



Actionable to Get You Started Immediately

# The ROI of Source-to-Pay Transformation:

## How Smart Procurement Leaders Are Using AI to Deliver Real Value

May 20, 2025



Get. Set. Go



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# Executive Summary

Let's be honest – procurement has changed. Once relegated to the back office, we're now expected to navigate inflation, manage complex supply chains, and somehow deliver more savings with the same resources. Sound familiar?

The problem is, that while our roles have evolved, most of our tools haven't kept up.

This isn't just another technical whitepaper. It's a practical guide for procurement leaders who feel stuck between rising expectations and outdated systems. We'll show you how teams like yours are using AI-enhanced procurement to:

- Turn the typical 67% spend visibility into best-in-class 90%+ clarity
- Stop the 16% of hard-won savings that leak away through poor contract compliance
- Cut sourcing cycles from months to weeks (45+ days down to 20-30 days)
- Get ahead of supplier risks instead of reacting to disasters
- Make sustainability more than just a corporate talking point

The best part? Organizations are seeing payback in under 18 months, with proven ROI of 2.5x and real savings of \$5.7M per \$150M in spend. This isn't theoretical – it's happening right now in companies just like yours.



# The Procurement Crossroads: Evolve or Be Left Behind



**"The organizations that can turn procurement into a strategic advantage will outperform their peers by 15-20% on bottom-line results. The rest will be explaining to their boards why they're falling behind."**

