The Procurement Initiative
Pulse Check Q2/2023

Steering through Storms: Perspectives on Inflation, Visibility, and Inventory Management

In association with

University of St.Gallen
Institute of Supply Chain Management

H&Z

Context of the work

Since the Procurement Initiative began researching the procurement and supply chain environment in 2021, the challenges in orchestrating global supply chains have increased significantly: the past years have seen an influx of inflation, risk, and sustainability-related concerns.

While businesses and the media now acknowledge the importance of supply chain management, there is still much work to be done to move the strategically relevant and pressing issues in procurement from the periphery into the spotlight.

With our Q2/2023 Pulse Check, we aim to gauge the current sentiment within the procurement and supply chain environment, focusing specifically on inflation expectations, the status of supply chain visibility implementation, and inventory management strategies,. With 117 surveyed experts across C-level, managerial, and professional positions, this report provides a comprehensive overview of the current state in procurement.

This report presents The Procurement Initiative's findings, reflecting on the challenges facing procurement and supply chain managers, and highlighting best practices. We want to extend our heartfelt gratitude to all those who contributed to our survey.

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Procurement Initiative Pulse Check Q2/2023 | Key takeaways (1/2)

Survey participants
Role and industry distribution

- 117 procurement and supply chain experts participated in our Q2/2023 Pulse Check
- 61 managers, 48 C-level executives, 8 professionals
- Top 3 industries: Industrials, FMCG, Materials

Supply chain sentiment,
% of respondents

- 64% of respondents have a rather positive to very positive outlook regarding the stability of supply chains in 2023

Sourcing Priority,
Average % points (out of 100) per objective

- Sourcing priorities remain largely unchanged, with cost continuing to be the ultimate focus (32% importance)

Inflation drivers,
Average share based on 7-point Likert scale (%)

- According to our survey panel, 36% of inflation is driven by a cost push predominantly induced by labor shortages and further nominal wage grow

Inflation expectations,
Average increase in purchasing prices (%)

- Respondents expect an average inflation of 4.1% for the 2nd half of 2023, 2.2% for the 1st half of 2024
- 50% of respondents expect inflation between 2.5 – 8%
- Lower-than-expected energy prices push down inflation

Supply chain risks,
% of respondents

- Priorities are shifting from managing demand and supply to recruiting and retaining highly skilled people

Procurement Initiative Pulse Check Q2/2023 | Key takeaways (2/2)

Supply chain resilience measures,
% of respondents

- Supplier collaboration (76%), dual sourcing (70%), and visibility (47%) emerge as the most implemented measures to increase supply chain resilience

Visibility tools,
# of respondents

- Riskmethods and Ecovadis are the most frequently used visibility tools
- Most companies do not rely on a solution provider or tool at all

Visibility into supply chain tiers,
% of respondents

- 57% of companies have visibility up to Tier-1 suppliers
- Overall, companies struggle to penetrate deeper levels

Inventory management measures,
% of respondents

- To tackle stockout risks, most companies rely on inventory management based on demand forecasting (75%) and building up safety stock (74%)

