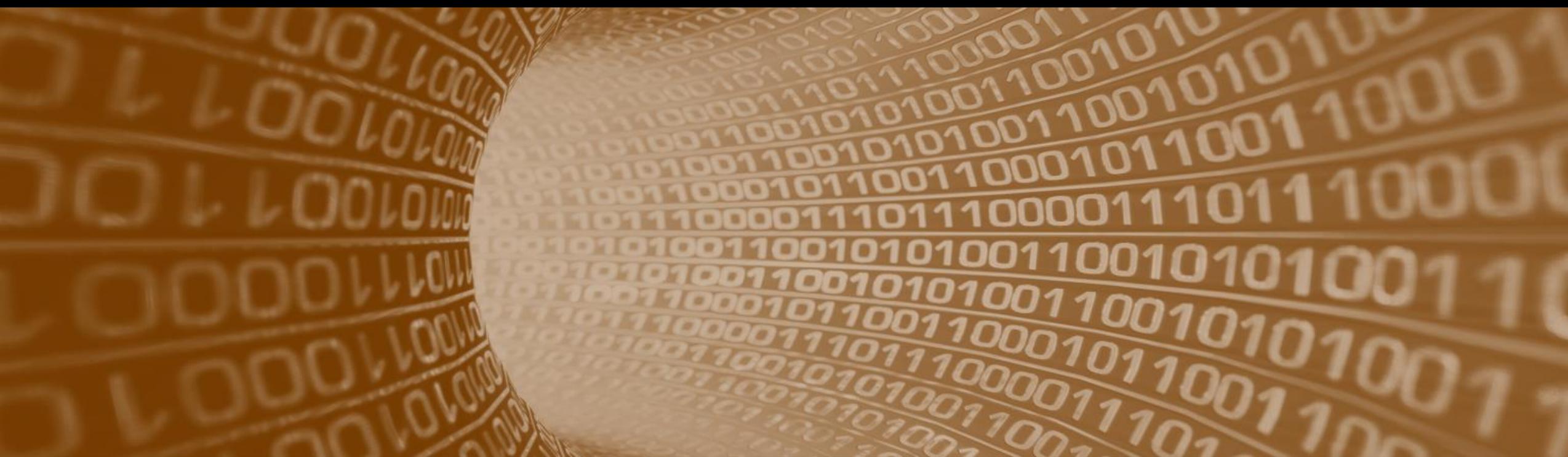


WILL BIG DATA BE THE NEXT REVOLUTION THAT DISRUPTS PROCUREMENT?



1 | About Oliver Wyman

Introduction to Oliver Wyman



**MARSH & McLENNAN
COMPANIES**

Annual revenue over US\$14 BN
Staff: About 65,000
Clients in more than 130 countries
Listed on the New York Stock Exchange (MMC)

OLIVER WYMAN GROUP

**Management, economic and brand
strategy consulting**

- **Strategy**
- **Organization**
- **Operations**
- **Risk management**
- **Transformation management**

- **About 5,000 professionals**
- **Operations in approximately
30 countries worldwide**

GUY CARPENTER

Risk and reinsurance specialist

- Reinsurance and risk management
- Contract management, claims handling, and fiduciary accounting

- About 2,300 professionals
- 60+ offices in 30+ countries

MERCER

**Talent, health, retirement and
investment consulting**

- Personnel strategy
- HR systems
- Compensation
- Incentive systems
- Communication

