



2019 Procurement Insight Report

Highlighting Trends and Innovative Spend Management Strategies For Today's Procurement Teams

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2019 | Featuring Insights On...

- » Current Procurement Trends in North America
- » The Evolving State of Procurement Culture, Identity, and Technology
- » Features of eProcurement Software Solutions
- » An Overview of a Leading Procurement Software Provider

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Executive Summary

The value of electronic procurement (eProcurement) software lies in its holistic embrace of the concerns of a highly valuable back-office department. In order to help a Chief Procurement Officer (CPO) make educated, forward-looking procurement decisions, eProcurement provides centralized purchasing activity, visibility into that activity, and the ability to dynamically analyze spend-related data. To enable the procurement manager to purchase high quality goods and services with low risk, eProcurement offers access to expansive and competitive online marketplaces, as well as tools for controlling company-wide purchasing in conjunction with policies, budgets, and supplier contracts. In order to address the procurement agent's need for efficient purchase order (PO) management, eProcurement offers automation and workflow for requisition approvals, PO creation and submission, and order lifecycle management. Overall, when organizations move from manual to automated procurement, they more fully become what they often seek to be for the company—a highly strategic and cost-saving operation.

Historically, not all organizations have been able to leverage the value of eProcurement software. Traditionally, eProcurement technology has been reserved for the enterprise market segment; this is largely due to the correlation between the volume of goods and services required by the organization and the need for automation. However, this difference is also related to the constrained resources of organizations in small and medium enterprise (SME) and middle market segments for eProcurement technology adoption paired with the limited affordable options available. There is also the factor of the independent cultures in some procurement departments that result in resistance to anything that may disrupt the current state and/or a belief that technology is not necessary.

However, these constraints and barriers are lessening as organizations' business and procurement goals are changing. Overall, the deep infiltration of technology in the front- and back-office, as well as shifts in global business models, markets, and strategies, are rewriting many of the rules of traditional business operations. This is leading to new trends in procurement teams, eProcurement technology, and eProcurement adoption.

This insight report explores the varying ways that procurement automation software is leveraged today in light of procurement teams' evolving roles and goals. Drawn from recent market research, including data collected from a



market-wide survey conducted in April 2019, Level Research finds these three notable trends:

- » **Procurement functions have shifted from basic supply management and overseeing transactional activity to more holistic and expansive participation within the business.** For example, procurement teams are increasingly required to procure more intangible and business critical products, such as contingent labor for IT functions, legal services, and investment-heavy technology systems. In effect, procurement leaders' goals have evolved from simply controlling spend to strategically executing procurement functions that support the business's financial and operational decisions, protect its bottom line, and mitigate risk to the company's competitive advantage. This shift is largely motivated by supply chains that are increasingly international, competitive markets operating under more volatile economic conditions and trade laws, and the relatively sharper focus on sustainability and ethical sourcing in order to maintain brand and legal security. Technology initiatives, largely driven from top-level and front-office members, are also changing the role of procurement.

- » **The procurement technology space is becoming much more diverse and innovative.** eProcurement technology providers are offering tools that enable more strategy, risk control, and supply-chain-centric management to align with the shifting values of procurement leaders. These providers are also embracing digital transformation strategies, such as enabling a holistic technical environment (e.g., creating a fully digital and collaborative Procure-to-Pay process via multi-network business platforms); delivering products that mirror consumer applications (e.g., eCommerce-style marketplaces for procuring goods and services); and leveraging emerging technologies (e.g., artificial intelligence to process POs and detect possible fraudulent spend, etc.). Acquisitions between different procurement and payables providers have increased the number of large-scale P2P platforms available, and an increasing network of partnerships between traditional procurement providers and supplementary / adjacent solutions and services (e.g., a supplier risk management provider) has broadened the net of procurement capabilities for providers' clients. In some cases, these partnerships and acquisitions enable well-established eProcurement



providers to compete in more niche markets that their size or even brand perception would otherwise prevent them from easily entering.

- » **Level Research expects increased adoption of eProcurement among smaller markets in the near term, enabled in part by the changes in providers' offerings and delivery models.** Overall, eProcurement adoption is being planned sooner by segments that have traditionally delayed adoption until they had the growth and resources to justify the need. One in four LMM organizations surveyed plan to adopt eProcurement software in the next 12 months, and 33% plan to adopt eProcurement software in the next 1-2 years. Enterprises on the other hand, were more likely than any other revenue segment to plan adoption in 5 years or more. In addition, 40% of SMEs report plans to buy a solution within the next 1-2 years (compared to only 19% of enterprises). These adoption plans by smaller organizations indicate the eProcurement tool is increasingly being implemented proactively rather than reactively, and is being viewed as a vital instrument to support growth.

This report examines the varying degrees of automation and efficiency among North American (primarily in the United States) organizations' procurement processes. It examines the changing role of the procurement function and eProcurement technology, and examines variances in the tools available for procurement processing. Procurement decision makers, CFOs, and buyers will particularly benefit from this report as it also provides a high-level summary of the features and functionality of leading procurement automation software products.



Current Procurement Trends in North America

Level Research surveyed over 350 respondents across North American organizations to examine current procurement trends. Additionally, Level Research drew insights from previous annual procurement survey data.

Current Procurement Process Trends and Metrics

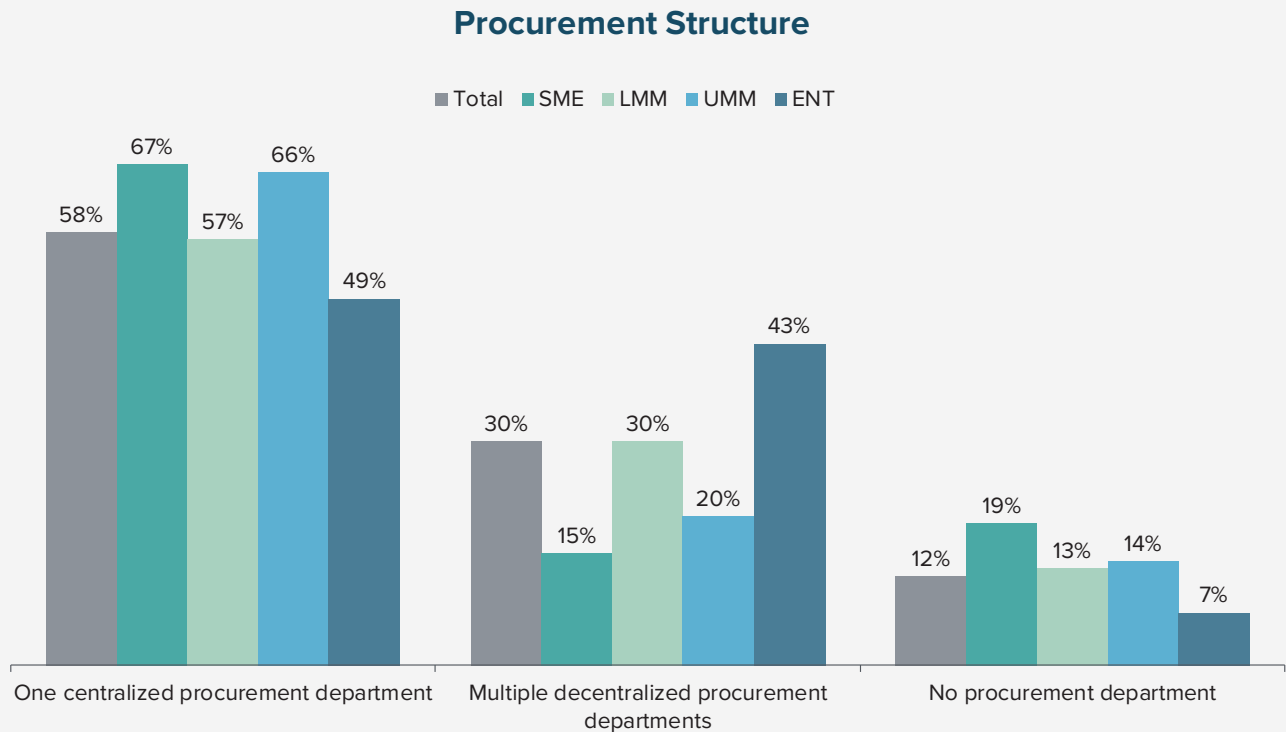
The ultimate goal of a procurement team is to purchase goods and services with the organization's bottom line and financial security in mind. This requires that they spend strategically, minimize uncontrolled purchases, and maintain full visibility into spend across all purchasing activity. Their methods and success in achieving this goal greatly depend on the current state of their procurement department.

One current state factor is the structure of procurement processes. Overall, organizations tend to have centralized procurement departments (see Figure 1). Decentralized procurement processes become more prevalent with increased size, most likely due to more widespread purchasing activity and disparate processes across a higher number of locations. Thus, enterprises¹ are more likely to be decentralized than other revenue segments. The upper middle market (UMM) is more likely to have a centralized procurement department than the lower middle market (LMM), which may be attributed to having additional room in their budgets for consolidating their procurement and implementing tools that support a single department. By contrast, small organizations are most likely to have no procurement department at all; SMEs with a procurement department, though, are more likely to be centralized than any other revenue segment. Both of these data points reflect SMEs' smaller scale of procurement responsibilities.

¹Level Research defines organizations with revenue greater than \$1 billion as enterprises, organizations with revenue between \$501 million and \$1 billion as upper middle market (UMM), organizations with revenue between \$51 million and \$500 million as lower middle market (LMM), and organizations with revenue between \$1 million and \$50 million as SMEs.



FIGURE 1



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Enterprises Report the Most Decentralized Procurement Departments

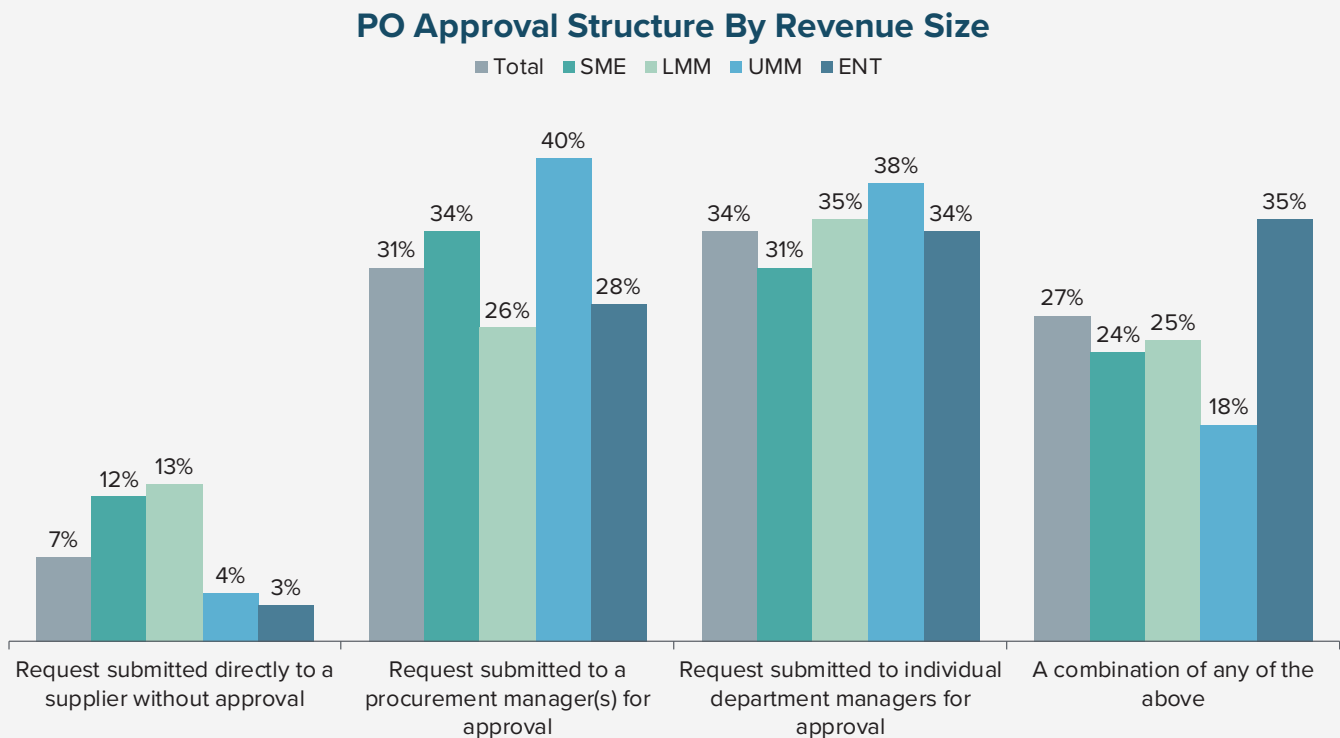
How would you best describe your organization's current procurement process structure? (Select one.) (n = 344)

Overall, centralized procurement processes enable a more transparent and controlled purchasing process, although decentralized procurement processes can be properly managed with the right tools (e.g., electronic procurement systems) and/or controls.