Levers for supply chain mapping,
% of respondents

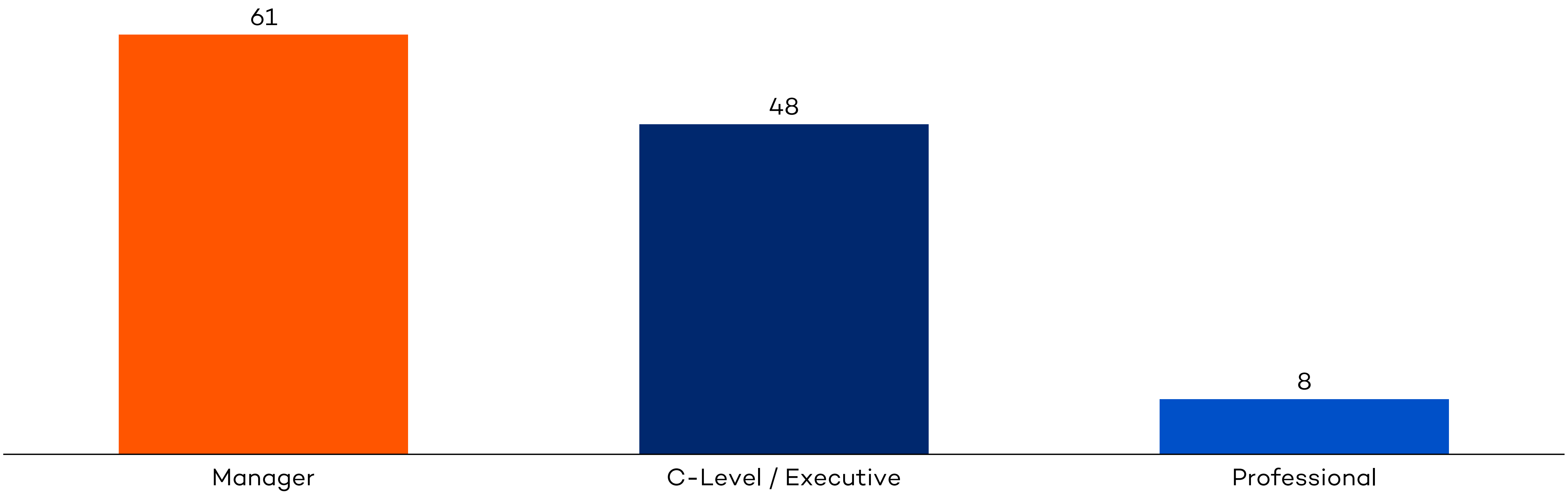
- 71% of companies use existing in-house data, 38% leverage Tier-1 supplier surveys, 35% implement tools

SCDDA: Implementation of concrete practices,
% of respondents

- The current state of practices calls for urgent action in various fields such as supplier sustainability trainings

117 participants from the procurement and supply chain environment completed our Q2/2023 Pulse Check

Role within the company, # of respondents (n=117)