- About 22,600 professionals
- 170+ offices in 130+ countries

MARSH

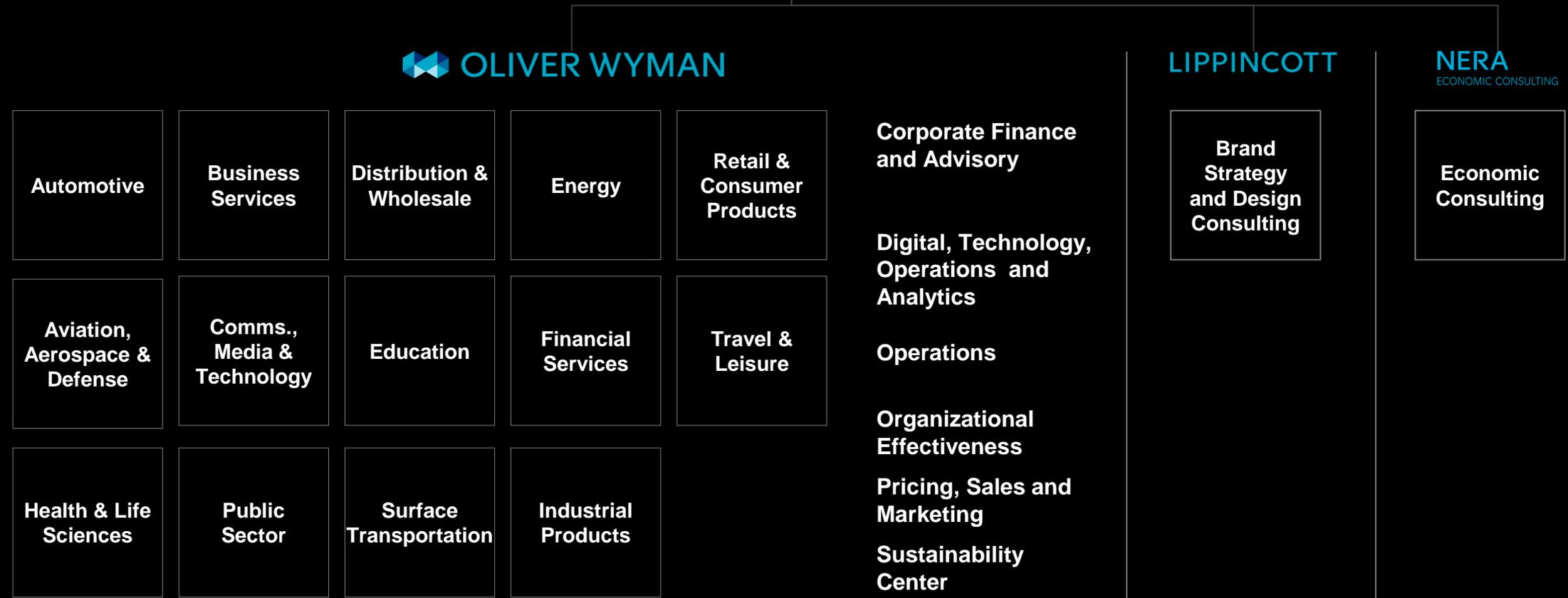
**Insurance broker and
risk advisor**

- Risk management, consulting, and transfer
- Financial solutions and insurance program management services

- About 32,700 professionals
- 500+ offices in 130+ countries

Oliver Wyman Group overview

Oliver Wyman Group has approximately 5,000 staff with expertise across a range of industries to help our clients address their greatest challenges



Oliver Wyman expertise

We have extensive industry expertise across key functions that we bring to bear for your organization

 <p>Actuarial</p> <ul style="list-style-type: none"> • Mathematical and statistical modeling • Management of property and casualty, life and annuity, and healthcare risks • Actuarial advice on key business decisions 	 <p>Corporate Finance and Restructuring</p> <ul style="list-style-type: none"> • Independent Business Reviews (IBR) • Restructuring concepts (strategic, operational, financial) • Implementation support • Program management 	 <p>Manufacturing Operations</p> <ul style="list-style-type: none"> • Operations optimization and transformation • Engineering & product development performance • Supplier and supply chain management 	 <p>Organizational Effectiveness</p> <ul style="list-style-type: none"> • Business designs • Process optimization • Reorganization • Cost reduction in indirect areas and shared services • Right-sizing of organization • Value stream analysis • Outsourcing 	 <p>Pricing, Sales and Marketing</p> <ul style="list-style-type: none"> • Identification of “white spots” • Multi-channel management • Market and pricing strategy • Excellence in retail • Marketing and sales organization • Sales force effectiveness
 <p>Procurement</p> <ul style="list-style-type: none"> • Optimization of purchasing processes or organization • Cost monitoring • Low-cost country sourcing • Strategic sourcing 	 <p>Risk Management</p> <ul style="list-style-type: none"> • Custom solutions for capital management • Technology risk estimation • Research on emerging risks • Risk adjustment for commodities trading 	 <p>Service Operations</p> <ul style="list-style-type: none"> • Improved service delivery and cost efficiency • Operating model optimization • Customer journey mapping • Operating cost control • Demand optimization 	 <p>Strategy</p> <ul style="list-style-type: none"> • Corporate strategy and portfolio strategy • Market entry strategy (globalization, products, customers, etc.) • Brand management 	 <p>Sustainability Center</p> <ul style="list-style-type: none"> • Sustainability integration into strategy, business model, and culture • Optimized resource usage (energy, waste, CO₂, water) and measurement of ecological impact • Revenue maximization
 <p>Digital, Technology, Operations and Analytics</p>	<p>Integrating customer insight, technology, data, analytics, operations and organizational capabilities to deliver digital propositions with speed and agility:</p> <ul style="list-style-type: none"> • Digital operating model and transformation • Analysis of impact on strategy, organization, vision, and capabilities • Maximize the value of data to provide actionable insights • Enhance the flow of knowledge within organizations 			