One effective control is the structure and enforcement of purchase order (PO) approvals. The structure of PO approval routing varies across several factors. Centralized departments are most likely to use a procurement manager, while organizations with multiple procurement departments are most likely to direct POs to managers in individual departments (see Figure 2). Enterprises use a combination of methods, which reflects the higher degree of variance in purchasing methods with their increased size and decentralized procurement.

FIGURE 2



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Centralized Procurement Departments Are Most Likely to Use a Procurement Manager

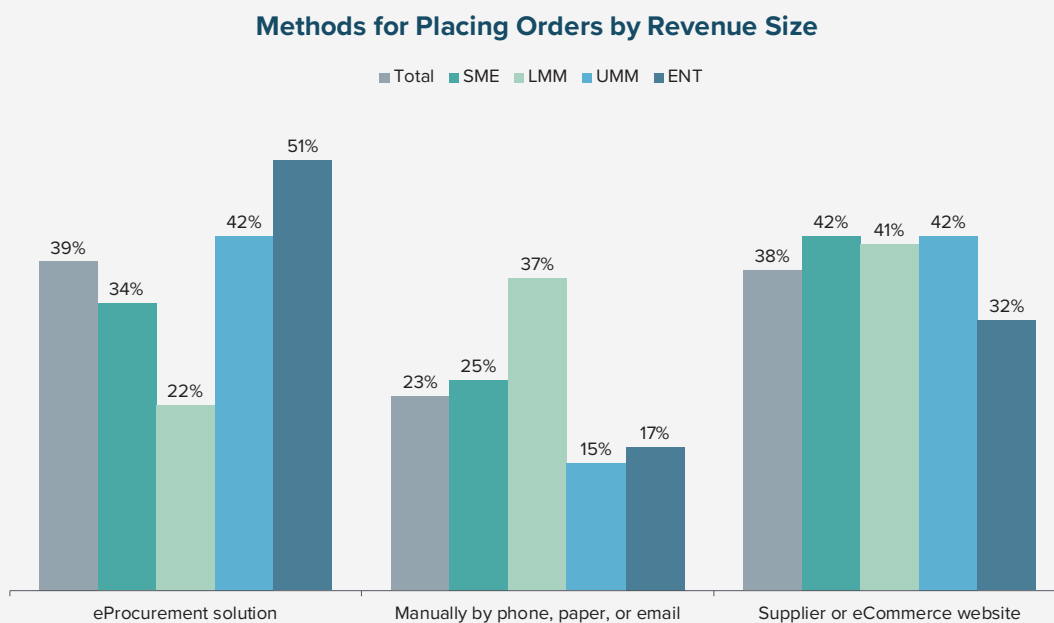
Which of the following best describes the typical internal approval process for purchase requests at your organization?
(Select one.) (n = 344)



The methods procurement teams use to place orders also affect the procurement process. According to Level Research survey data, a significant number of organizations use supplier or e-commerce websites, such as a vendor’s website or a marketplace like Amazon, to place orders (see Figure 3).

Generally, eProcurement adoption increases as companies grow. There is, however, a relatively high adoption rate of eProcurement among SMEs, while adoption dips for the LMM. When analyzing the data, Level Research found that the majority of these SMEs (73%) are using procurement tools built into their accounting tools or ERPs, which are tailored for small operations. When these SMEs enter the LMM, they become more likely to place orders manually, putatively due to the realities of scaling. For example, as these organizations experience an increase in front- and back-office activity, they may find that their standard purchasing methods (e.g., ordering office supplies directly from Amazon) are inadequate for both maintaining control over spend and meeting indirect goods and services demands. To regain some control, LMM organizations might restrict purchasing to a few individual members and a few suppliers. While building broader supplier lists and implementing spend policy controls, they might conduct mostly processes like emailing suppliers—at least until they are able to invest in an eProcurement solution that automates many of these functions.

FIGURE 3



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Majority of Organizations Place Orders Through Supplier or E-Commerce Websites

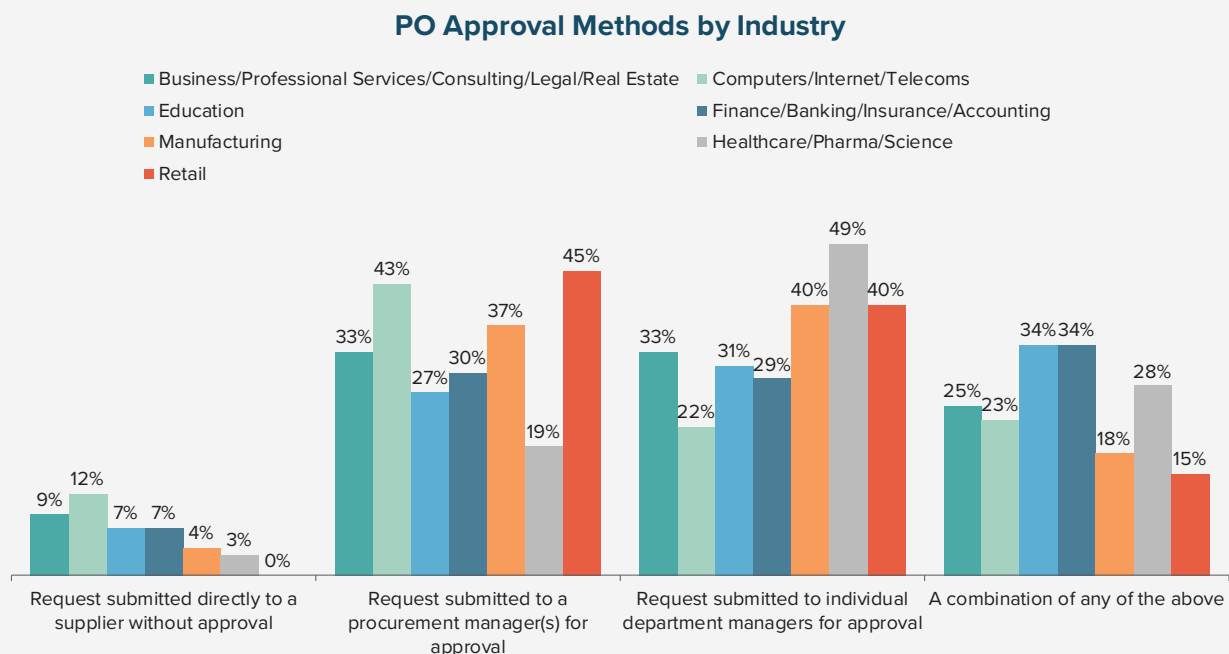
How does your organization typically place the majority of its orders with suppliers? (Select one.) (n = 337)



Enterprises are more likely to use an eProcurement solution than any other segment, and eProcurement is also their most common method of placing orders, on par with directly ordering through e-commerce platforms. Larger organizations must complete more purchasing, and the process of scaling will have caused them to address procurement inefficiencies. Larger organizations also require the increased visibility and risk management features eProcurement solutions offer. These organizations are more likely to face reputational risk and legal ramifications if purchasing from vendors that are engaged in illegal, environmentally harmful, or otherwise pernicious activities.

The healthcare industry is most likely to have individual department managers approve purchases (see Figure 4). This may be due to the specialized nature of each department (e.g., practice within a hospital, type of care within a facility, field of research, etc.). Technology companies are most likely to have a dedicated procurement manager approving POs, which reflects their often-centralized procurement processes. Even though retail organizations often have decentralized procurement, they also often have a dedicated procurement manager, which speaks to the high amount of purchasing activity they conduct and the importance of control in this process.

FIGURE 4



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Healthcare Organizations Are Most Likely to Require Individual Department Manager Approval

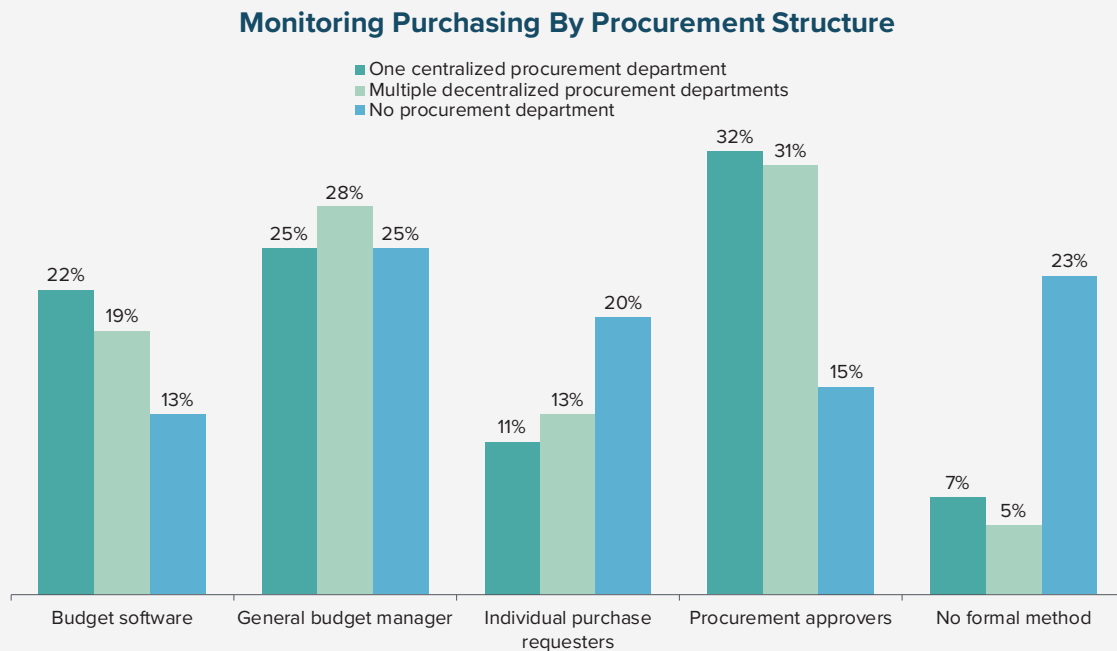
Which of the following best describes the typical internal approval process for purchase requests at your organization? (Select one.) (n = 257)



Whether an organization’s procurement department is centralized, decentralized, formal, or informal, some purchasing will still take place outside of the typical procurement process or will be conducted by non-procurement department staff. In order to control costs, organizations often try to monitor non-procurement department purchasing against budgets.

The most common forms of monitoring non-procurement purchasing are designated procurement approvers and general budget managers (see Figure 5). About 20% of the market uses budget software that automates spend monitoring. Organizations with procurement departments usually have a process in place to monitor spend activity, while those without a procurement department lack a formal method of doing so. SMEs are more likely to have no formal method for monitoring spend, which aligns with the finding that they are least likely to have a procurement department.

FIGURE 5



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Procurement Approvers Are the Most Common Form of Non-Procurement Purchase Monitoring

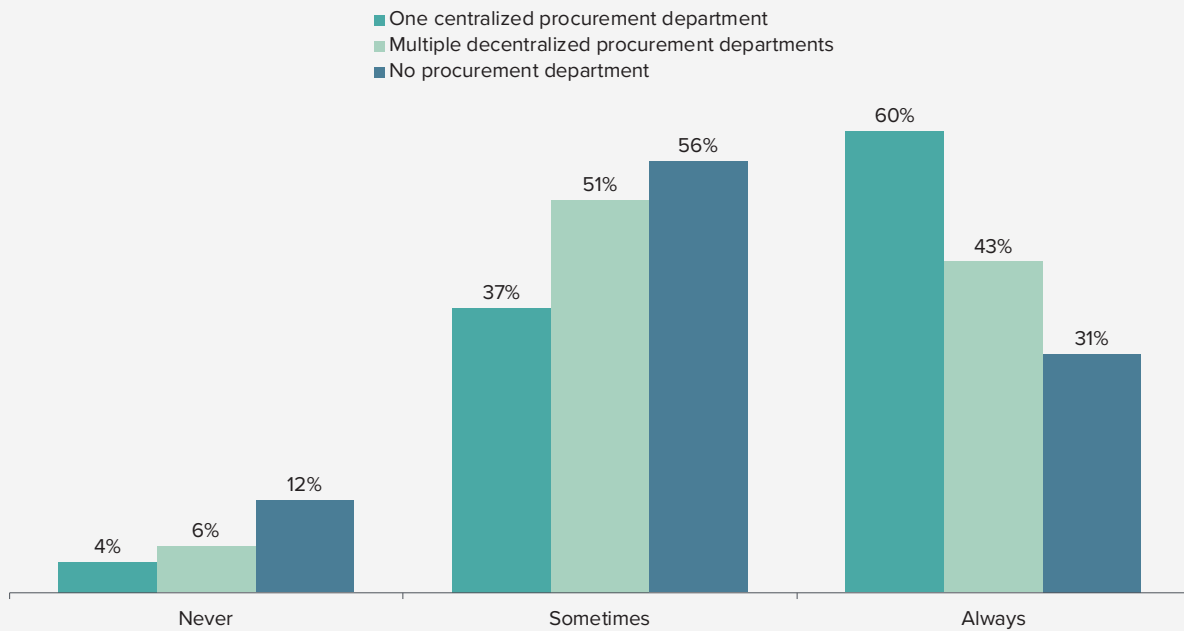
Which of the following best describes the method your organization most typically uses to monitor purchases against non-procurement budgets? (Select one.) (n = 344)



Another method of controlling costs is to verify that POs are created against existing, pre-negotiated supplier contracts, rather than from a one-off supplier’s website or other non-approved channel (this is considered “maverick spend”). Organizations with centralized procurement are much more likely to always cross-check POs against contracts in order to control maverick spend (see Figure 6). This is a much easier task when all information and personnel are consolidated into one department. Those without a designated procurement team are most likely to never cross-check POs against contracts, which leads to an elevated risk of error or noncompliance. Organizations with decentralized procurement are most likely to fall in the middle, only checking POs against contracts some of the time.