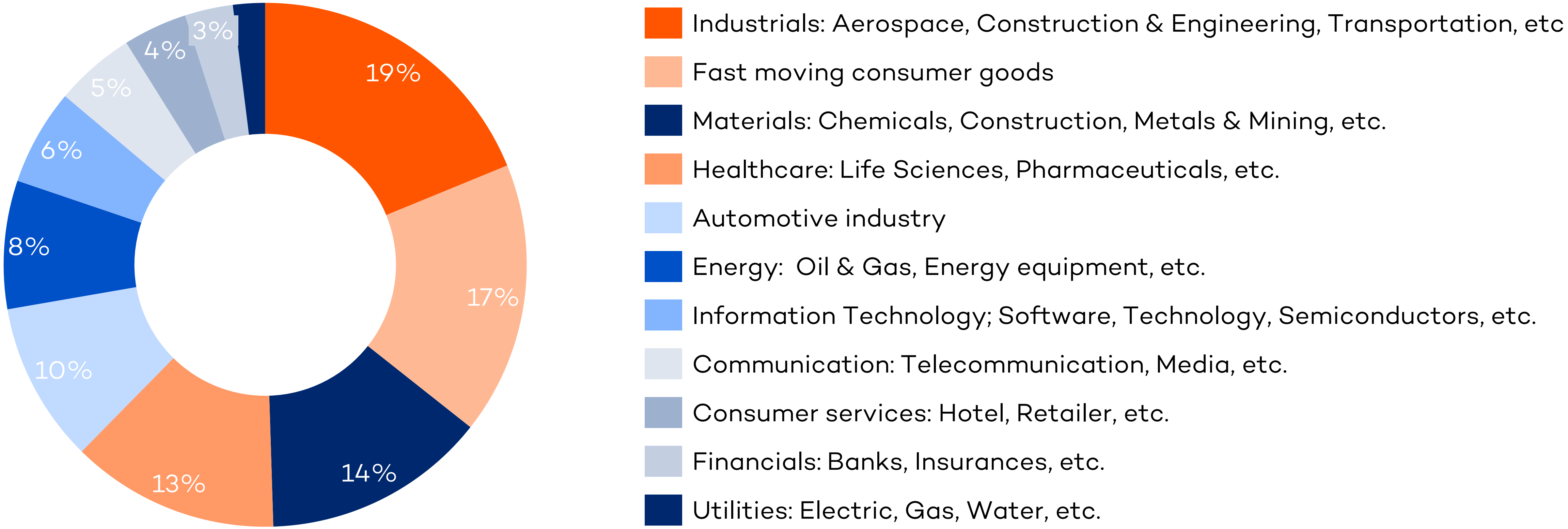


Question: “What is your role in the procurement/supply chain environment?”
Source: Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

The Q2/2023 Pulse Check offers an extensive industry analysis, presenting representative findings for various sectors

OVERVIEW

Share of industries, % of respondents (n=117)

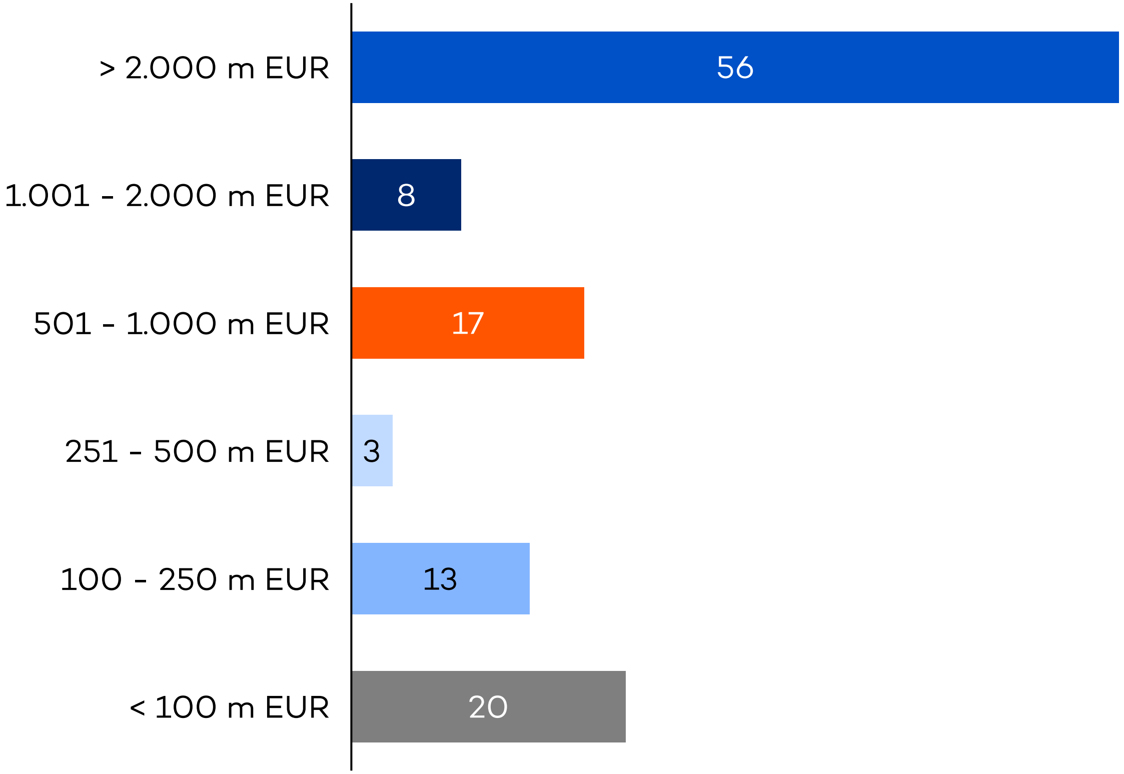


Question: "Which industry does your company operate in?" MSCI Global Industry Classification Standard
Source: Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

