rigid approach with onus mostly on the customers to perform the task</li><li>• Competitors gets involved only after it receives data in a particular format</li></ul>
<p><b>Delivery</b></p> <ul style="list-style-type: none"><li>• Consultative approach with formation of Steering committee - Zycus team (project management &amp; data management experts) + customer</li><li>• Prioritization of customer challenges</li><li>• Defining KRAs (Key result areas) and regular reviews to measure performance and completion against the KRAs.</li></ul>	<p><b>Opportunity pipeline management</b></p> <ul style="list-style-type: none"><li>• Data classification is the primary focus.</li><li>• Lack of collaboration between customer and solution provider</li><li>• Final results not always in sync with the customer challenges and expectations</li></ul>
<p><b>Post implementation training</b></p> <ul style="list-style-type: none"><li>• Onsite training</li><li>• Refresher training over WebEx</li><li>• Option of empowering a team of end users who then pass on the learning to the rest</li><li>• Minimal training time (due to ease of use) - quicker adoption</li></ul>	<p><b>Post implementation training</b></p> <ul style="list-style-type: none"><li>• Steep learning curve</li><li>• Users cannot train themselves</li><li>• Takes a long time since end users find difficult to get a grip on the complex workflows</li></ul>

Checklist	Zycus Spend Analysis	Other Solution Providers
AI based classification	✓	✗ (Rule based classification)
Pre-packaged reports	✓	✓
One click reporting	✓	✓
Drill down reporting	✓	✓
Real time Classification updates from UI	✓	✗
Opportunity pipeline management	✓	✗
iMine	✓	✗
ACLIC	✓	✗
iCost	✓	✗



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## About Zycus

At Zycus we are 100% dedicated to positioning procurement at the heart of business performance. With our spirit of innovation and a passion to help procurement create even greater business advantages, we have evolved our portfolio to a full suite of Procurement Performance Solutions - Spend Analysis, eSourcing, Contract Management, Supplier Management, Financial Savings Management, and Procure-to-Pay.

We believe our deep, detailed procurement expertise and a sharp focus on being responsive to our customers has reflected in us being positioned as a 'Leader' in the '2013 Gartner Magic Quadrant' for Strategic Sourcing Application Suites. We continue to see each customer as a partner in innovation and no client is too small to deserve our attention.

We are a 600+ company with a physical presence in virtually every major region of the globe. With more than 200 solution deployments among Global 1000 clients, we search the world continually for procurement practices proven to drive competitive business performance. We incorporate these practices into easy-to-use solutions that give procurement teams the power to get moving quickly - from any point of departure - and to continue innovating and pushing business and procurement performance to new heights.

### **NORTH AMERICA**

**Princeton:** 103 Carnegie Center, Suite 201 Princeton, NJ 08540 Ph: 609-799-5664

**Chicago:** 5600 N River Road, Suite 800 Rosemont, IL 60018 Ph: 847-993-3180

**Atlanta:** 555 North Point Center East; 4th Floor, Alpharetta, GA 30022 Ph: 678-366-5000

### **EUROPE**

**London:** Office No 335,400 Thames Valley Park Drive, Thames Valley Park, Reading, Berkshire, RG6 1PT Ph: +44 (0) 1189 637 493

### **ASIA**

**Mumbai:** Plot No. GJ - 07, Seepz++, Seepz SEZ, Andheri (East), Mumbai - 400 096 Ph: +91-22-66407676

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