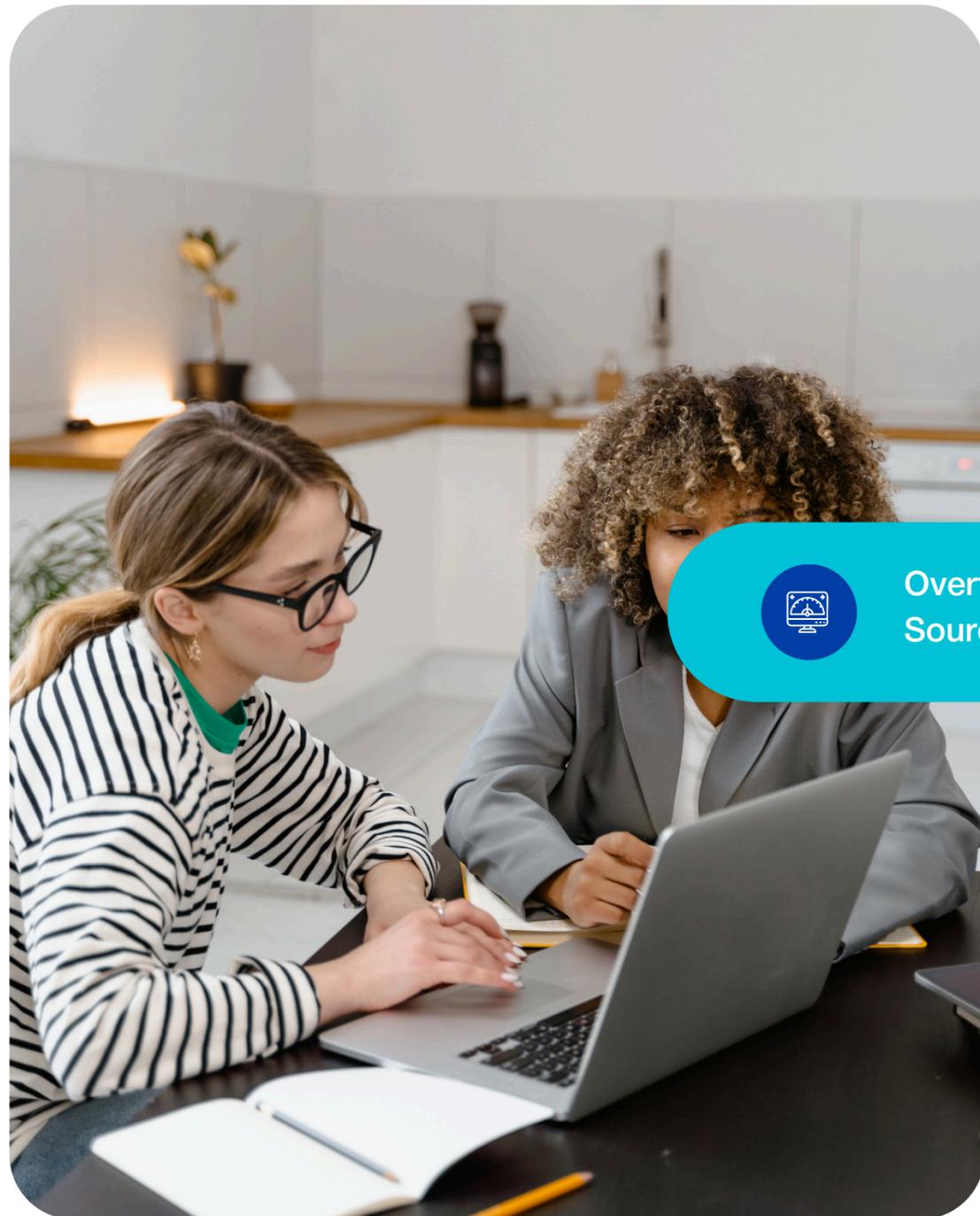
— McKinsey Global CPO Survey, 2025

That quote isn't just consultant hype—it's the reality facing procurement leaders today.

"I'm drowning in stakeholder expectations while working with systems from the Stone Age." — CPO, Fortune 500 Manufacturing Company

Sound familiar? You're not alone. We've all felt it.

Remember when procurement was just about getting the best price? Those days are gone. Now we're expected to be inflation fighters, risk managers, sustainability champions, and innovation catalysts—all while still delivering those double-digit savings.



**REAL TALK:** "Agentic and generative AI will reshape how procurement performs over the next five years."

— The Hackett Group, 2025 Key Issues Study

That's a bold claim, but here's the painful truth: most of us aren't ready. We're trying to meet tomorrow's challenges with yesterday's tools.



Overflowing Inbox with Sourcing Requests



Scattered Spend Data across Systems



Late Discovery of Supplier Non-compliance and Risks

Hackett's latest report shows your workload is projected to increase by 10%, but what is your budget? Maybe 1% growth if you're lucky.

The most successful procurement leaders aren't just working harder—they're working smarter by letting AI handle the grunt work while they focus on strategy.



# What Can You Do Today?

This quick reality check will reveal your biggest opportunities for improvement and transformation.



## Take 30 minutes

Schedule time with your team



## Assess time allocation

Honestly evaluate where team is spending most of the time



## Identify opportunities

Look specifically at your intake process, spend analysis, and whether your contracts and sourcing are connected or siloed



# How Far Behind Are We Really?

## The Numbers Don't Lie



**"We thought we were doing pretty well until we saw the benchmarks. That was a wake-up call."**  
— Procurement Director, Healthcare System

Let's get real about where most procurement teams stand compared to the leaders. These aren't just abstract metrics—they're the difference between being seen as a cost center or a strategic partner.

It is underwhelming to see the benchmarks. The realization that your team is working harder than ever, but still leaving millions on the table. And it's getting worse.

While your workload is increasing by ~10%, your resources are only growing by ~1%. This 8-10% "efficiency gap" can't be closed by simply pushing your team harder.



What We're Measuring	Where Most Teams Are	What the Leaders Achieve	What This Costs You
Spend Under Management	~67%	90%+	Every unmanaged dollar is a 6-12% savings opportunity missed
Contract Compliance	~60-62%	80-90%	You're losing 16¢ of every \$1 in negotiated savings
Sourcing Cycle Time	45-60 days	20-30 days	Slower cycles = frustrated stakeholders + delayed savings
Addressable Spend Actively Sourced	~50%	70%+	Half your potential competitive savings never happens

**BRUTAL TRUTH:**

**"Every non-compliant dollar is a potential source of value leakage."** — Ardent Partners

This isn't just consultant-speak. When your hard-fought 7% savings becomes an actual 4% because of poor compliance, that's real money walking out the door—money your CFO expected to see on the bottom line.



# What Can You Do Today?

This quick reality check will reveal your biggest opportunities for improvement and transformation.