FIGURE 6

Checking POs Against Contracts by Structure



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Organizations with Centralized Procurement Most Likely to Check for Maverick Spend

Overall, would you say your organization checks requisitions or POs against supplier contracts... (Select one.) (n = 344)



Organizations with an eProcurement tool estimate that 64% (the reported mean) of their spend is actually captured in the solution. Level Research believes this percentage indicates the benefit of implementing an eProcurement tool within an organization. As solutions incorporate more advanced features and emerging technologies, the average amount of captured spend should increase.

Approval times for POs average two to four days across organization sizes and industries. This is a general expectation for organizations that need to complete purchasing, regardless of their procurement department structure or use of an eProcurement tool. However, disjointed systems and lack of automation leads to higher rates of error, as well as other pain points that can slow approval times and decrease department efficiency.

From high paper volume to high maverick spend, the challenges in today's procurement processes are ubiquitous and varied. As with other patterns, an indicator of pain points is an organization's revenue size (see Figure 7). Enterprises reported that inconsistent procurement processes, lack of visibility into spend, and disjointed systems were their biggest pain points. These are due to their more complex processes, problems with internal user adoption, and, as Level Research survey data indicated, their decentralized procurement.

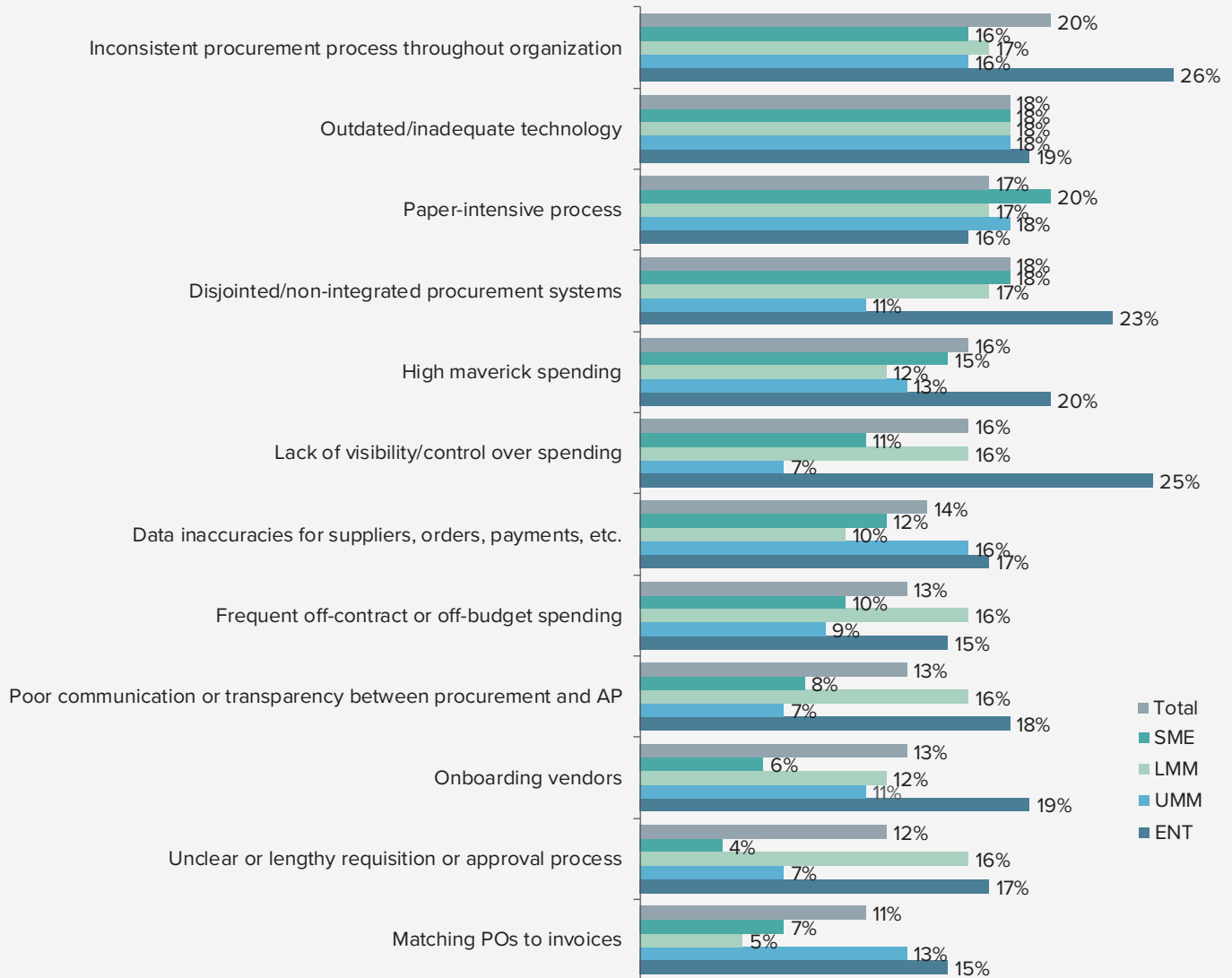
SMEs, on the other hand, listed paper as their top pain point. Smaller-scale businesses often use manual methods with analog PO formats and other forms. As they scale to the LMM, organizations still struggle with a paper-intensive process, but also note inadequate technology and inconsistent, disjointed systems as major problems. This is because as they grow, LMM often do not strategically improve their procurement processes, and their existing structure cannot support the new influx of POs and purchasing activity.

The paper problem is even more of a challenge for the UMM, along with issues with outdated technology and disjointed systems, despite their higher usage of a centralized procurement department. This may be attributed to problems as they outgrow their older processes without implementing an eProcurement tool. It may also be a result of the fact that UMM organizations have higher PO volume—and therefore higher paper volume—than smaller companies.



FIGURE 7

Procurement Pain Points



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Procurement Pain Points Vary by Organization Size

When thinking about the level of collaboration between your organization's procurement and finance departments, how challenging or difficult is each of the following? Please rate each on a scale of 1 to 5 where 1 is "Not at all challenging or difficult" and 5 is "Extremely challenging or difficult." (Selected 4 or 5) (n = 346)

Perspectives on procurement pain points differ based on respondents' roles within the organization. Higher-level members, including CEOs and upper management, report high maverick spend, inconsistent procurement, and high paper volume as the most pressing pain points; higher-level members are most

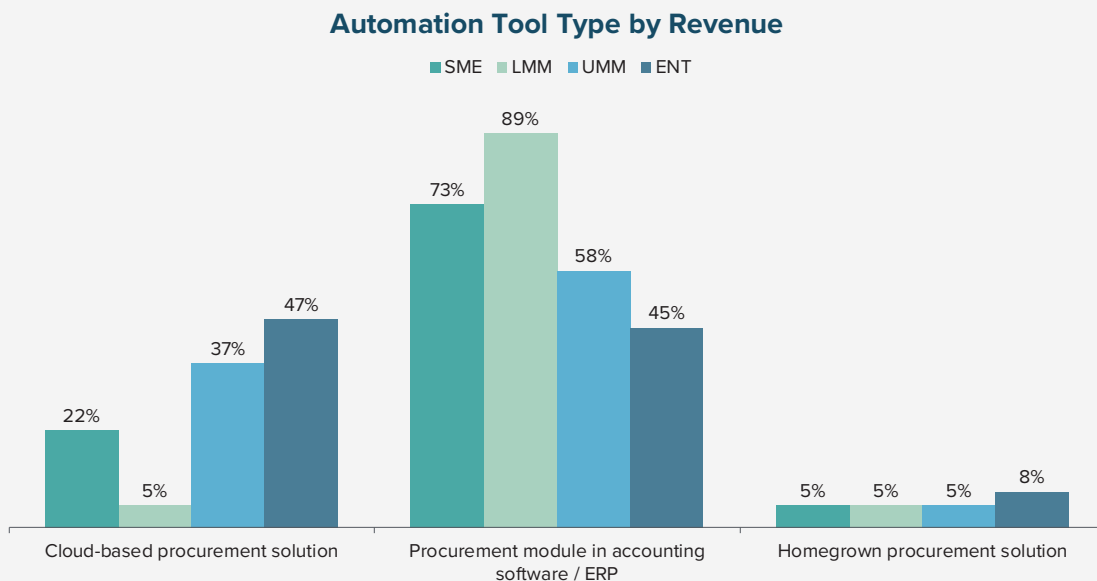


concerned with the overall financial health of the company, and maverick spend affects their strategic decisions. These pain points align closely with those of staff directly involved in procurement, who report inconsistent procurement processes and high paper volume as their greatest pain points. Middle management, however, who may have the most demanding needs in terms of directly managing procurement, report disjointed systems and outdated technology as their greatest challenges.

Technology Usage

The most commonly adopted automation tool is a procurement module that is included in an ERP or accounting software (see Figure 8). Organizations are more likely to utilize a tool that is already available in an existing system, even if it lacks in features or capacity. Accounting systems and ERPs that offer procurement modules assert their importance by claiming stakes in multiple business functions; incorporating procurement is a logical next step. This is especially true for the LMM, which prioritizes maximizing tactical functionality within their current state rather than initiating change, which can deplete resources. These factors are often compounded in LMM organizations, which may have only recently fully implemented and rolled out the ERP itself. ERP-based tools also minimize training necessary for employees who are already familiar with the system, and thus encourage user adoption.

FIGURE 8



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Procurement Module is the Most Commonly Adopted Automation Tool

Which automated procurement solution does your organization primarily use? (n = 132)



Overall adoption of cloud-based eProcurement is 35%. Enterprises have the highest cloud-based solution adoption rate, at 47%; this is likely because of their greater available resources with which to invest and their drive to implement automation due to their high purchasing activity. This high purchasing activity also allows enterprises to achieve economies of scale more easily than their smaller-scale counterparts.