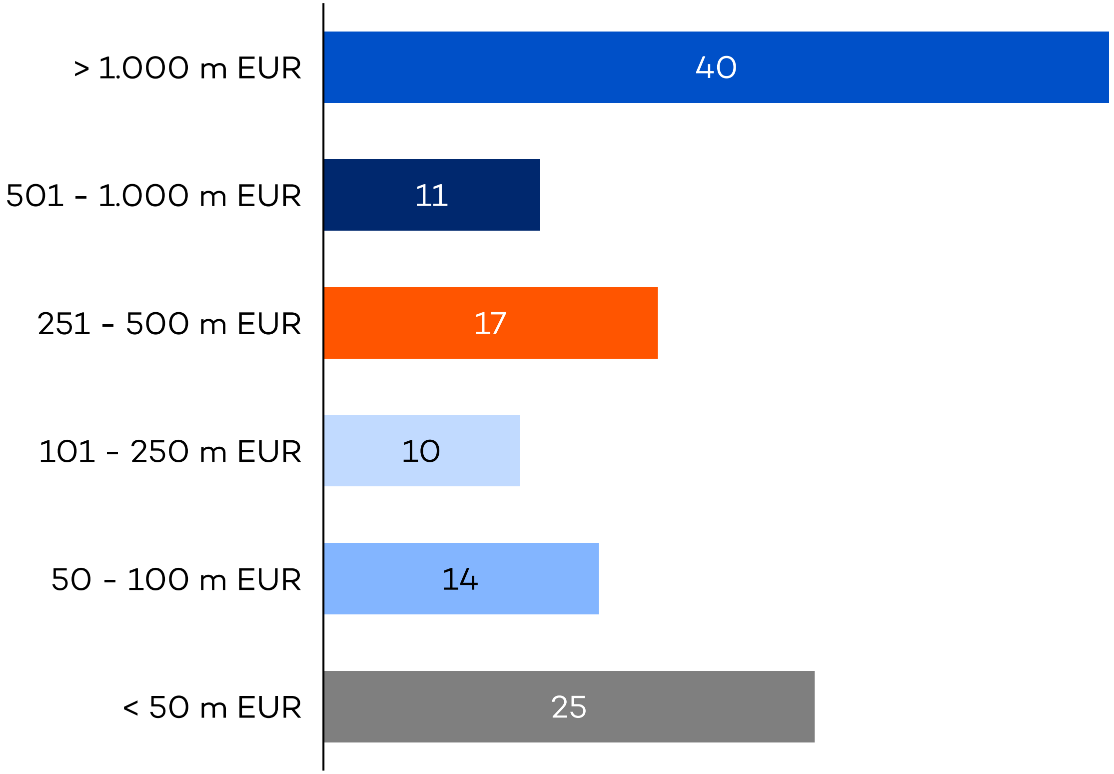
Half the participants' companies exceed 2,000 EUR in annual turnover, while one-third have substantial purchasing volumes of over 1,000 m EUR

OVERVIEW

Annual turnover (in EUR), # of respondents (n=117)



Annual procurement volume (in EUR), # of respondents (n=117)