## Run the numbers

Calculate your current spend under management percentage



## Assess compliance

Determine how compliant your contracts really are



## Measure cycle time

Track how long sourcing takes from request to award



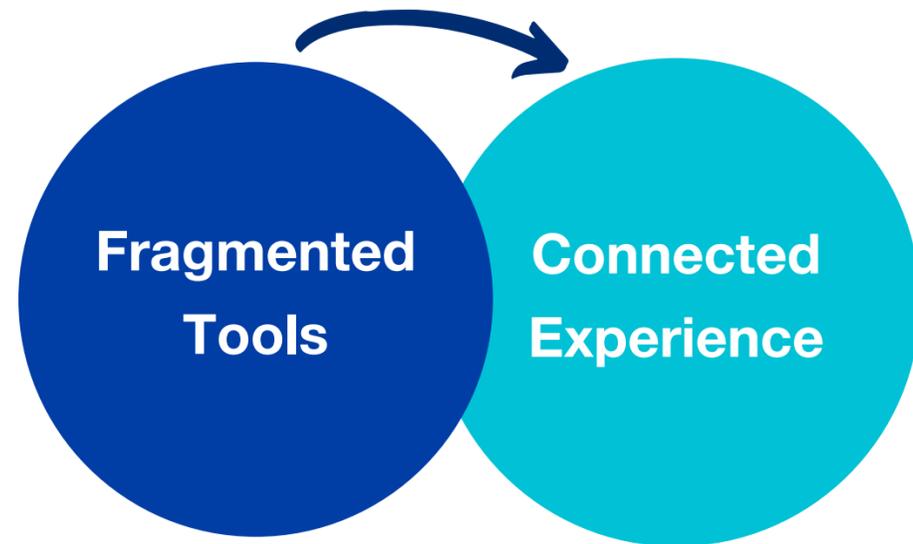
## Start tracking

If you don't have these numbers, begin measuring them now

You can't improve what you don't measure. These metrics will form the baseline for your transformation journey.



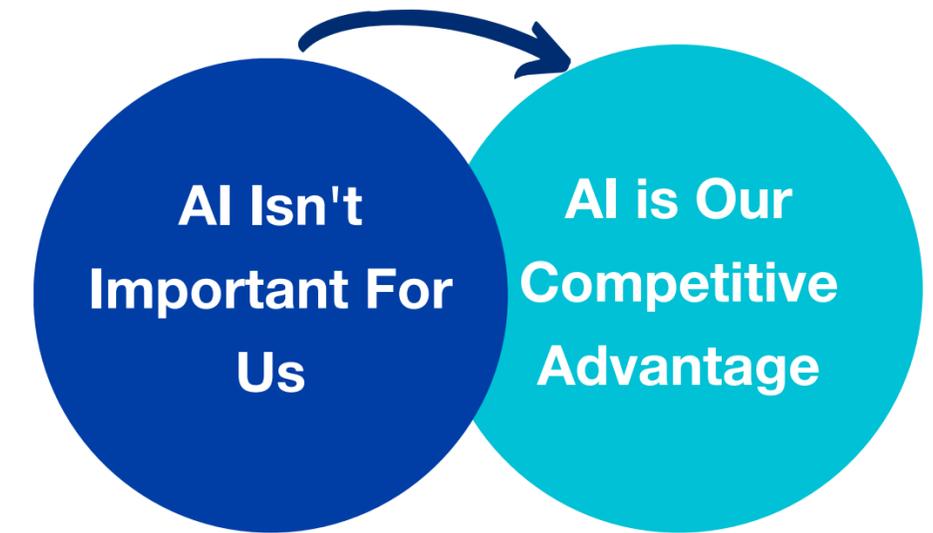
# What's Working for Leading Teams: The Strategy Shift



Top procurement teams have stopped thinking in modules and started thinking in journeys. Deloitte calls these leaders "**Orchestrators of Value**"—they don't just run sourcing events or manage contracts, they orchestrate the entire process.



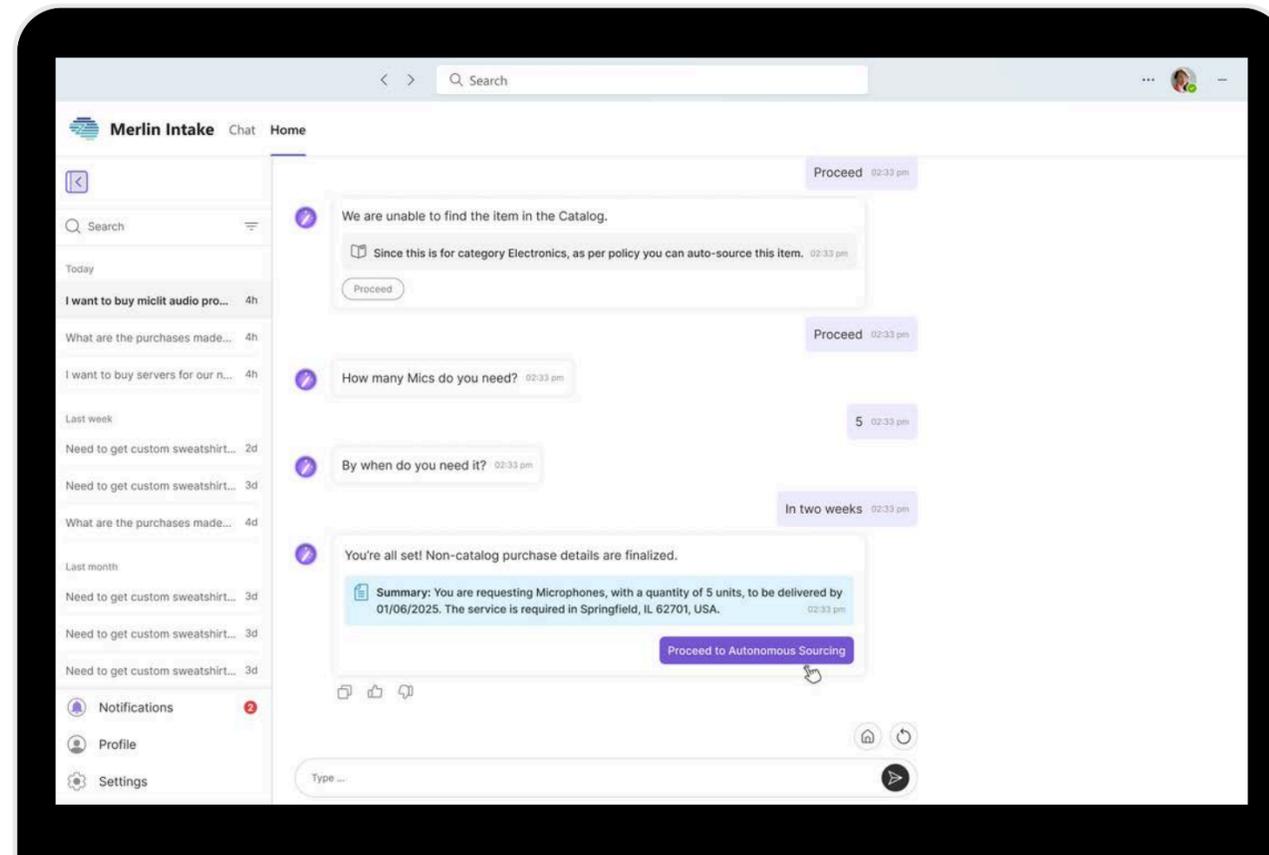
Procurement technology budgets are growing at 5-6% annually while headcount budgets creep up at just ~1%. Smart leaders are investing in systems that multiply what their teams can do.