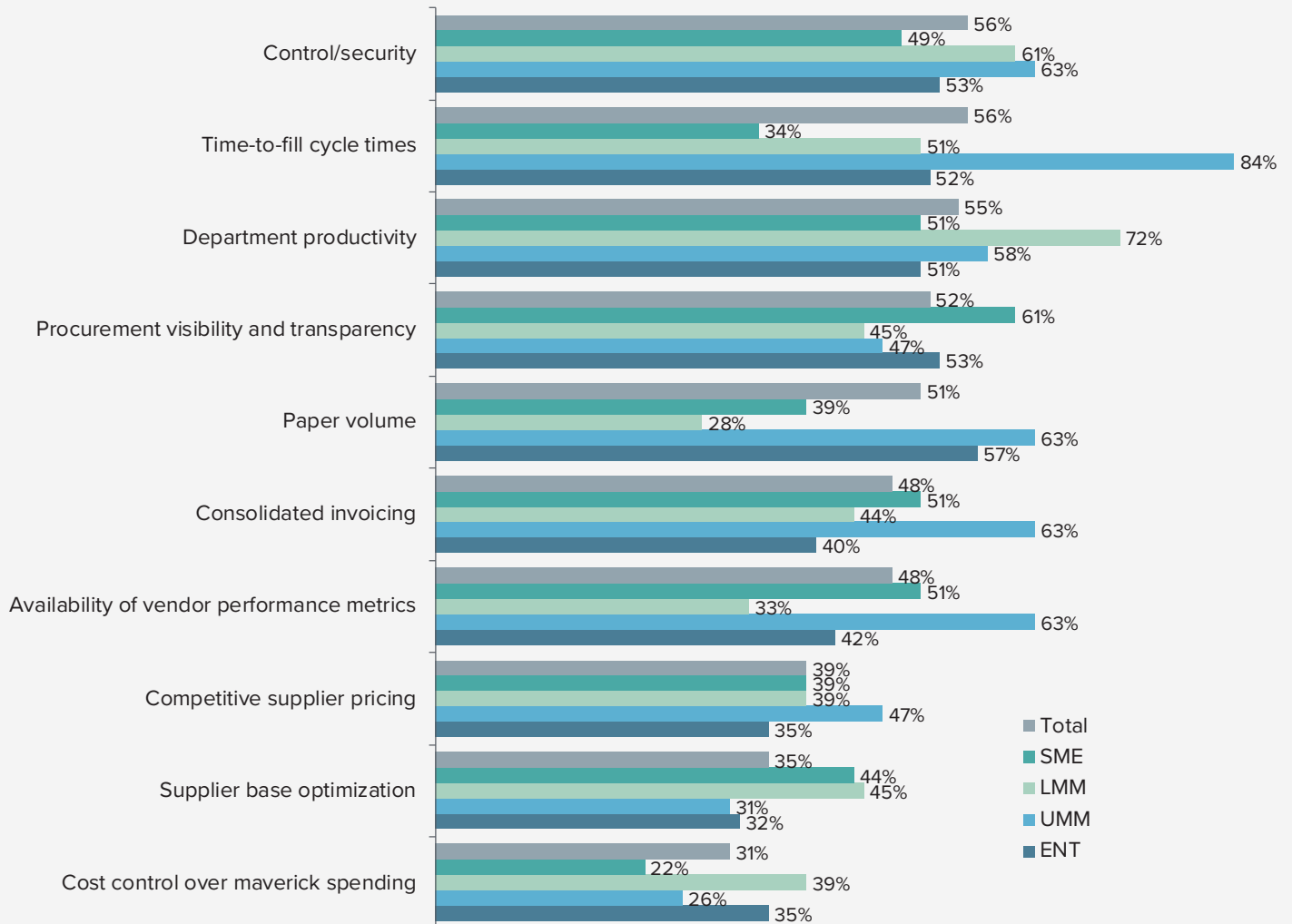
Enterprises are slightly more likely than other segments to have a homegrown solution; Level Research believes that enterprises have more internal IT resources to build and support this option. However, there is still low overall usage of homegrown solutions, at only about 5%. Even in AP, only 7% of organizations adopt homegrown automated payables solutions (see [Level Research's 2019 Payables Report](#)). This indisposition toward homegrown tools speaks to how expensive the creation and maintenance of the systems are.



Organizations that implement an eProcurement solution report several improvements (see Figure 9). Enterprises cite a reduction in paper volume as their greatest improvement, which indicates high-supplier-count organizations that have turned from their paper-based state to automation.

FIGURE 9

Improvements from Automation



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Department Productivity Cited as the Greatest Improvement from an eProcurement Solution

How has each of the following improved with your organization's automated procurement solution vs prior manual procurement processes? (Selected "Great Improvement") (n = 132)



The UMM heavily noted an improvement in time-to-fill cycle times; the UMM's amount of spend and number of suppliers would result in a drastic improvement in cycle times after implementing automation. While LMM and SME organizations have fewer requisitions to process and do not have extended cycle times to begin with, and enterprises may have an overwhelming amount of requisitions that a limited solution can only help to a certain extent, UMM businesses have a large but manageable volume that an eProcurement solution can process efficiently.

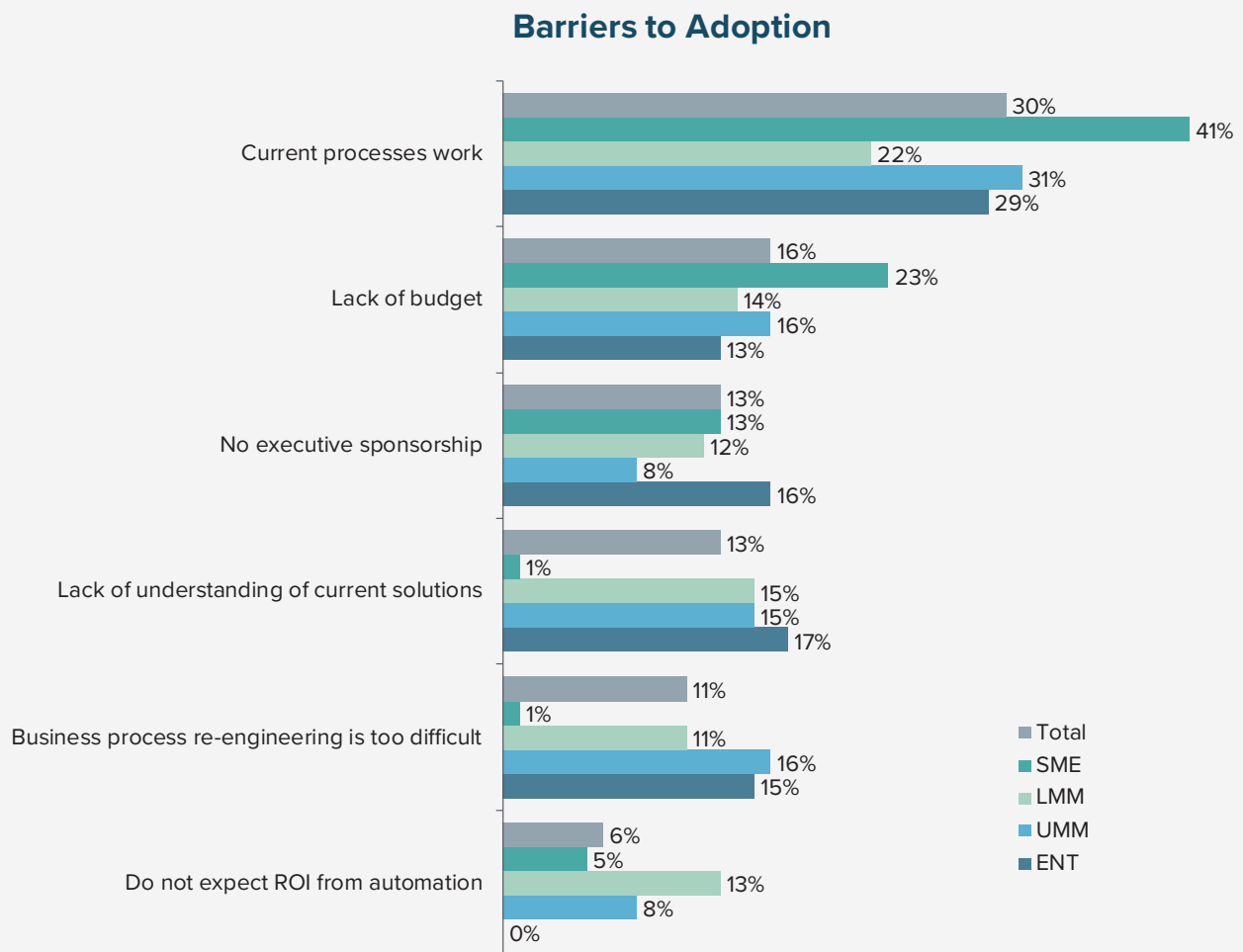
The LMM noted department productivity as their most significant improvement, as smaller-scale organizations with small procurement teams no longer need to expend time and resources on tactical issues, such as PO matching or requisition approvals, which worsened as they scaled from being an SME and the volume of these documents rose.

SMEs saw their greatest improvements in procurement visibility and transparency, which may have been completely nonexistent prior to an eProcurement solution implementation.



When evaluative barriers prevent organizations from adopting an eProcurement solution, it is generally because the organizations believe that their current processes work and that there is no need to shift their status quo with a new system (see Figure 10). SMEs, in particular, responded with the belief that current processes work because they see that their existing processes, which may be manual and inefficient, are sufficient to address their current purchasing requirements. This rationale immediately disappears as organizations scale; LMM organizations are least likely to believe that their current processes work, usually because their initial procurement methods cannot accommodate a growing amount of purchasing and increasing number of suppliers. UMM and enterprise organizations are more likely to have some type of automation in place, which may have brought their operations to a level that is sustainable—but not ideal.

FIGURE 10



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Current Process Working Cited as Greatest Barrier to eProcurement Solution

What is the main reason your organization does not currently use an automated procurement solution? (Select one.)
(n = 207)

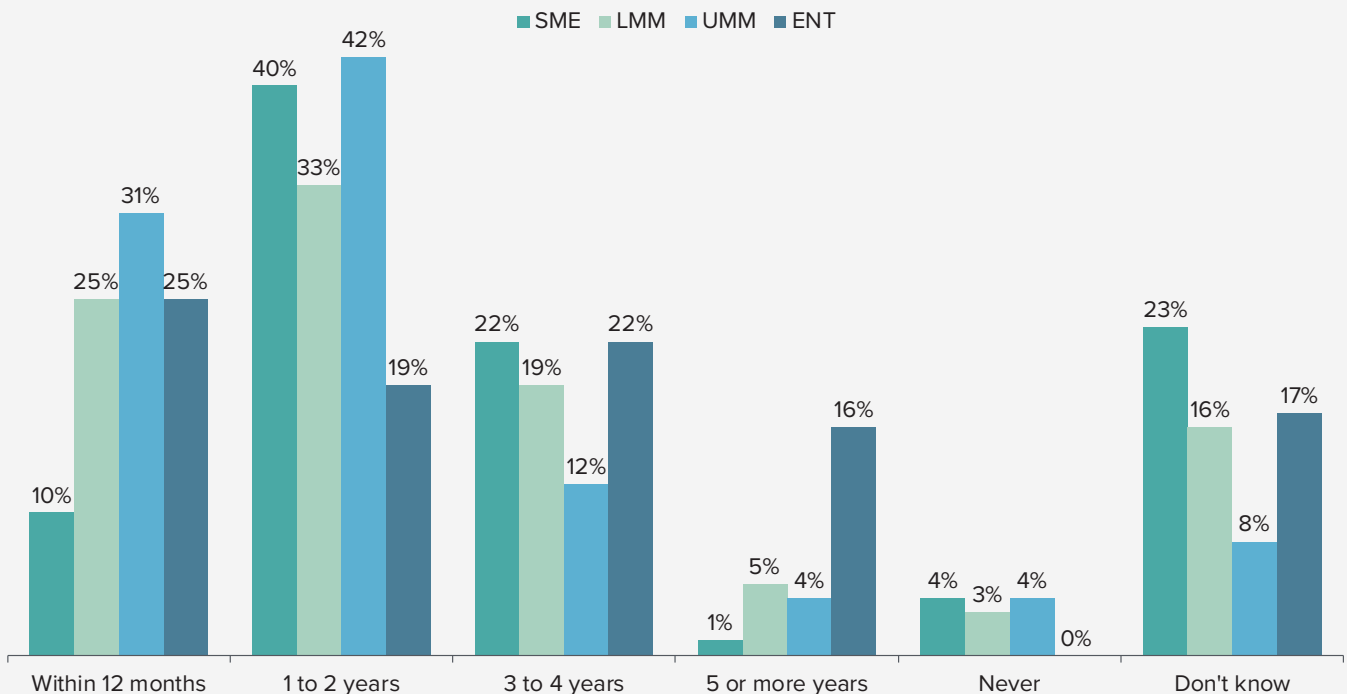


Across organization sizes, procurement’s independent and strategic position within the back office plays some part in adoption resistance. Procurement departments often have tight-knit cultures that create a silo effect, and their key stakeholders can be protective over team members and processes. These stakeholders are resistant to tools that will disrupt their current state and loosen their control over spend and process.

Despite these barriers, many organizations plan to implement a cloud-based solution in the near future. The expected implementation timeline of a cloud-based eProcurement solution falls within the next six years for most organizations (see Figure 11). The UMM is likely to implement their solution the soonest, with 73% reporting that they plan to do so within the next two years. LMM and SME organizations leaned toward imminent implementation timelines as well—concentrated on one to two years—although their estimates, along with enterprises’, were distributed across all time segments.

FIGURE 11

Expected eProcurement Implementation Timeline



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Most Organizations Plan to Implement eProcurement within Five Years

When do you estimate your organization will adopt an automated procurement solution? (Select one.) (n = 207)



Enterprises that do not already have an eProcurement solution in place may see benefits from implementation, but may also find it more challenging to gain executive sponsorship and make changes across a large company that has its own legacy systems and processes. These enterprise-specific hurdles make enterprises the most likely market segment to have an implementation timeline of five or more years, at 16%.