2 | Big data in procurement

What is 'big data'?

DEFINITION

Big data is data that exceeds the capacity of conventional databases because the volume is too big, the velocity is too high, or the data is too unstructured.

- Structured
- Containable
- Defined
- Manageable volume
- Predictable speed

"A lot of data" does not mean the same thing as big data

- Spreadsheets
- Data from ERP systems
- Transaction data
- EDI invoices/purchase orders
- Competitor pricing...

TRADITIONAL DATA

BIG DATA

- Video files
- Images
- Blogs
- Voice and audio

- Email records
- Facebook status
- Twitter feeds
- Instagram pictures

- Web logs
- Web page contents
- Text messages
- XML docs...

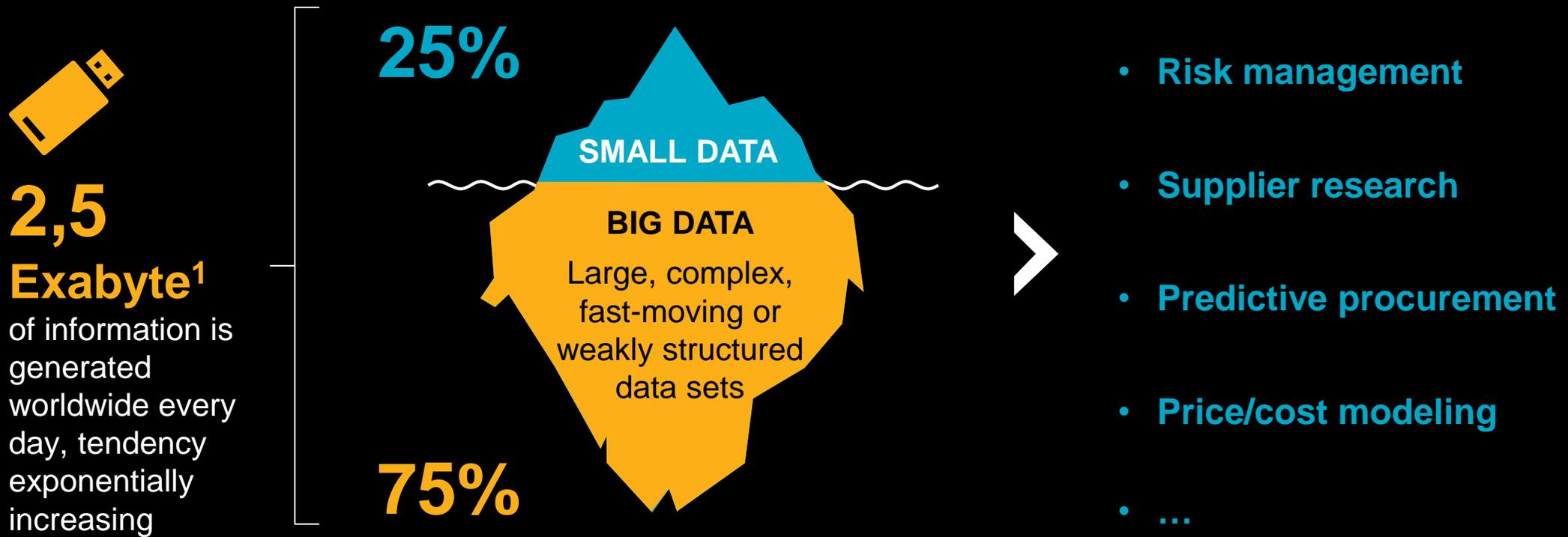
- Unstructured
- Uncontained
- Hugely variable
- Massive volume
- Unpredictable speed

Big data and advanced analytics in procurement

The future is dominated by big data – revolution in procurement starts now

Scale, scope and depth of data is rising dramatically...