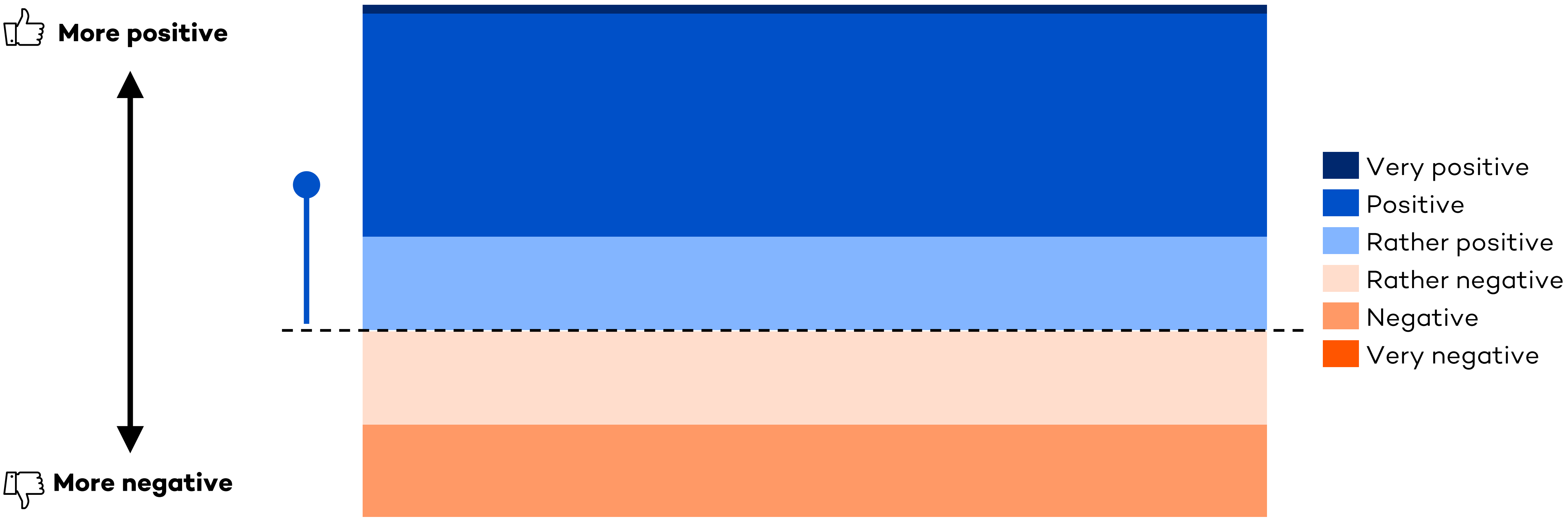


Questions: “What was your company turnover in 2022?” and “What was your procurement volume in 2022?”
Source: Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

64% of respondents have a rather positive to very positive outlook regarding the stability of supply chains in 2023 (Q4/2022: 36%)

OVERVIEW

Supply chain sentiment, % of respondents (n=117)

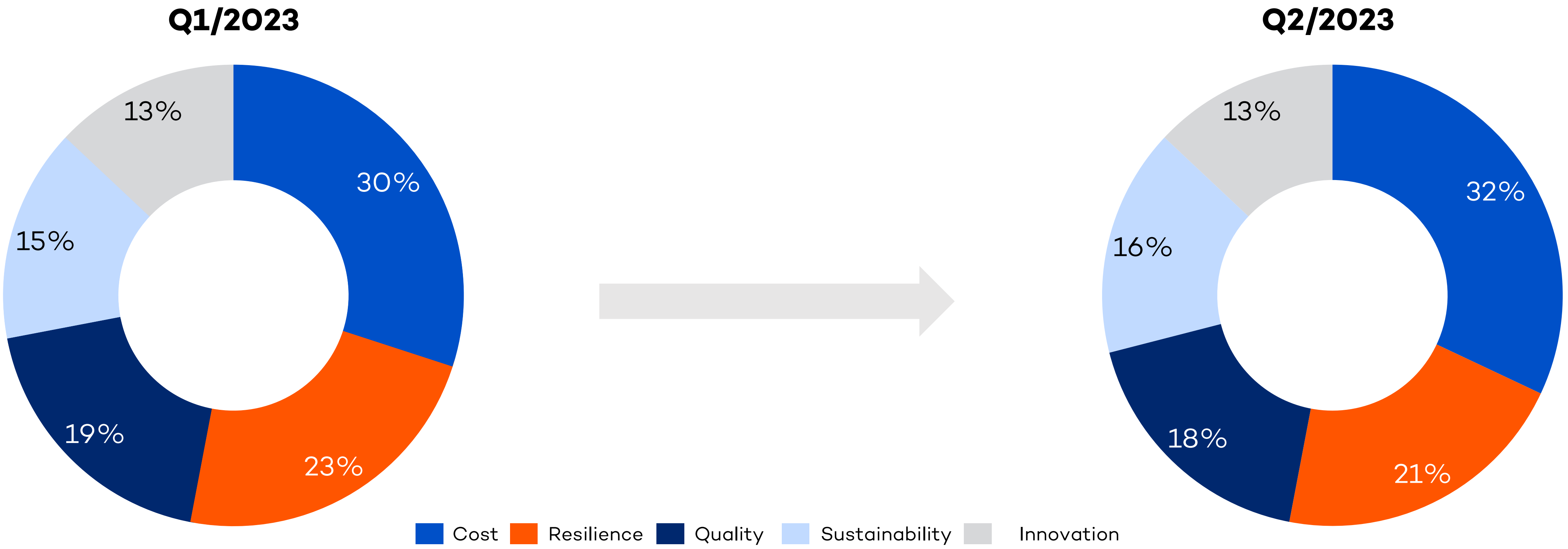


Question: "What is your sentiment regarding supply chain stability in 2023?"
Source: Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