The Evolving State of Procurement Culture, Identity, and Technology

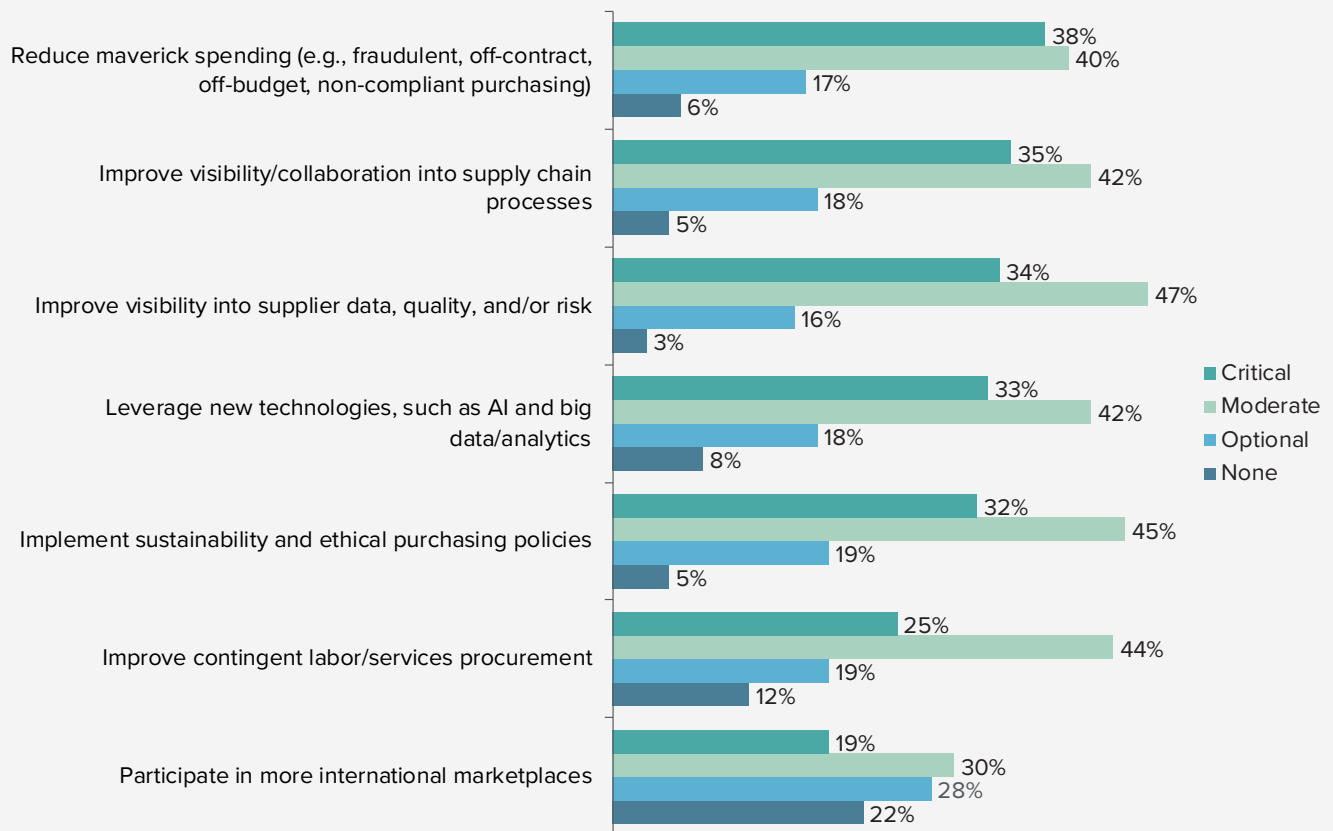
The relationship between procurement and technology is largely determined by the role procurement plays within the rest of the company, as well as how the company views this role. Although procurement's place is never fixed—it naturally shifts in importance, function, and operation as a company grows—for the majority of organizations, procurement operates as a strategic arm within a tactical back office. Many procurement departments see themselves as crucial to ensuring financial stability for their company by maintaining competitive and controlled purchasing, strong supplier relationships, and low maverick spend.



Figure 12 shows procurement initiatives that organizations are prioritizing over the next year. While maverick spend is the most likely initiative to be reported as a critical priority, broader goals related to global business operations (including supply chain visibility and sustainability/ethical processes), risk management, and leveraging new technology are listed as critical or moderate priorities for many organizations.

FIGURE 12

Procurement Initiatives (By Priority)



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

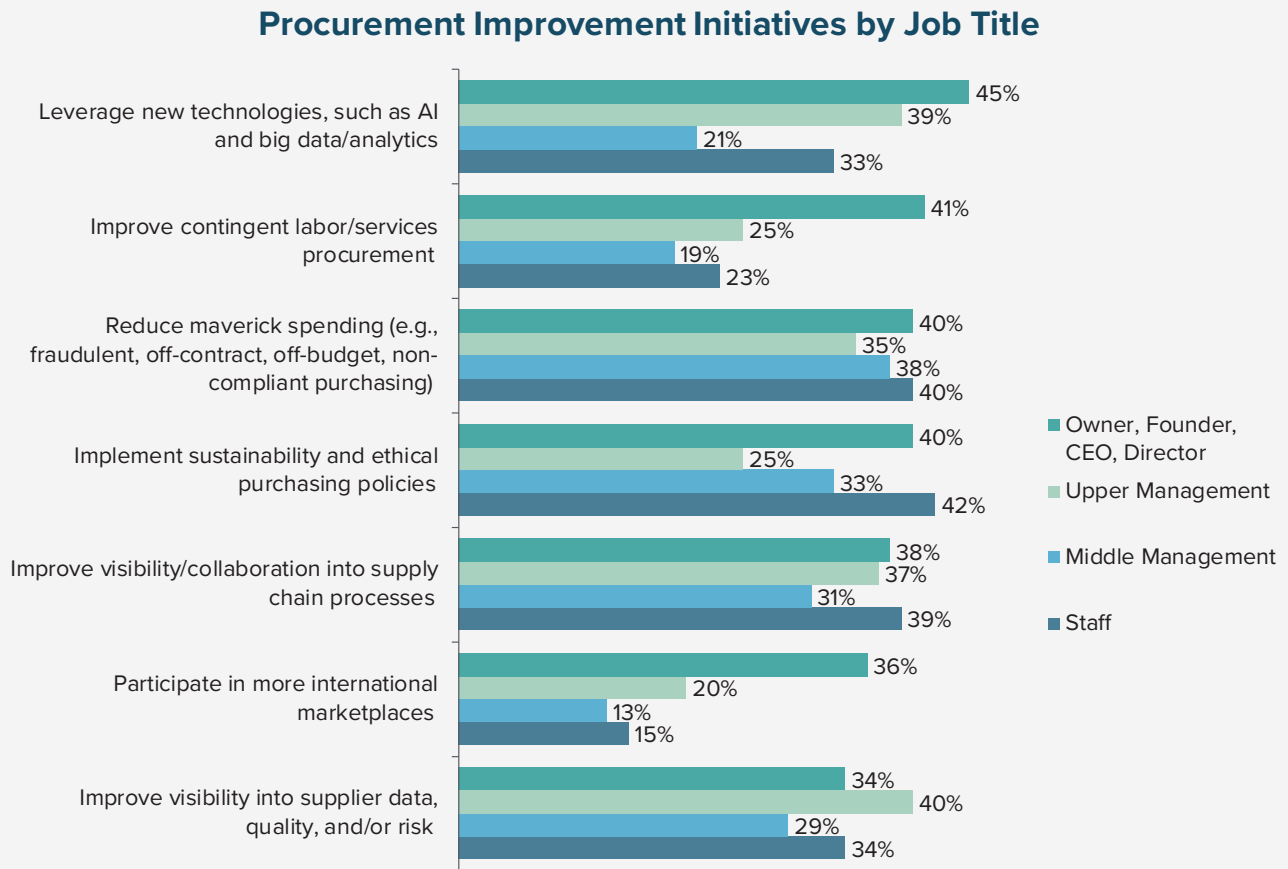
Maverick Spend Is the Most Critical Procurement Initiative

How is your organization prioritizing each of the following initiatives for procurement over the next 12 months? Please indicate the priority level for each potential initiative. (n = 346)



Some of these more strategic goals are also more likely to be listed as critical by driving stakeholders and decision-makers in the organizations surveyed. While respondents at the staff and middle management levels were largely interested in more tactical initiatives such as reducing maverick spend, respondents at the owner, founder, CEO, or director level reported that the strategic initiatives of engaging in international business and leveraging new technologies were two of their highest priorities (see Figure 13).

FIGURE 13



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Leveraging New Technologies Is the Highest Priority for Executives

How is your organization prioritizing each of the following initiatives for procurement over the next 12 months? (Selected "Critical") & Which title best applies to your position in the company? (n = 346)



In recent years, external factors including increases in globalization, the diversity and competitiveness of business environments, and the necessity of technology for business success have changed the role of procurement across organizations. Level Research asserts that these shifts have caused procurement teams' goals to broaden and evolve. Instead of solely focusing on managing internal spend and purchasing processes, procurement stakeholders are now taking into account various global and technological factors that were not critical concerns to procurement teams of a few decades ago. The following items explore how these external factors are transforming procurement today.

Globalization and the Supply Chain

Expanding international business has changed many of the processes and rules the back office must follow in order to source and procure goods at competitive prices and in accordance with regulatory requirements. As organizations interact with suppliers in an increasing number of international markets, they must manage a complex set of information in order to stay financially and legally compliant—and these compliance requirements vary substantially across regions. Therefore, while a wider supply chain can help organizations save money through more competitive sourcing, it also opens them up to greater risk.

The more suppliers an organization has, the more likely they are to work with international suppliers (see Figure 14), which means that larger companies and companies in certain industries, such as retail and manufacturing, are likely to have a higher exposure to the challenges of global business. Among North American organizations surveyed, Europe is the most common region in which organizations have international suppliers, followed by Asia and Latin America. Across countries in these areas, North American companies must consider the variances in business cultures; technology environments (e.g., highly automated regions vs. those with primitive technology); tax requirements (e.g., VAT systems and/or government-mandated electronic B2B documentation); and economic stability when engaging with suppliers and sourcing goods and services. There are also varying requirements to consider around conducting due diligence with suppliers. For example, certain regions are more likely than others to have terrorism concerns, money laundering, human trafficking, unethical work environments, or environmentally unfriendly practices.



FIGURE 14

Suppliers Outside the US by Supplier Count



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Percentage of International Suppliers Increases with Supplier Count

What percentage of your organization's suppliers are based outside the US? (Select one.) (n = 322)



Globalization and the number of suppliers, both domestic and international, also affects supplier management goals. Figure 15 shows respondents' primary goal in supplier management is to increase supply chain efficiency. When analyzing the data, Levvel Research found that organizations with fewer suppliers are more interested in transparency and communication, as well as improving response times, while those with more suppliers are concerned with strategic improvements such as addressing compliance and mitigating risk—goals that have more significant consequences in international contexts.

FIGURE 15



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Increasing Supply Chain Efficiency Is the Primary Supplier Management Goal

What would you say are your organization's primary goals in managing its suppliers? (Select up to 3.) (n = 346)



The idea of strong supply chain management is becoming more important to organizations on a holistic level. Whereas supply chain operations have traditionally been managed in large part by logistics teams and have involved processes and tools associated with and designed for direct spend management, supply chain management is being adopted as a broader goal throughout the procurement team. This is mostly seen around supplier management and based on ideas such as “knowing a supplier’s supplier”; its value is also illustrated in terms of long-term cost control, brand security, ethical purchasing practices, and risk mitigation.

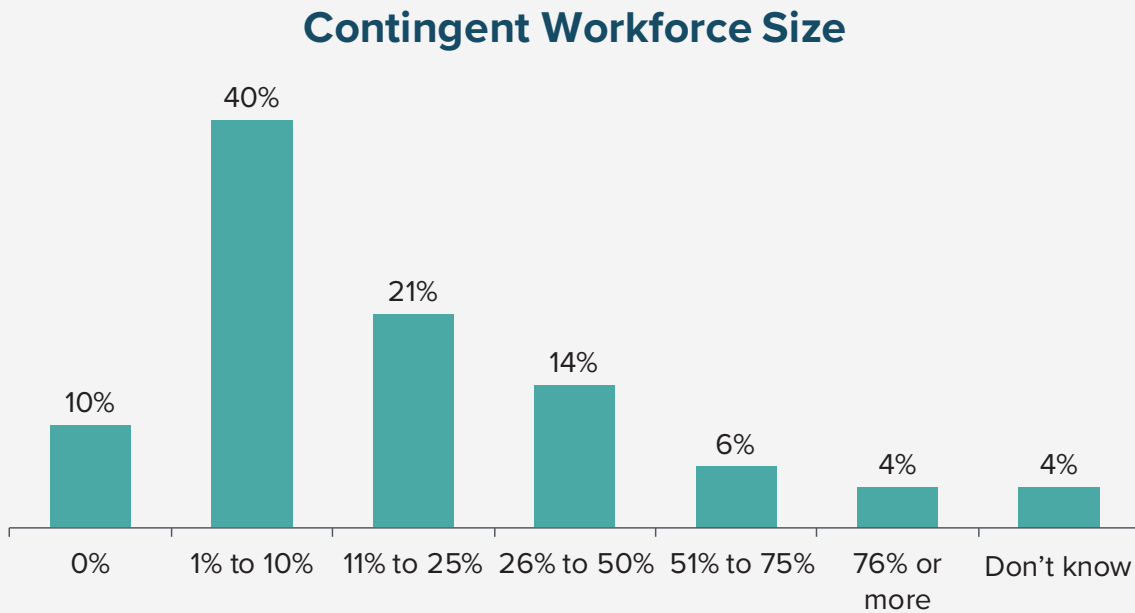
The shift towards supply chain management is being reflected in eProcurement technology platforms and software vendor messaging. eProcurement providers that may have initially focused on promoting their PO lifecycle management features or punch-out catalog capabilities are now pushing features and tools that enable “supply chain visibility” and management. However, these providers mostly offer systems for indirect procurement management, and their step towards broader functions typically handled by direct spend management tools have been either tentative or non-specific thus far. The clearest examples of features that enable supply chain management for indirect procurement to date are expanded supplier risk management and communication tools, often offered via partnerships.