...and increasingly used in procurement

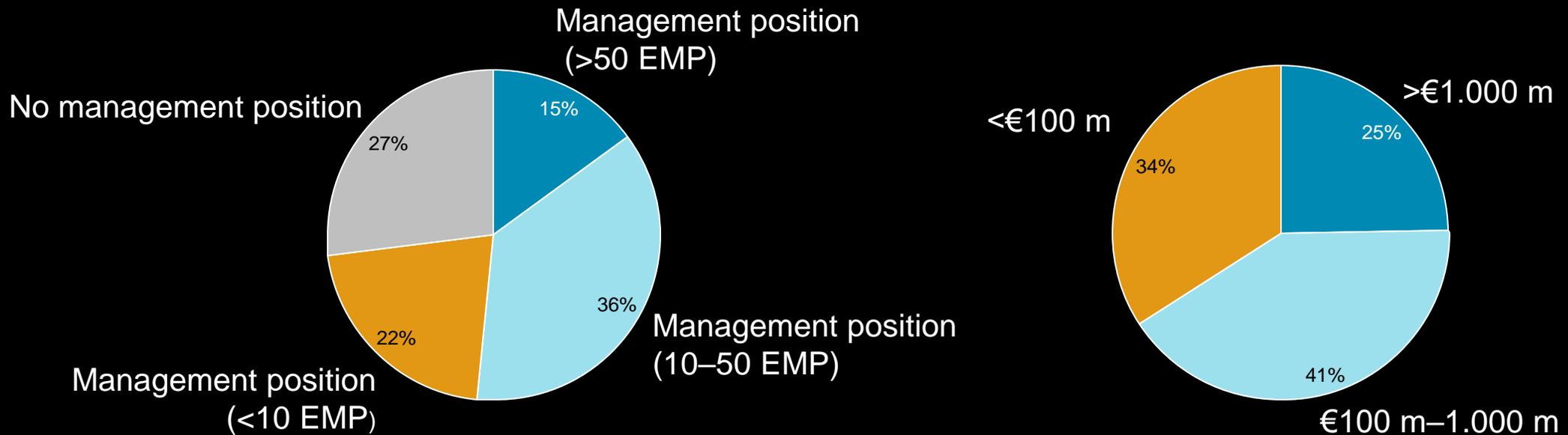


1. Corresponds to 2.500.000.000 GB
Source: Oliver Wyman publication ("Will big data be the next revolution that disrupts procurement?")

Survey basis

The following results are based on the recently conducted BME-survey about big data and advanced analytics in procurement and SCM