Sourcing priorities remain largely unchanged, with cost continuing to be the ultimate focus for decision-making in Procurement

OVERVIEW

Sourcing Priority, Average points (out of 100) in the sourcing process based on ranking (n=148, n=117)

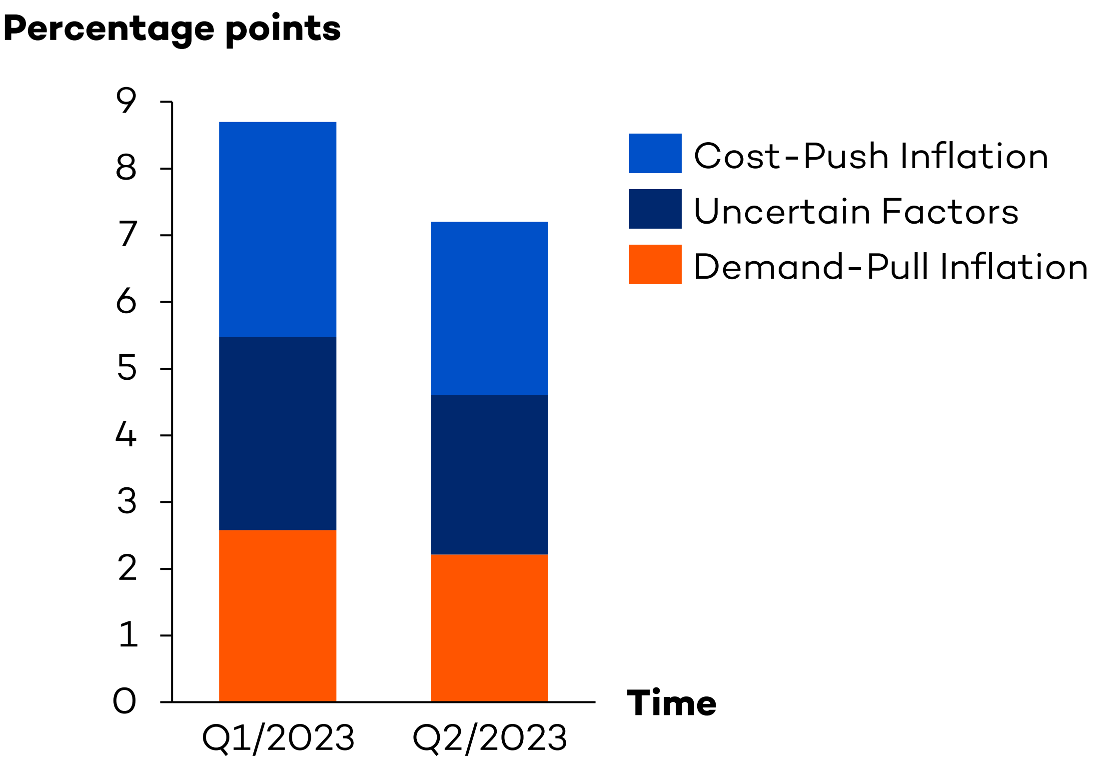


Question: "How would you rank the following criteria in terms of their importance for sourcing decisions?"
Source: Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

While both supply and demand are responsible for current inflation levels, supply-side shortages are considered as the main driver

RISK & INFLATION

Inflation drivers, Average share based on 7-point Likert scale (n=117)



36% of inflation is driven by a **cost-push** stemming from a decrease of supply including **labor shortages, production constraints, energy, and shipping delays**