Contingent Labor Procurement

Another shift in the procurement space is in the area of contingent labor. As seen in Figure 13, improving contingent labor is a critical priority for a quarter of respondents and a moderate priority for nearly half; and as seen in Figure 14, it is particularly important to key stakeholders. This is because as globalization increases business with international suppliers, procurement teams are increasingly sourcing temporary staffing in regions with more economical labor rates. One large driver for this is the rising need for technology roles among organizations, with many organizations outsourcing certain IT processes to countries in South America, Eastern Europe, and the Asia-Pacific region. Figure 16 shows the current allocation of contingent staff among respondents' workforces.

FIGURE 16



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Majority of Organizations Use a Vendor Management System to Procure Contingent Labor

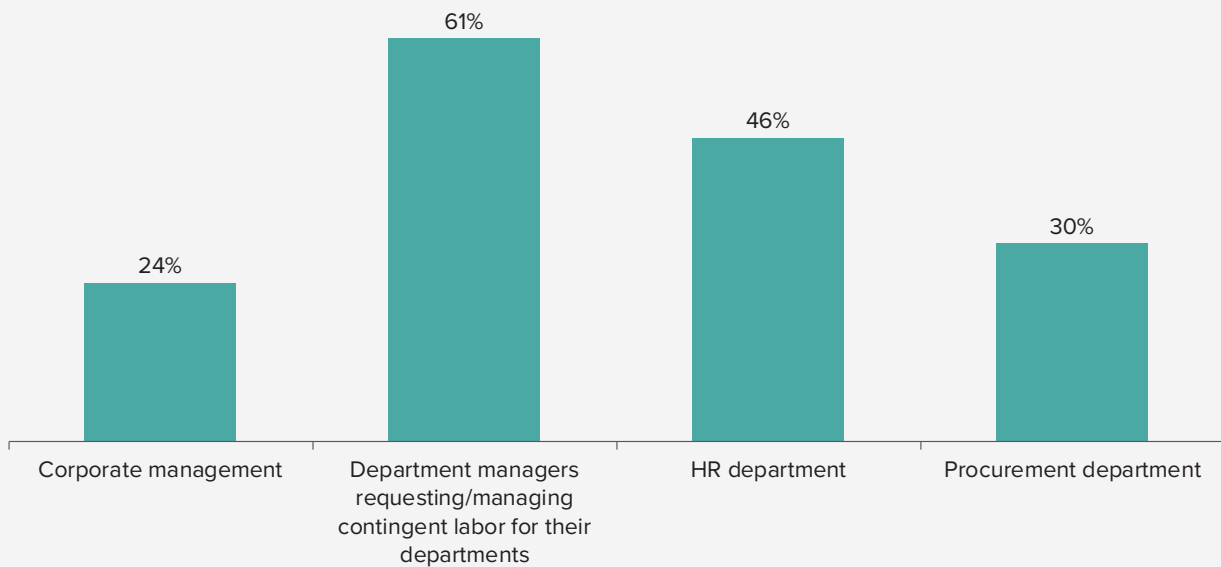
Which of the following describes your organization's typical process or method for procuring contingent labor? (Select one.)
(n = 295)



While sourcing and managing contingent staff is typically spread out across different systems and teams depending on the type of labor being sourced, some companies do depend on their procurement departments to source and/or manage contingent services (see Figure 17). This means that these departments are doing more than negotiating strategic contracts for office equipment; they are being held responsible for sourcing a key operational element of their business.

FIGURE 17

Contingent Labor Procurement/Management Responsibility



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

More Than One-Third of Procurement Departments Are Responsible for Contingent Labor

Who is responsible for procuring and managing contingent labor at your organization? (Select all that apply.) (n = 295)

As with supply chain management features, the increasing importance of contingent labor procurement is being reflected in some eProcurement software providers' offerings. These providers are expanding their vendor management features to support procurement teams' staffing needs, or are partnering with third-party VMS tools to enable procurement teams to access advanced services management software.



Impact of Digital Transformation

“Digital transformation” involves organizations wholly embracing technology so as to create a completely digital environment, from front-office and consumer-facing systems to all back-office processes. The end goal is for a business to become more nimble, competitive, and flexible within its market.

Unfortunately, digital transformation is typically a buzzword touted by change drivers, not an actual, structured method. Additionally, the rate at which a company incorporates a digital transformation can vary greatly; it is rarely conducted with a controlled process or along a predetermined timeline. Instead, piecemeal technology adoption takes place over several years, with front-office transformation often being prioritized over the back office.

As technology seeps into the back office, many procurement teams feel digital transformation “growing pains,” whether they have software in place or not. This is because the “many-to-many” point systems create gaps in data and processes, making it difficult for teams to maintain a cohesive grasp on all activity across spend, suppliers, risk and compliance, and supply chain operations. In order to fully control the Procure-to-Pay (P2P) environment, back-office professionals must have fully integrated systems and a completely digital environment, as must their business partners. Achieving such an environment, however, is difficult.

In response to this challenge, several P2P solution providers are moving their software offerings to platform and/or business network approaches. This is occurring via acquisitions, extensive in-house development, and an increasing number of partnerships between eProcurement and payables providers and other, niche tools for functions such as supplier validation and spend master data file management. Levvel Research predicts that the increasing permeation of digital transformation through the back office will increase the importance of P2P platforms over the next few years, at least for UMM, enterprise, and/or multinational companies.

The following section further explores the shifting state of the eProcurement software space, the innovative features and functionality offered today, and how emerging technologies will shape eProcurement in the future.



The eProcurement Software Landscape

Electronic procurement software can integrate requisitions, purchase orders (POs), receipts, and invoices into one system. This enables users to view the entire process within a single interface, increasing visibility into transaction data and allowing it to be used to enhance operations. The main modules of baseline eProcurement software are outlined below.

- » **Requisition Management** – Purchase requisition creation and workflow tools enable organizations to control employee spend from the beginning. Users can search an online catalog for items, add them to a configurable requisition template, and send the completed requisition through a rule-based approval workflow. The template can incorporate controls linked to company policies, budgeting, and inventory data. Built-in controls prevent rogue spending by flagging noncompliant purchases based on predetermined rules, such as price or vendor, before requisitions are routed to the appropriate approver. Requisition tools also enable users to access frequently purchased items, compare multiple products, and save favorite searches.

Advanced approval workflow tools can be configured according to spending category, dollar threshold, business need, geographic location, supplier category, and other custom parameters. The workflow functionality can include escalation procedures to ensure timely approval, out-of-office forwarding capability, and workload balancing for approvers.

- » **Catalogs** – Electronic catalogs function as online marketplaces, giving users extensive details and competitive pricing on a variety of goods. Most eProcurement solutions include support for the following catalog types: hosted (static); punch-out (external); advanced (hybrid); and specialized.

Hosted catalogs usually operate directly within eProcurement software. They categorize items by supplier or item type, and require supplier registration and maintenance to ensure that product information, pricing, and shipping details are correct. Punch-out catalogs are hosted and maintained by suppliers, are integrated with the user's ERP software, and quickly transfer purchasing information to the supplier's system. Advanced catalogs are hybrids that combine features of hosted and punch-out catalogs. Specialized catalogs are tailored to a specific industry's needs (e.g., a catalog of laboratory products).



Many eProcurement systems provide interactive, user-friendly catalog shopping in order to compete with Amazon. They allow the creation of requisitions and POs from catalog selections, and offer more accuracy and compliance than manual requisitions because they are integrated with supplier contracts and/or maintained by suppliers.

- » **Order Lifecycle and PO Management** – POs are automatically created from an approved requisition and transmit the order to the supplier. This gives an organization visibility into the status of the order throughout its fulfillment and eases communication with the supplier.

Solutions may allow users to batch multiple orders from a single supplier, or send orders to several different suppliers from a single requisition. Solutions may support blanket orders and partial shipment orders, update contract terms or POs as shipments arrive, and allow suppliers to send advanced shipment notices (ASNs) when an order is ready for delivery.

- » **Supplier Management** – Advanced self-service supplier management tools and self-service portals enable suppliers to communicate with buyers. They allow suppliers to accept POs, send ASNs, check on the status of invoices and payments, and update their profile and payment information. Some solutions also allow suppliers to manage catalogs; choose how they want to receive their POs; and submit legal, tax, and validation documents. Many supplier management tools allow suppliers to send queries about current transactions, and they often provide an online dispute management help desk. Supplier management and self-service tools strengthen relationships with buyers and provide insight into the value of each relationship.
- » **Receiving and Reconciliation** – Once a shipment is received, users can confirm the delivery and create a goods receipt. The receipt is checked against the PO to ensure that the right items and quantities have been received. Some software suites support returns or enable users to withhold part of a payment.

After goods are received, many solutions automatically convert the PO into an invoice for the supplier. The system can then match the PO, goods receipt, and invoice for reconciliation, and may also match against contracts. Some systems include a summary report on the order that contains all related documents (requisition, PO, etc.) to ease reconciliation.



During reconciliation, procurement software can integrate with a client's existing AP processing system or forward the invoice through its own AP module. eProcurement software facilitates collaboration with other departments, including budgeting, compliance, treasury, and inventory. An eProcurement solution's AP module likely includes invoice approval, exception management, and connectivity to electronic payments.

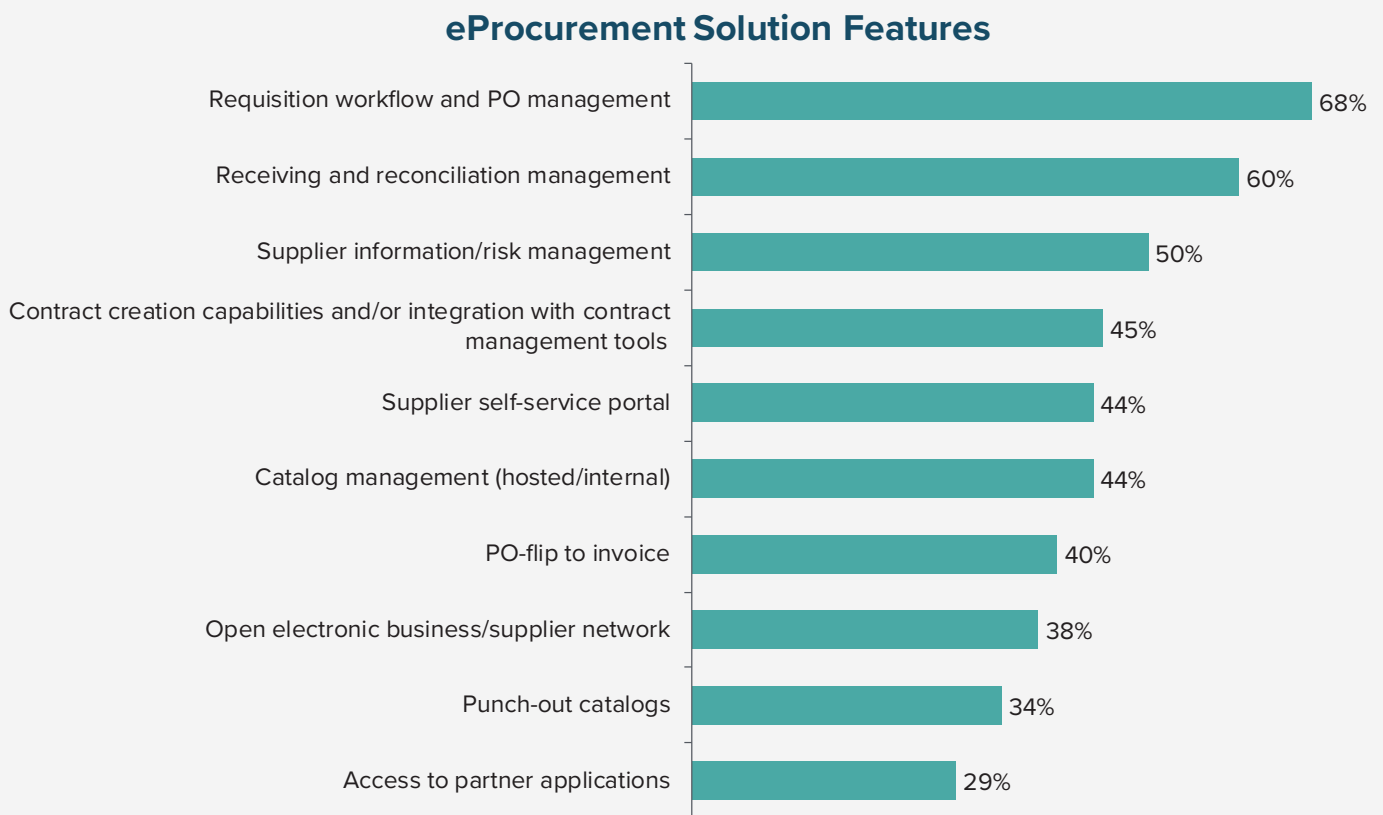
- » **Reporting and Analytics** – As an organization works to improve purchasing decisions, it must consider costs, benefits, and vendor performance trends. Analytical capabilities allow managers to examine expenses by type, department, and region, as well as to prevent rogue spending.

eProcurement reporting software often includes both out-of-the-box report templates and the ability to generate custom queries and reports. Some solutions offer benchmarking to industry standards. Advanced eProcurement solutions include configurable dashboards that allow users to see information on process times, budgets, and suppliers, including spending reports, POs, and active invoices for approval, in the form of graphs and analytics widgets and tables.