The procurement AI revolution isn't some future event—it's happening right now: 64% of procurement leaders already see AI transforming their role, 28% have already implemented generative AI tools, and half of CPOs expect impact within 2-3 years.



The old approach of having a best-in-class sourcing tool that doesn't talk to your contract system?  
That's like having a Ferrari with no gas—impressive but not very useful.



Source: <https://www.zycus.com/solution/autonomous-negotiation-agents>

FROM THE FIELD:

"The companies seeing the biggest impact aren't just automating existing processes—they're reimagining what's possible when AI handles the routine so humans can focus on strategy."



— Chris Sawchuk, Principal and  
Procurement Advisory Practice Leader at

 The Hackett Group



# What Can You Do Today?



## Draw your process

Map your current process from request to payment



## Identify friction points

Mark where information gets lost, repeated, or manually transferred



## Find opportunities

These friction points are where both time and value leak out



## Prioritize connections

Focus on connecting these gaps first

By visualizing your entire process, you'll quickly identify the disconnects that are costing you time and money.



# Show Me the Money: Wins You Can Deliver in 90 Days

Let's face it – no one has patience for long transformation projects anymore. You need wins fast to build momentum and prove the value. Here's where smart procurement leaders are focusing for quick victories:

Find the Hidden Gold  
in Your Spend Data

Cut Sourcing Time in Half

Fix Your Broken  
Intake Process

AI Led Negotiations  
For Tactical Spend

## Find the Hidden Gold in Your Spend Data

Modern AI-powered spend analysis is like using a metal detector at the beach – it finds value buried just below the surface.

>> **The Real Impact:** Every additional 10% of spend you bring under management yields 6-12% in cost reductions. That's not consultant math – that's real money.

>> **Real-World Win:** John, a procurement manager at a manufacturing company, thought their regional offices were following preferred supplier agreements. Their new AI-driven spend analysis revealed \$3.2M in fragmented purchases that could be consolidated. Within 60 days, they negotiated a **12% cost reduction**. As John put it, "It was like finding money we didn't know we were losing."



## Cut Sourcing Time in Half (Yes, Really)

Remember when sourcing took forever? Between writing requirements, waiting for responses, endless back-and-forth with suppliers... it's procurement purgatory.

>> **The Real Impact:** Leading teams have cut sourcing time by 50% using AI to automate the boring parts – RFP setup, supplier communications, bid analysis. Plus, faster sourcing means you can run more events, capturing **\$1.3-3.1M** in extra savings per **\$150M** spend.

>> **Real-World Win:** Sarah's healthcare procurement team was drowning in RFPs, each taking 42 days on average. After implementing accelerated sourcing with AI templates and automated analysis, **cycle time dropped to 19 days.**

## Fix Your Broken Intake Process

Be honest – your intake process is probably a mess of emails, hallway conversations, and last-minute emergencies. It's causing delays and frustration on both sides.