BME survey: Participants by management position and revenue



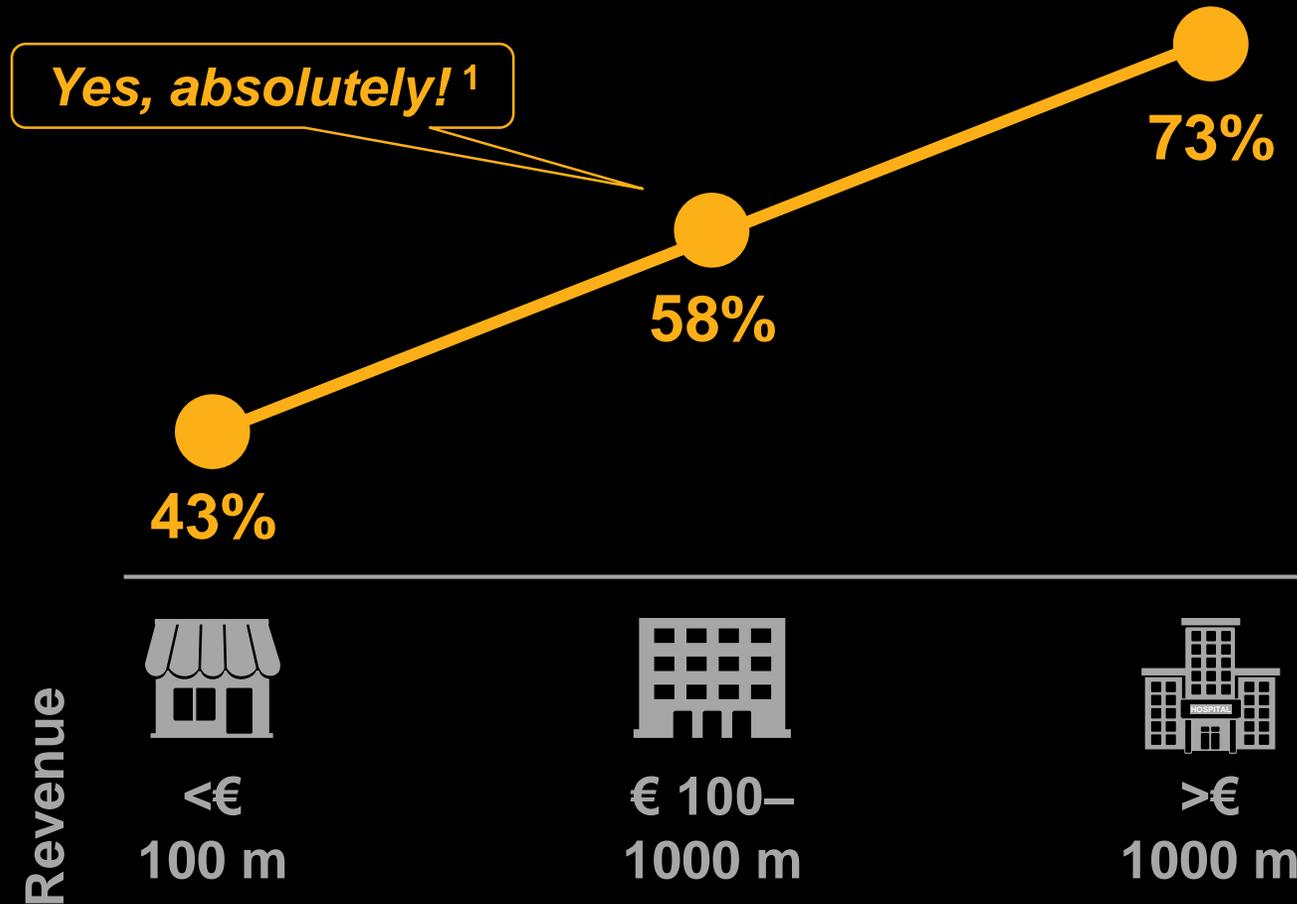
**Focus: Big data/advanced analytics
criticality and main levers**

3 | Goals and current situation

Big data and business success

Dependence on big data increases drastically with company size

By 2025, will your business success depend on big data and advanced analytics in procurement and SCM?



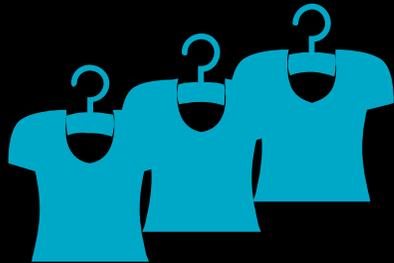
1. Percentage of participants who rated the importance of big data on a scale of 1 ("No, certainly not") to 6 ("Yes, very important factor") at 5 or 6

Standard software vs. individual solutions

Especially large companies require tailor-made solutions to meet their complex requirements

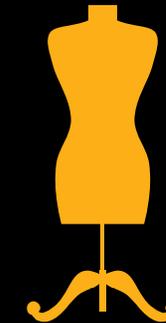


Do you think, that 'standard software' will cover your needs or will you need individually developed solutions?



STANDARD SOFTWARE

VS.

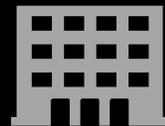


INDIVIDUAL SOLUTIONS



<€
100 m

Two-thirds of small companies foresee to use standard software



€ 100–
1000 m

Mid-sized companies are evenly divided (45% vs. 55%)



>€
1000 m

Two-thirds of large companies need individual solutions

Participants, who rated 'standard software' will definitely be sufficient or most likely sufficient vs. 'individual solutions' will be needed to will definitely be needed

No vision, no implementation plan

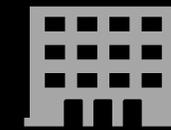
The starting position of all companies is bad – even large companies face significant challenges



Do you have clear goals, a clear plan, financial resources and sufficient support?