For those organizations that have adopted an eProcurement tool, the specific features included in their solution depend on their scale (see Figure 18). With their widespread purchasing, high PO volumes, and complex approval hierarchies, enterprises are most likely to adopt a solution with requisition workflow and PO management. This feature is prevalent across company sizes because of its utility and its common inclusion in eProcurement solutions. SMEs are most likely to adopt PO receiving and reconciliation tools, which is one of the most tactical eProcurement features. Larger organizations—enterprises and the UMM—embrace more strategy-enhancing features, such as supplier management and contract creation, and capabilities that help handle higher numbers of suppliers, such as supplier self-service portals and catalog management.

FIGURE 18



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Requisition Workflow and PO Management Are the Most Widely Adopted eProcurement Features

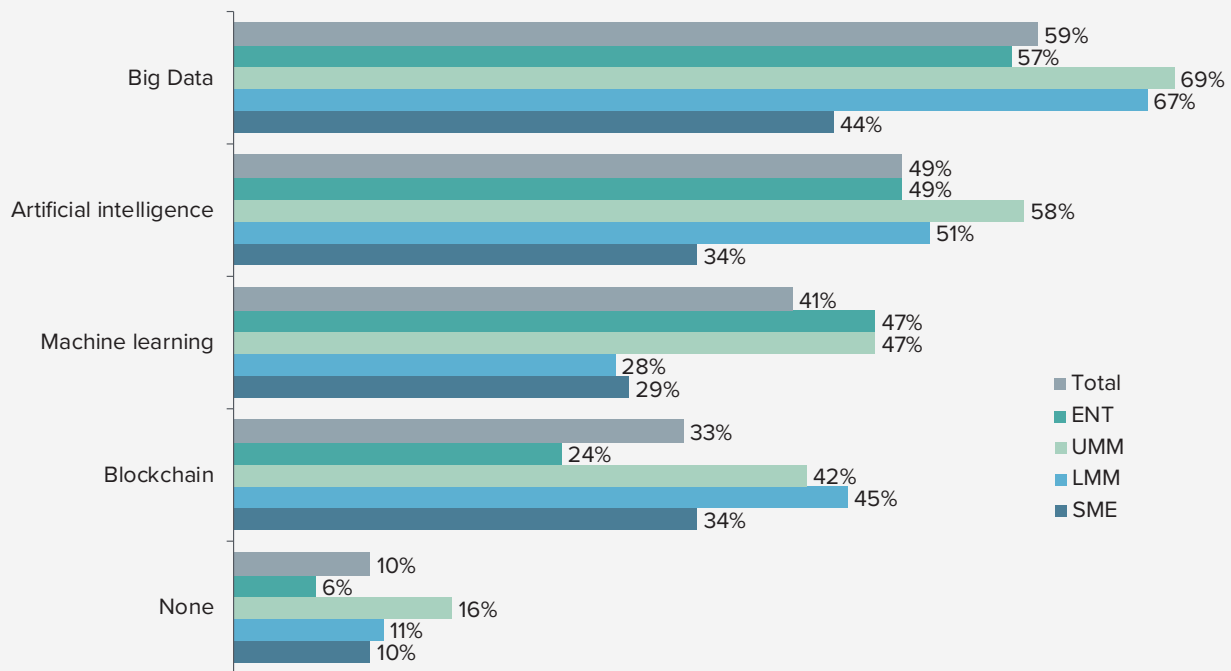
Which of the following features/capabilities/services are included in your organization's eProcurement solution? (Select all that apply.) (n = 132)



Solution providers today are increasingly including emerging technologies, which greatly enhance their product in various ways. For procurement, many organizations choose solutions that process and manipulate big data (see Figure 19). Big data technologies parse extremely large sets of data—which are becoming more prevalent today as an increasing amount of transactional data is being recorded—using powerful computing capabilities. It draws real-time, actionable insights and visualizations, and, with its widely sourced data, generates more accurate KPIs and benchmarking.

FIGURE 19

Emerging Technology Usage



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Big Data Is the Most-Used Emerging Technology in eProcurement

To the best of your knowledge, which technologies are used in your automated procurement solution? (Select all that apply.) (n = 130)

The next most commonly adopted technology is artificial intelligence, which is often incorporated in PO processing, chat bots, and supplier risk and fraud detection. Larger-scale organizations are more likely to use machine learning in their solutions. Machine learning applications in eProcurement often lean toward



strategic-enabling functions, such as identifying potentially problematic spend patterns, generating predictive analytics, and offering product recommendations.

Blockchain is not as well-used or understood in the procurement space, but there are several potential innovative uses for a supply chain built on an immutable data record. With transactions that are constantly verified and recorded, organizations can have a dependable, transparent, and comprehensive log of all supplier transactions. Blockchain may experience wider adoption by mid-market organizations because of their greater flexibility in resources for adopting technology solutions than SMEs, combined with a more manageable number of suppliers than enterprises.

The ways in which emerging technologies are changing procurement processes depend on how they are being leveraged. It is often the combination of things like AI with other innovative technology delivery models that have a real impact on purchasing strategies. Here are a few examples:

- » **Platforms** – Emerging technologies lay the groundwork for advanced solution platforms, which can support various widgets and applications that target specific purchasing functions. The ability to add the features and capabilities that different applications provide as they become necessary to the business enables the solution to truly scale with the organization. Since new apps are being added as technology evolves, the platform-based approach provides a level of dynamics and access to emerging technology that traditional solutions cannot offer.

Because a platform brings all of these capabilities into one place, users can easily access what they need without switching browsers or systems, and use applications that mirror consumer applications in UI and UX. Many of these platforms also support partner solutions, creating ecosystems that maximize both functionality and ease of use. When platforms are connected to a network, the applications can work together in the backend and streamline all data processing.

- » **Networks** – Emerging technologies also lay the foundation for networks, which allow for increased collaboration and connectivity. They put buyers and suppliers into a singular space to discuss terms, handle exceptions, and they give visibility into the life cycle of the supplier relationship from start to finish. When as many suppliers and buyers are on the network as possible, all parties have real-time visibility into their supply chain



operations. At its fullest potential, the network enhances every facet of the supply chain. On a global scale, these networks can seamlessly connect international players.

- » **E-commerce** – E-commerce platforms are transforming much of how purchasing is completed. Increasingly, end users demand that their purchasing process at work look and feel similar to their personal purchasing process. The risk arising from a dated e-commerce experience is end users relying on the same sources they utilize in their personal lives for business spend, which leads to increased off-contract expenses. As more vendors offer their products on online marketplaces or their own e-commerce platforms, buying organizations must approach their supplier research and product purchasing differently—that is, with greater control, transparency, and diligence.

Players such as Amazon are supplanting many direct B2B opportunities, disrupting traditional methods of purchasing. Large digital marketplaces also grant more purchasing power to individuals instead of targeting just procurement officers.

AI and machine learning used in e-commerce track preferences and patterns and make recommendations for future purchases. Organizations can collect data on clicks, time spent on product screens, and spend to facilitate smarter, more efficient procurement processes.

AI is also used in chatbots to create a conversational purchasing experience. The user types in what they are looking for in conventional language (e.g., “I need tablets”), and the chatbot recommends which supplier they should order from and provides a price and estimated arrival date. The bot may also recommend items that are usually purchased in conjunction with the primary item. Beyond conversational buying, these AI-enabled assistants also warn users when frequently purchased items are out of stock and either recommends a replacement item or provides an estimated restocking date.

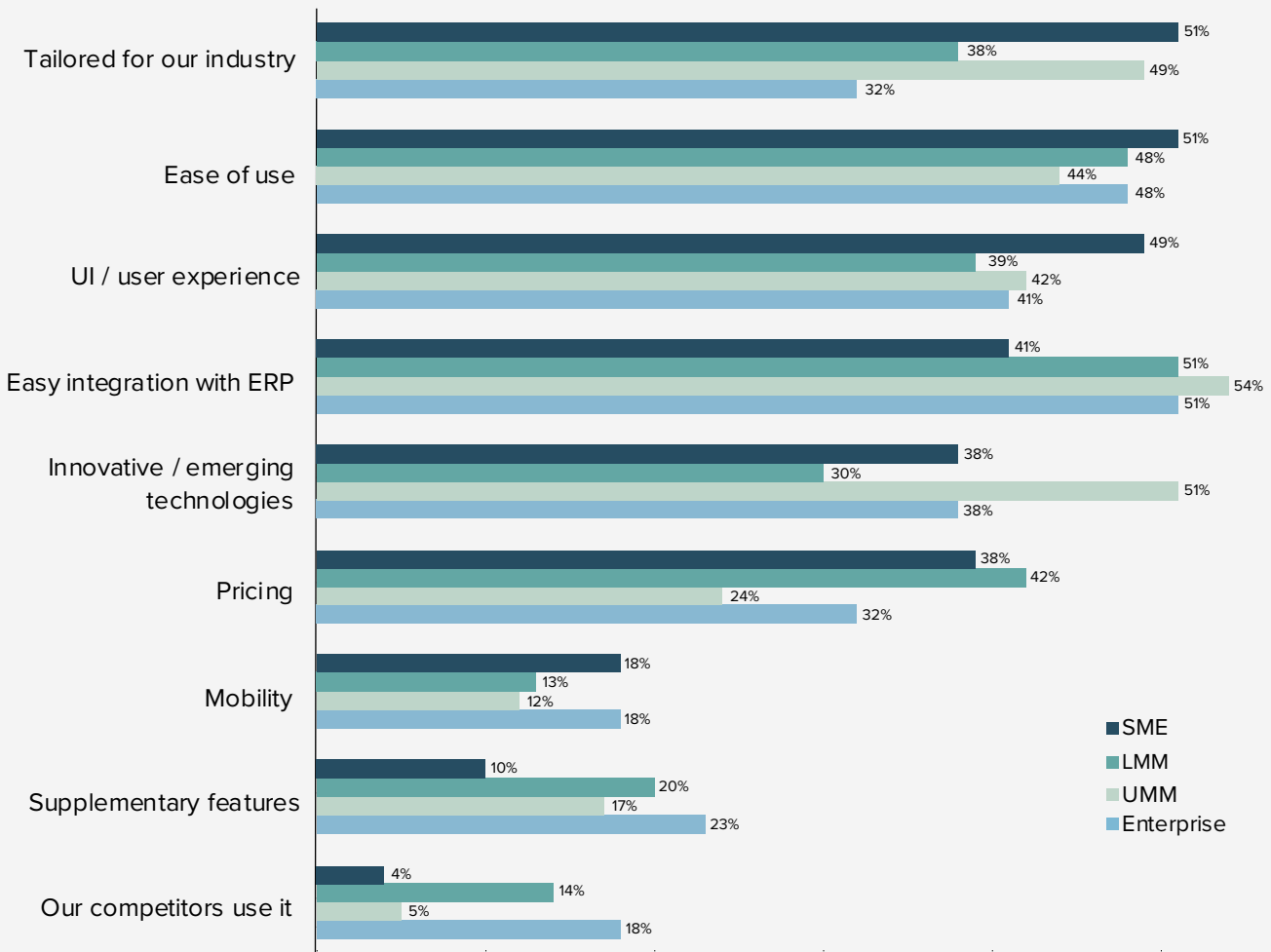
Level Research surveyed organizations regarding the relative importance of various characteristics considered to be purchase criteria for an eProcurement solution. The responses made clear that differently sized organizations prioritize criteria differently in their evaluation of solutions (see Figure 20 and an explanation of the MaxDiff analysis in the methodology section on page 43).