**The Real Impact:** Leading organizations get **70%+ of requests through a guided intake portal**, eliminating the back-and-forth and ensuring nothing falls through the cracks.

**Real-World Win:** A financial services company was losing just getting requirements clear before sourcing could start. After implementing digital intake with AI-based routing, time from request to sourcing kickoff dropped from **14 days to just 3.**



**Weeks to  
Days**

## Let AI Handle Your Routine Negotiations

Some negotiations are strategic. Many are just time-consuming. What if AI could handle the routine ones, freeing your experts for the complex deals?

>> **The Real Impact:** Early adopters are closing deals 30% faster and getting an extra 2-3% savings by letting AI auto-counter quotes based on market data.

>> **Real-World Win:** "I was skeptical until I saw it in action," admits Carlos, a sourcing manager at a chemicals company. After implementing Zycus's AnA, his team went from managing 5 sourcing events per month to 25. "The bot handles all the repetitive negotiations while we focus on strategy. We're seeing better savings and my team isn't working weekends anymore."



# What Can You Do Today?

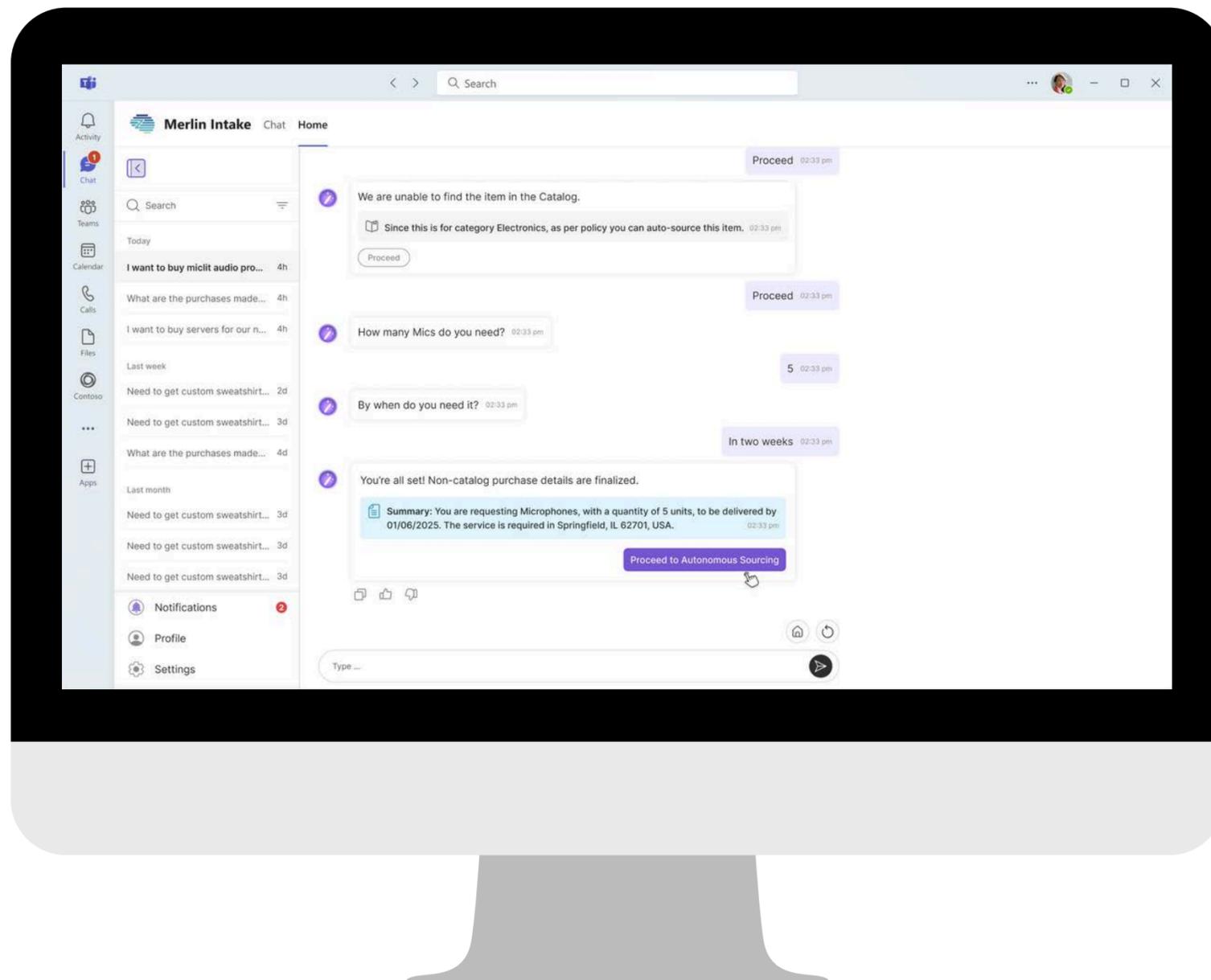


## Pick Your Quickest Win

Look at your categories and identify 3-5 that have high frequency but low complexity (think office supplies, not custom manufacturing). These are perfect for a quick **pilot of accelerated sourcing or AI negotiation.**

## Track Fastest Results

You'll see results quickly, which builds credibility for the bigger transformation. Build a larger case from initial pilot results and achievements. Get started with your journey of revamp.