<€100 m



€100–
1000 m



>€1000 m



Clear goals?

14%

18%

36%



Clear plan?

5%

11%

13%



Financial resources?

15%

28%

46%



Internal support?

20%

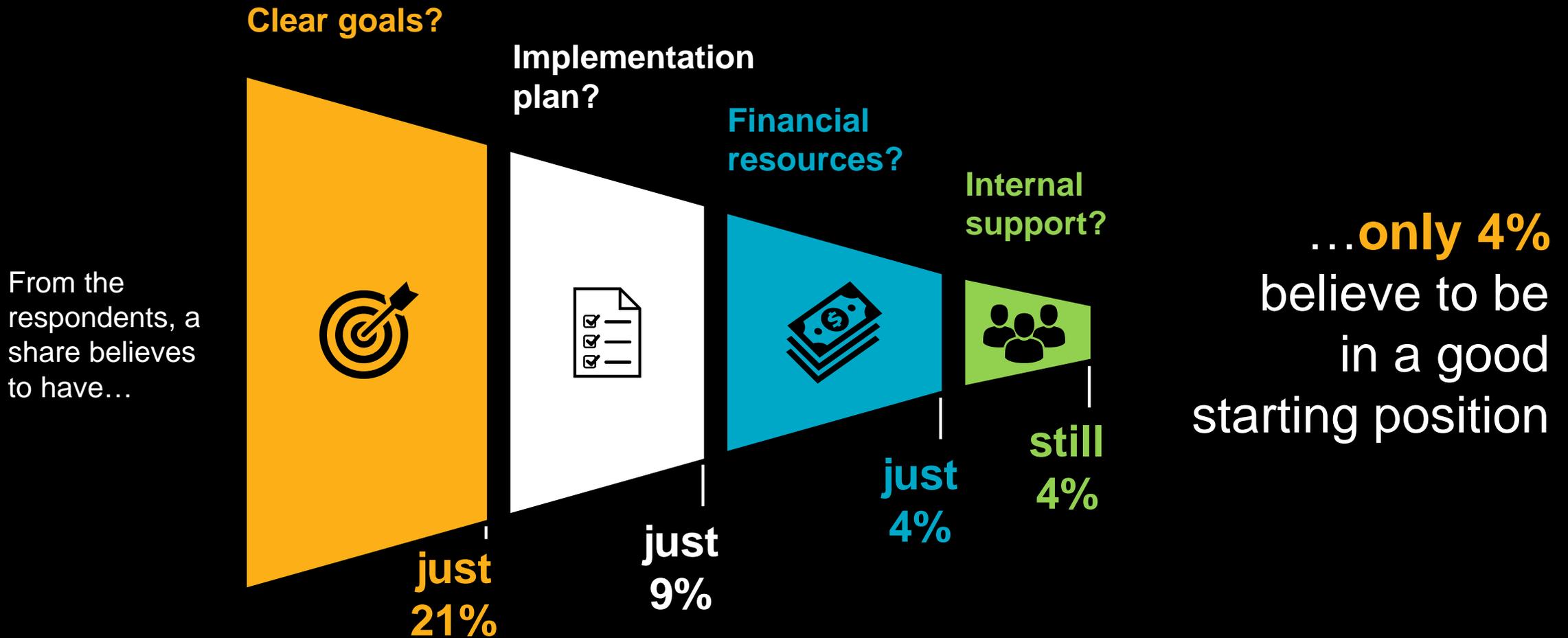
22%

58%

Yes, very clearly defined and *Yes, clearly defined* are counted as *Yes*

Requirements to be successful

Only a very small share of companies meet all necessary requirements to be successful in this – reportedly crucial – area of future success



'Yes, very clearly defined' and 'Yes, clearly defined' are counted as 'Yes'; For next stage, only 'yes' from earlier stages are considered – hence the 'funnel effect' is displayed.