The largest organizations (enterprise and UMM) heavily scored easy integration with their existing ERP as an important criterion when selecting an eProcurement solution. The UMM scored ERP integration twice as much as SMEs, and both the UMM and enterprises ranked it as their most important criteria. These large organizations are more likely to have an existing ERP involved in much of their business operations and data storage, which are more widely distributed than smaller businesses. Because UMM and enterprise organizations rely so heavily on their ERPs, they look for solutions that can integrate with their existing systems.

FIGURE 20

Relative Importance of Procurement Solution Purchase Criteria



SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019

Organizations Prioritize Different Purchase Criteria When Choosing an eProcurement Solutions

Considering each of the following criteria for an automated procurement solution, which ones are / will be most important in influencing your organization's decision to adopt an automated procurement solution? (Selected "Most Important")
(n = variable)



SMEs are most concerned with user adoption and employee productivity, so they indicated UI and ease of use as the most important criteria. Simple, modern, smooth UIs appeal to more users and encourage adoption. SMEs that do move forward with their decision to implement an eProcurement solution are often the most flexible in the type of solution they choose. Without the established purchasing processes of an older, larger enterprise, they also value an industry-specific solution. This gives them a competitive advantage within their niche—a strategy often used by smaller organizations who cannot extend their business into markets dominated by larger players. As SMEs expand into the LMM, their ERP becomes an important factor when transforming any processes. LMM organizations also prioritize pricing—more than any other segment—due to their more restrictive budgets.

The UMM is significantly more likely to value innovative or emerging technologies than any other revenue segment, as well as devaluing pricing more than others. Level Research believes that the UMM is in a “sweet spot” where organizations have more resources than smaller businesses to spend on an advanced solution while not being encumbered by the legacy burdens of an enterprise. Without these hindrances, UMM players calculate that the ROI of solutions that capitalize on AI, machine learning, and other emerging technologies is worth the cost.

Mobility and supplementary features were low-ranked criteria for all organizations. Mobility is not a critical feature for procurement functions, unlike in other back-office processes such as travel and expense management or even Accounts Payable. Because purchasing often does not need to occur on-the-go, organizations consider mobile functionality a convenience, not a necessity. Supplementary features, such as x, are also not a necessity when evaluating potential solutions.



Conclusion

As business complexity, technology, and globalization advances, procurement departments will find it more difficult to control purchasing. The implementation of an eProcurement solution can give increased visibility into spend, create a consistent organizational procurement process, and reduce paper volume. The disparate priorities of different company roles, however, as well as the belief that current processes are adequate, make it important to establish buy-in for an eProcurement solution across the organization to ensure rapid implementation and adoption.

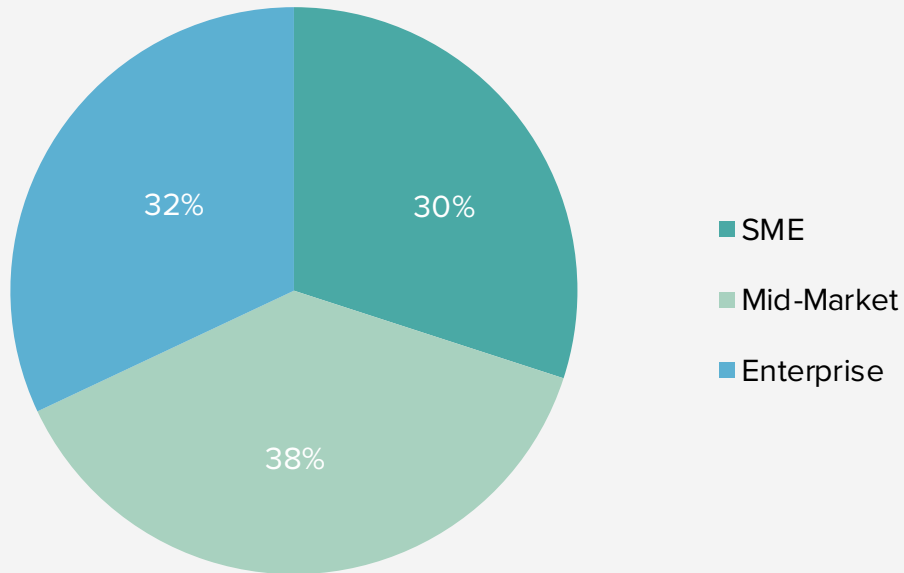
The role of procurement departments is rapidly evolving and expanding due to increased complexity, technology, and globalization, and supply chain management and contingent labor roles have increasingly become procurement functions. Procurement should remain focused on its primary perceived priority across the organization—reducing maverick spend—while also embracing emerging technologies and expanding global operations. Leveraging new technologies such as big data and machine learning will enable organizations to generate real-time, actionable insights and predictive analytics, continuing the shift of procurement's role from the tactical to the strategic.



Methodology

The findings presented in this report are based on an online survey conducted by Level Research in April 2019 among more than 350 procurement decision makers and influencers in organizations with at least \$1M in total revenue across all industries. Respondents were screened for their familiarity with their organization's accounts payable, invoice receipt, and invoice routing processes. The data was weighted to represent the proportions of SME, mid-market, and enterprise organizations in Level Research's database. This distribution is shown below.

Organization Size Distribution



SOURCE: LEVEL RESEARCH



MaxDiff Analysis

MaxDiff (or "best-worst scaling") is used for obtaining preference or importance scores for multiple features. Respondents are shown multiple subsets of items to evaluate and are asked to indicate the most and least important items within each group. (In this survey, respondents were given three randomized groups of three criteria each.) The goal in using MaxDiff is to achieve importance or preference scores for each item. The scores in Table 1 represent the percent difference between most appealing and least appealing for each attribute. MaxDiff also delivers a ranking among the items tested and a metric distance between each item. The higher the score (i.e. the higher the ranking), the more important or stronger the preference. For example, "easy integration with ERP" has the highest ranked score for enterprisess and UMM organizations (at 0.33 and 0.46 respectively), while UI/UX is the top score for SMEs at 0.37.

A positive score means that the attribute was selected as most important more often than least important. A negative score means that the attribute was chosen as least important more often than most important. If a score of an item is two times larger than another item, it can be interpreted that it is twice as important (e.g. for LMM organizations, "ease of use" is nearly three times as important as "UI/UX").

A MaxDiff analysis was performed for the insights discussed on page 39. Figure 20 depicts the ranking of solution criteria by percentage of respondents who selected the feature as "most important" using the MaxDiff modeling.

TABLE 1

MAXDIFF SCORES FOR EPROCUREMENT SOLUTION PURCHASE CRITERIA

	SME	LMM	UMM	Enterprise
UI/UX	0.37	0.13	0.2	0.19
Ease of use	0.34	0.37	0.22	0.27
Tailored for our industry	0.27	0.04	0.27	-0.07
Easy integration with ERP	0.23	0.3	0.46	0.33
Pricing	0.14	0.21	-0.17	0.05
Innovative/emerging technology	0.07	-0.03	0.32	0.04
Mobility	-0.22	-0.32	-0.39	-0.27
Supplementary features	-0.49	-0.24	-0.24	-0.19
Our competitors use it	-0.71	-0.44	-0.66	-0.36

SOURCE: LEVEL RESEARCH PROCUREMENT SURVEY, 2019



Coupa

Coupa was founded in 2006 and is headquartered in San Mateo, California. In October 2016, Coupa became a public company with its IPO under the ticker COUP. Coupa’s holistic Business Spend Management (BSM) suite encompasses the core transactions for spending money: Procurement, Expense Management, Invoicing, and Payments. It also includes Strategic Sourcing, Contract Management, Contingent Workforce, Supplier Management, and Spend Analysis—all enriched by cross-company Community Intelligence. Coupa serves companies of all sizes, from pre-revenue, growth-stage startups to fast-growing mid-market companies with hundreds of employees, all the way up to Fortune 500 companies.

Founded	2006
Headquarters	U.S.
Other Locations	20+ global locations across North America, EMEA, and APAC
Number of Employees	1,000+
Number of Customers	900+
Target Verticals	Financial Services, Industrial Manufacturing, CPG, Healthcare, Life Sciences, Retail, Business Services, Technology, Public Sector
Partners/Resellers	KPMG, Deloitte, Accenture, PwC
Awards/Recognitions	Gartner Magic Quadrant for P2P Suites 2018, scoring Highest in Vision; IDC 2018 Marketscape for Cloud-Enabled P2P Applications, scoring highest in Capabilities and Strategy; Forrester Wave for eProcurement 2017, scoring highest in Current Offering and Strategy; The Silicon Review, listed among 30 Most Trustworthy Companies of the Year, 2017

Solution Overview

Coupa partners with Amazon.com for physical hosting infrastructure via Amazon’s EC2 service, and leverages Amazon’s physical security measures. Coupa’s open architecture allows customers to integrate with any third-party system and software application, from financial/ ERP to HR to tax engines. Clients



can use the Coupa API, flat files, web services, custom code, or any integration provider to make seamless connections between Coupa and their ERP platform. Coupa integrates with all ERP systems, including Oracle, SAP, JDE, PeopleSoft, Lawson, QuickBooks, Great Plains, and NetSuite. Coupa’s software is fully mobile, allowing clients to access any part of the solution from any browser or through Coupa’s native mobile application.

Procurement Management

Coupa has robust catalog functionality that enables customers to maximize their employees’ shopping experience while enforcing on-contract purchasing. Customers can load catalogs as CSV files or have suppliers load and manage their own catalogs via the Coupa Supplier Portal. Catalog management features include the ability to suggest preferred suppliers to end users, to suggest the best suppliers from the community to commodity managers, and the ability to force all off-catalog/contract purchases to require buyer review.

From Coupa’s solution, clients can also punch out to a supplier-hosted catalog, or access Coupa’s Open Buy program. Coupa Open Buy offers a seamless shopping experience for select supplier catalogs within the Coupa search experience.

Different approval chains can be configured for different types of requisitions. Coupa offers system-configured automatic escalation and approval forwarding. Approvals can be made online, in email, and using the Coupa mobile application, and approvers may edit requests to make adjustments as necessary.

Once a requisition is fully approved, one or multiple purchase orders will automatically be issued to the appropriate suppliers. Coupa offers multiple ways to deliver POs to suppliers, including email, cXML or EDI, within the supplier portal, via Supplier Actionable Notifications or supplier SMS text notifications.

Coupa supports all types of purchases, ranging from standard goods and materials to contingent labor and complex services that may require in a blanket purchase order. Users may leverage forms to input data about the service requested including start/end dates of services. From there, suppliers can even provide service completion dates or time sheets so users can track performance for on-time delivery and quality.

Coupa enables users to perform “desktop receiving”, where the user views his/her requisition and indicates how much has been received. Centralized receiving



is also supported, allowing for products to be received centrally by a client's receiving personnel on behalf of others. Inspection information and results can be captured for each received item. Suppliers may also provide shipping notices along the way and add comments within Coupa.

Receipts can be configured to capture asset tracking information, and receivers can be required to enter asset data for each item received, such as RFID tag, barcode, asset tag, serial number, owner, and notes. Receiving personnel can mark an item as returned and collect any information needed, and the supplier can then submit a credit memo to credit for the return. Upon final receipt, the solution enables two to three-way matching and contract matching.

Coupa's Supplier Portal allows suppliers to manage company information, configure PO transmission preferences, retrieve and acknowledge POs, create ASNs, create and manage catalog content, create and submit electronic invoices for payment, and manage punch-out configuration. No fees are required for the Portal. In addition to the Portal, clients can use Coupa's Supplier Actionable Notifications to interact with smaller or low average-volume suppliers. This provides the ability for any supplier to interact with the buyer via secure emails without the need to register for a portal.

Coupa also offers a comprehensive supplier management strategy, including Supplier Information Management, Risk Aware, and Risk Assess, enabling clients to easily on-board suppliers, manage supplier information, and drive compliance with both company policy and government regulations while avoiding supply-chain disruption.

Coupa's offers extensive reporting tools, including executive dashboards and reports, over 60 standard reports/views, and configurable transactional reports/views. Coupa also provides one-click Excel download functionality to export any data for additional insight.



About Level Research

Level Research, formerly PayStream Advisors, is a research and advisory firm that operates within the IT consulting company, Levvel. Level Research is focused on many areas of innovative technology, including business process automation, DevOps, emerging payment technologies, full-stack software development, mobile application development, cloud infrastructure, and content publishing automation. Level Research's team of experts provide targeted research content to address the changing technology and business process needs of competitive organizations across a range of verticals. In short, Level Research is dedicated to maximizing returns and minimizing risks associated with technology investment. Level Research's reports, white papers, webinars, and tools are available free of charge at www.levvel.io

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