INDUSTRY INSIGHT: McKinsey researchers emphasize that two long-plagued areas—contract compliance and spend leakage—represent a "major opportunity to boost the bottom line" when addressed with digital solutions.

## Contract Compliance and Value Realization

16%

Savings Leakage

90%

Best-in-class Compliance

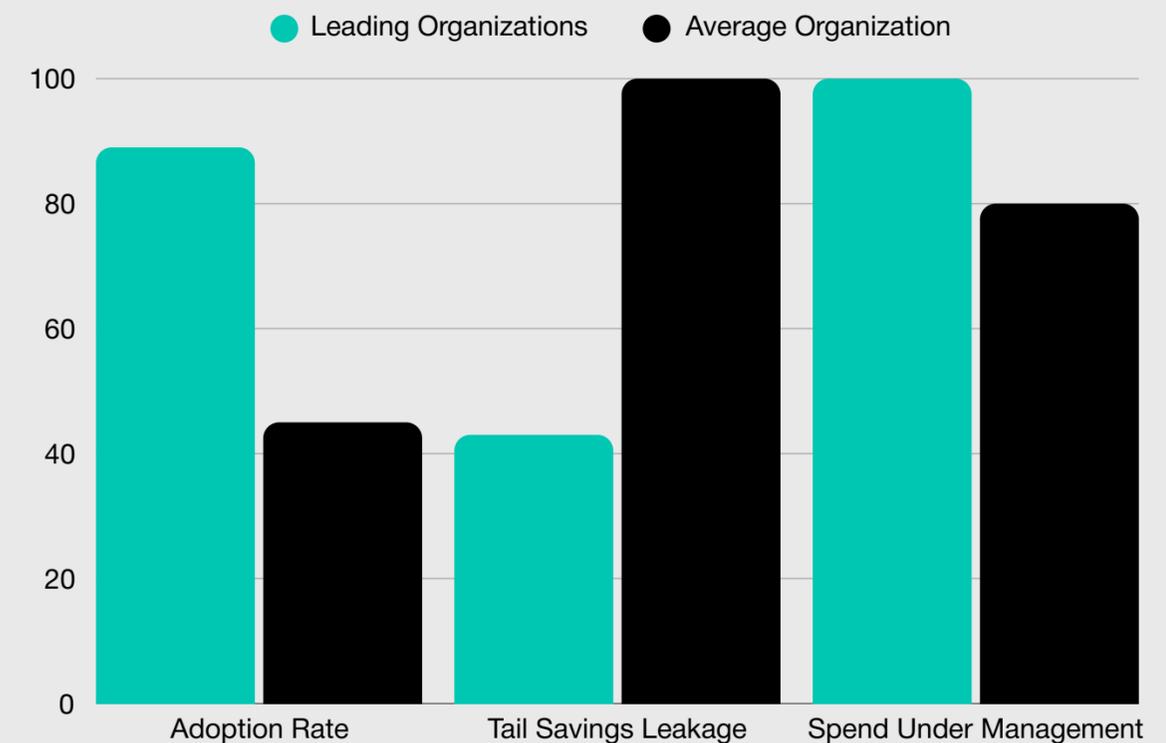
82%

Faster Approvals

### Key Statistics:

- Companies can lose up to 16% of negotiated savings through off-contract purchasing
- Best-in-class procurement teams drive contract compliance levels above 80-90% versus ~60% for average firms
- Doubling contract compliance (from ~60% to ~95%) can unlock an additional \$1.36 million in savings per \$150 million spending
- Contract approval times can drop by 82% (from ~22 days to 11.5 days) with AI-enabled CLM solutions

## Closed Loop Savings Tracking



- ~89% of leading organizations have adopted savings tracking tools
- Companies with end-to-end spend tracking have a 57% lower rate of savings leakage
- Organizations with closed-loop tracking see over 20% more spend under management



## Implementation Impact

A transformative benefit of an integrated suite is closing the gap between contracted value and realized value—addressing what analysts call "value leakage."