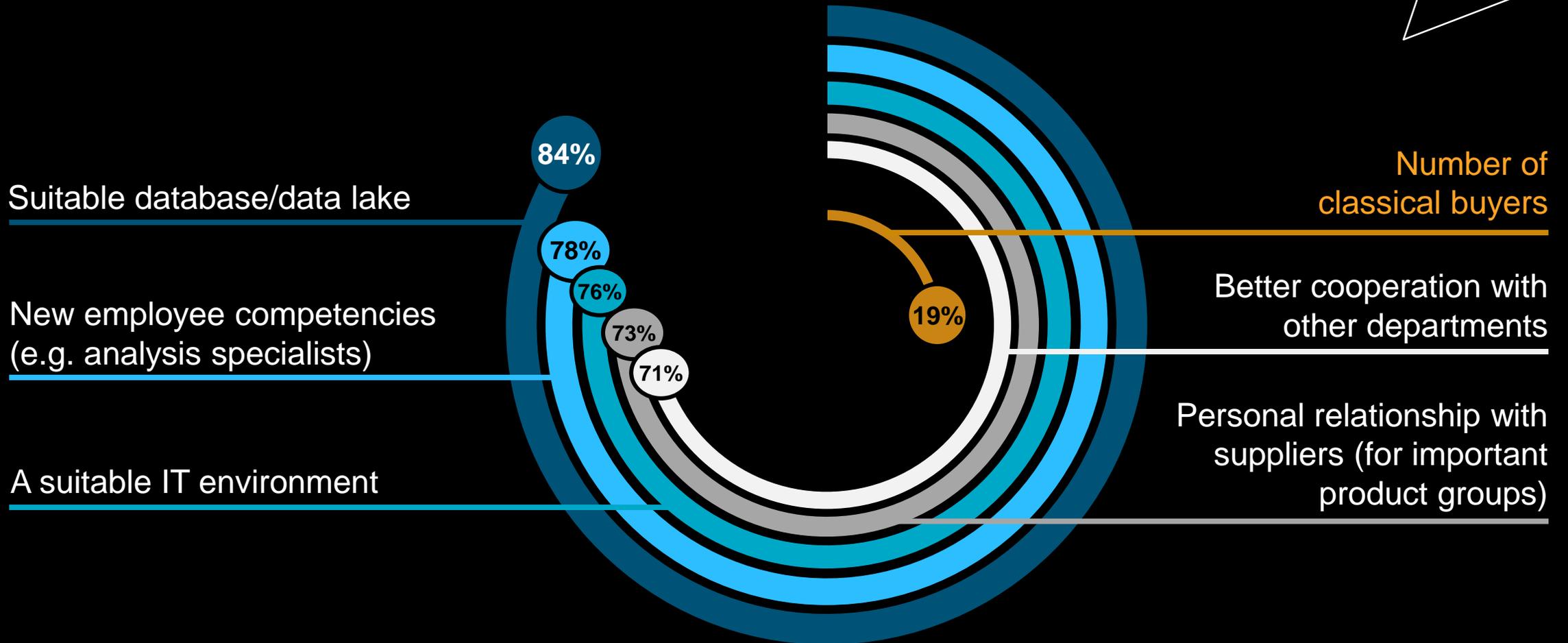
4 | Levers and effects

Future levers for competitive advantages

Employee competencies and necessary infrastructure built-up are in focus



How important would you rate the following levers to create a competitive advantage?



Proportion of participants who consider lever to be "very important" or "important"

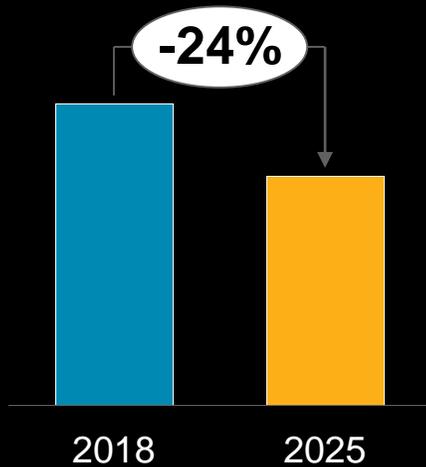
Declining numbers of employees by 2025

Biggest declines expected in operational procurement

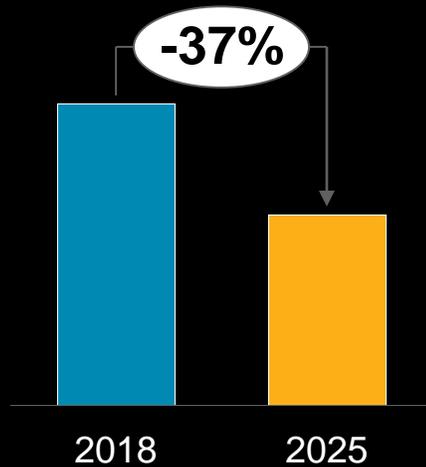
? *How will the number of employees develop by 2025?*



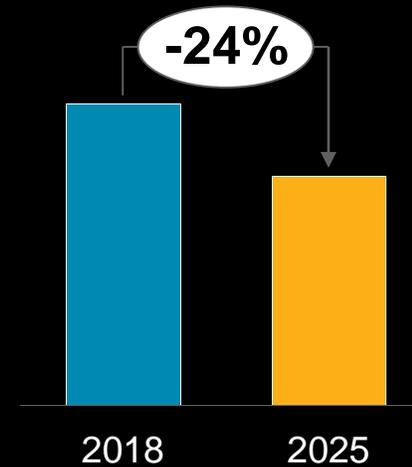
STRATEGIC PROCUREMENT



OPERATIONAL PROCUREMENT



SUPPLY CHAIN MANAGEMENT



Senior executives expect even much higher reductions

5 | Insights for companies

Insight #1:

Companies may need to rethink their approach to big data



The typical approach to big data

Issue #1:

Inability to turn data
into insight

“A haystack with no needle”

Issue #2:

Inability to turn insight
into impact

“A light bulb with no socket”

Insight #1:

Companies may need to rethink their approach to big data



The **RIGHT** approach to big data

Insight #2:

Procurement organizations cannot be proficient at big data until they become proficient at “small data”



of surveyed Procurement organizations were considered to be **Data Proficient**

But...



rated Procurement as being **bad** at “small data”¹

1. Oliver Wyman research/big data SIG-OW study

Insight #3:

Procurement will need to adapt its talent pool

YESTERDAY



“SOURCING PROFESSIONAL”

- Execution
- Negotiation skills
- Cost reduction
- Expertise
- Business sense

TODAY



“PROCUREMENT MANAGER”

- Execution
- Negotiation skills
- Cost reduction
- Expertise
- Business sense
- Project manager
- Networking
- Leadership
- Change management
- Growth oriented
- Strategic
- Risk management
- Problem solving/ analytical skills

TOMORROW



“DATA-DRIVEN PERFORMANCE MANAGER”

- Execution
- Negotiation skills
- Cost reduction
- Expertise
- Business sense
- Project manager
- Networking
- Leadership
- Change management
- Growth oriented
- Strategic
- Risk management
- Problem solving/ analytical skills
- Advanced analytical skills
- Data science skills

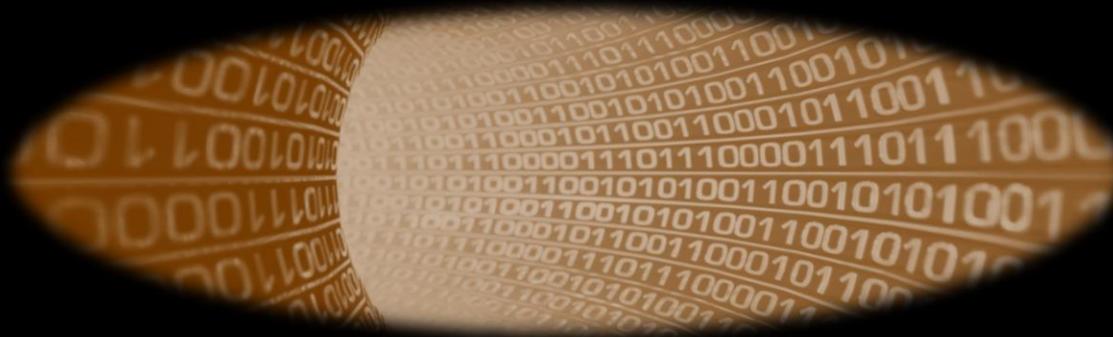
1. Oliver Wyman research/big data SIG-OW study

Conclusion

Big data and analytics will be on each of your agendas for the next years and its importance will grow.



Make it a strategic topic on your agenda and start now.





Thank you!