Guided buying and catalog integrations steer employees to approved items at negotiated rates, significantly reducing maverick spend and ensuring negotiated deals translate to actual P&L impact.

A challenge in procurement is tracking the savings lifecycle—from identified opportunity, through negotiation, to actual realized savings.

Robust tracking ties into both sourcing and P2P data, allowing procurement to monitor how much of the negotiated savings are actually realized in purchase orders and invoices. Integration with Finance's budgeting process ensures validated savings free up funds or count towards business unit targets.



### ACTIONABLE TAKEAWAY

>> **Establish Cross-Functional Governance:** Create a team with procurement, finance, and IT representatives

>> **Design Closed-Loop Tracking:** Link sourcing events to actual purchase transactions

>> **Create Simple Dashboard:** Show negotiated versus realized savings by business unit

By bringing together key stakeholders from different departments, you can ensure that your savings tracking system captures the complete picture from negotiation to realization.



# Beyond Cost Savings: Winning on Sustainability

Fact—cost savings will always be important. However, the most respected procurement organizations have expanded their impact far beyond just saving money. They're driving sustainability initiatives and creating experiences that make stakeholders actually want to work with procurement.

## Making Sustainability Real (Not Just Talk)

ESG is on everyone's agenda, but who's actually making it happen? Increasingly, it's procurement.

## The Shift Is Happening Now:

- Sustainability jumped to the #2 priority for CPOs (72% of respondents), just behind efficiency
- 85% of procurement teams now significantly influence their company's ESG strategy
- Leading procurement groups evaluate 100% of sourcing events against ESG criteria
- By 2027, half of all organizations will use AI-powered tools for incorporating ESG into supplier negotiations

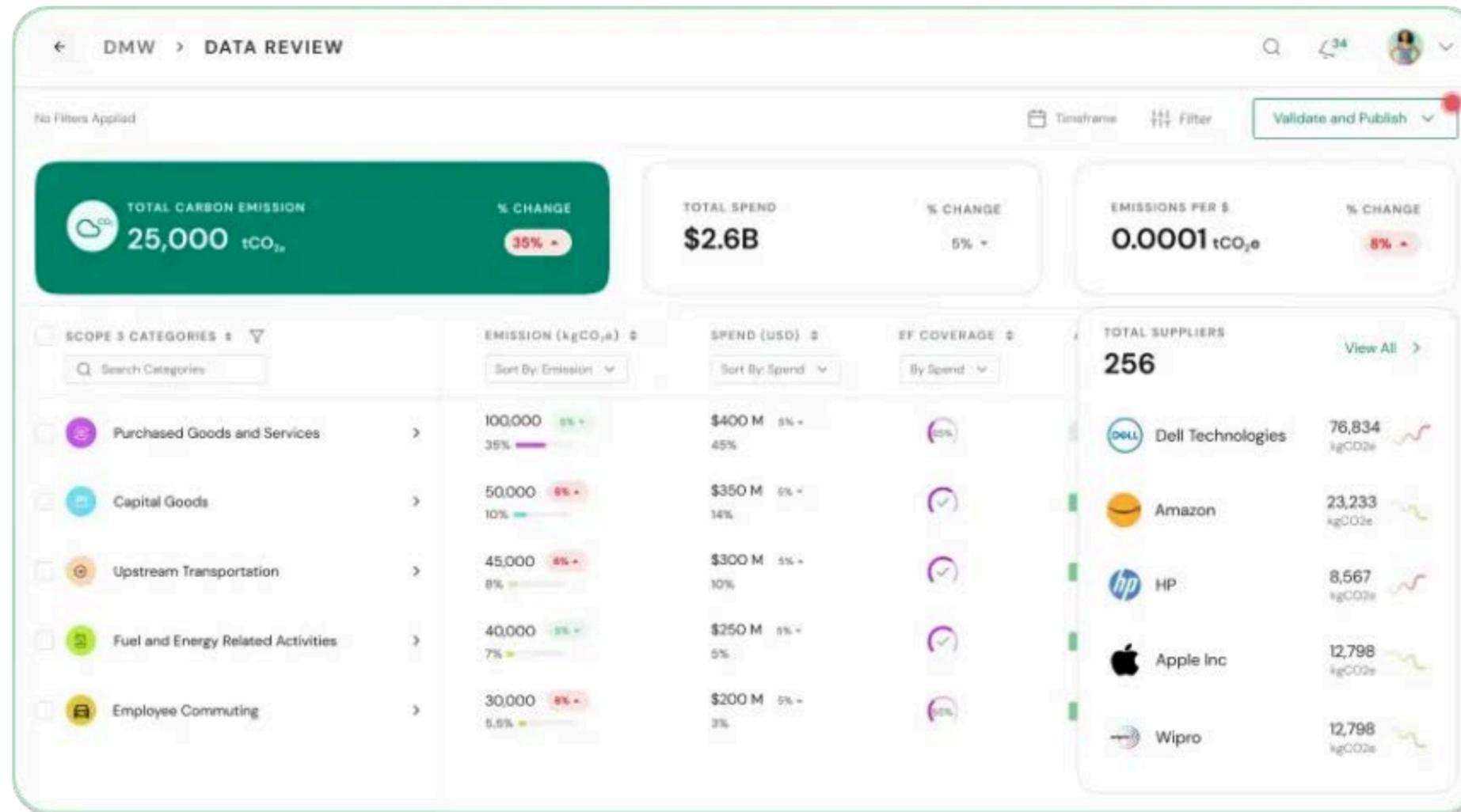
## LEADERSHIP PERSPECTIVE:

"ESG isn't some separate initiative—it's become a critical C-suite issue that procurement is uniquely positioned to address. The best CPOs are finding ways to balance cost, resilience, and sustainability in every decision."

— Deloitte Global CPO Survey, 2023



# What Can You Do Today?



Pick just one sustainability metric that matters to your business—carbon impact, supplier diversity, waste reduction—and start tracking it alongside traditional metrics in your sourcing process. Don't try to boil the ocean; begin with one measurable factor and show progress. Zycus source to pay software has features to help you with the same.



# Convincing Your CFO: The Numbers That Get Approved

Your finance teams and leadership doesn't care about fancy features. They want to know: **What's the ROI? How fast do we get our money back?** Here's the ammunition you need:





## Hard Dollar Savings

- Top procurement teams deliver **7% annual savings** on managed spend
- For \$500 million in spend, that's **\$35 million** straight to the bottom line
- **\$5.7 million in annual savings** for every \$150 million in addressable spend
- Contract compliance alone delivered **\$1.36M extra savings** on \$150M spend

## Timeline to Results

- Most companies see payback in **12-18 months (many in under a year)**
- **20% more** spend under management and 21% higher compliance quickly
- First 90 days: Quick wins from **spend visibility and basic compliance**
- Year 1: Substantial savings from better sourcing and contract usage

## Efficiency Story

- Leading procurement teams operate with **29% fewer staff** but deliver better results
- One client halved their supplier management team while improving performance
- Faster contracting (**11 days quicker**) means your legal team stops being a bottleneck

## Risk Angle

- Remember that supplier that went bankrupt without warning? That cost you millions
- You're losing **16% of negotiated savings** through non-compliance
- What if you could spot supplier problems before they become crises?



# What Can You Do Today?

Think about that. For most companies, this means the solution pays for itself many times over in the first year alone.



## Create your simple business case

Don't overcomplicate it. Start with your addressable spend, apply conservative improvement percentages (3-5% savings, 20% compliance improvement), and show the three-year impact.



## Run a pilot in one category

Prove it works in your environment before scaling. Finance respects this practical, show-me approach.



## Present realistic projections

Use conservative estimates and focus on hard dollar returns that will resonate with your finance team.



# Don't Get Left Behind: Your 30-Day Action Plan



Where does your team really spend its time? How much of your spend is truly managed? How compliant are your contracts?

Is it maverick spending? Poor contract compliance? Slow sourcing? Limited supplier options?

Choose a single high-impact area—maybe it's spend analysis or speeding up routine sourcing.

Begin with a focused pilot, but have a vision for how it expands.

This isn't just a procurement project—it affects your business partners too.



# References

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[Unlock Savings with Autonomous Negotiation Agents \(ANA\) - Zycus](#)

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[Harnessing Agentic AI in Source-to-Pay: A New Era of Procurement Efficiency](#)

[Procurement trends in 2024 and beyond | McKinsey](#)





Zycus, recognized by Gartner and Forrester as a leader in procurement technology, empowers teams to unlock deep value through its comprehensive Source-to-Pay (S2P) solutions. At the heart of our S2P solution is the Merlin AI Agentic Platform, which orchestrates intelligent AI agents to deliver simplified, efficient, and compliant processes.

The Merlin Intake Agent offers business users unparalleled ease of use, increasing adoption rates and significantly reducing non-compliant spending.

For procurement teams, Merlin Autonomous Negotiation Agent handles tail spend autonomously, securing additional savings, Merlin Contract Agent helps draft compliant contracts and reduces risks by actively monitoring them, and the Merlin AP Agent further enhances efficiency by automating invoice processing with exceptional speed and accuracy.

With the flexibility and autonomy of Merlin AI agents, teams can seamlessly guide workflows or delegate routine tasks for autonomous execution. Uncover the full depth of value and achieve procurement excellence with Zycus' AI-powered S2P solutions.