33% of inflation is driven by **uncertain factors** such as **preemptive buying due to high inflation expectations**

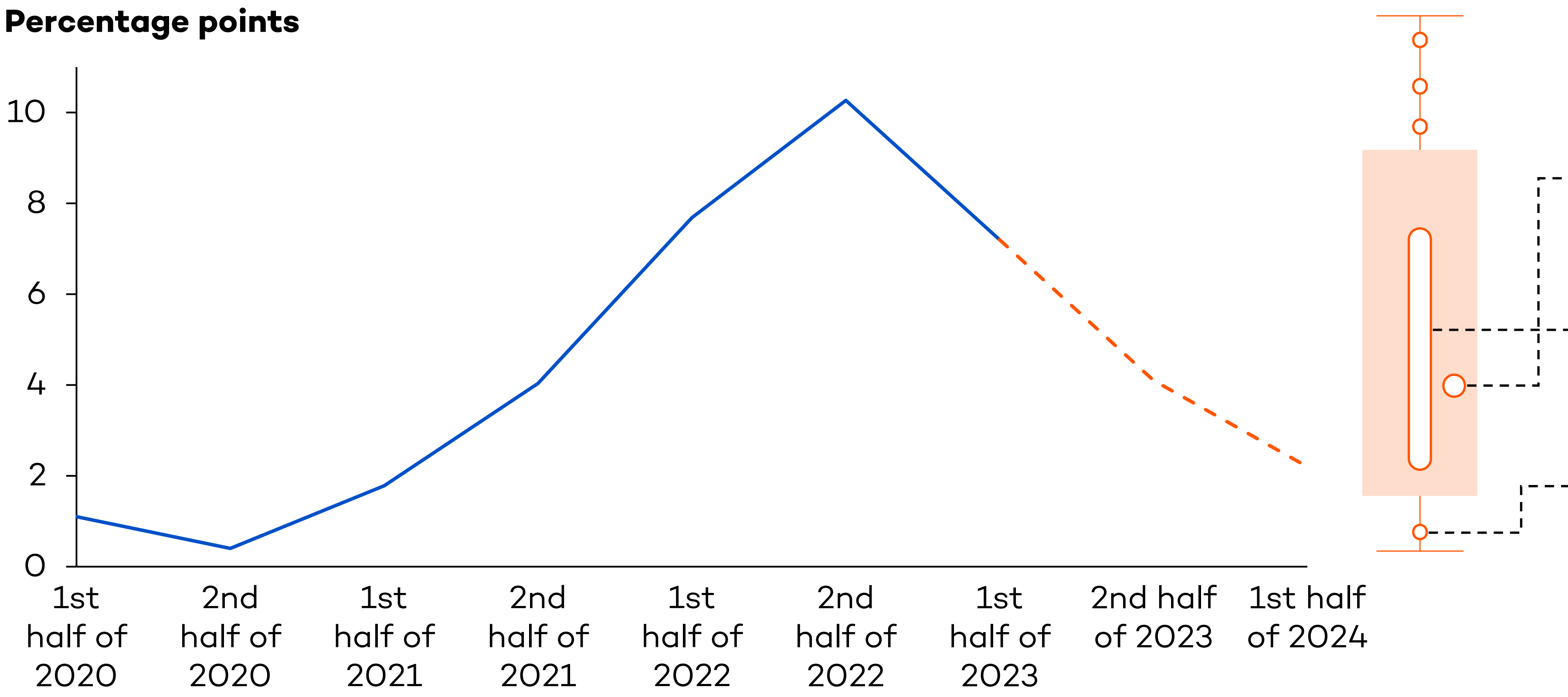
31% of inflation is driven by a **demand-pull** stemming from an increase in **customer demand** and **high government spending**

Question: "How much do supply and demand drive inflation?"
Source: Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

As supply-side disruptions are expected to ease, respondents expect inflation to be at 4.1% (2nd half 2023) and 2.2% (1st half 2024)

RISK & INFLATION

Inflation expectations, Average increase in purchasing prices for 2023 and 2024 (n=117)



Observations

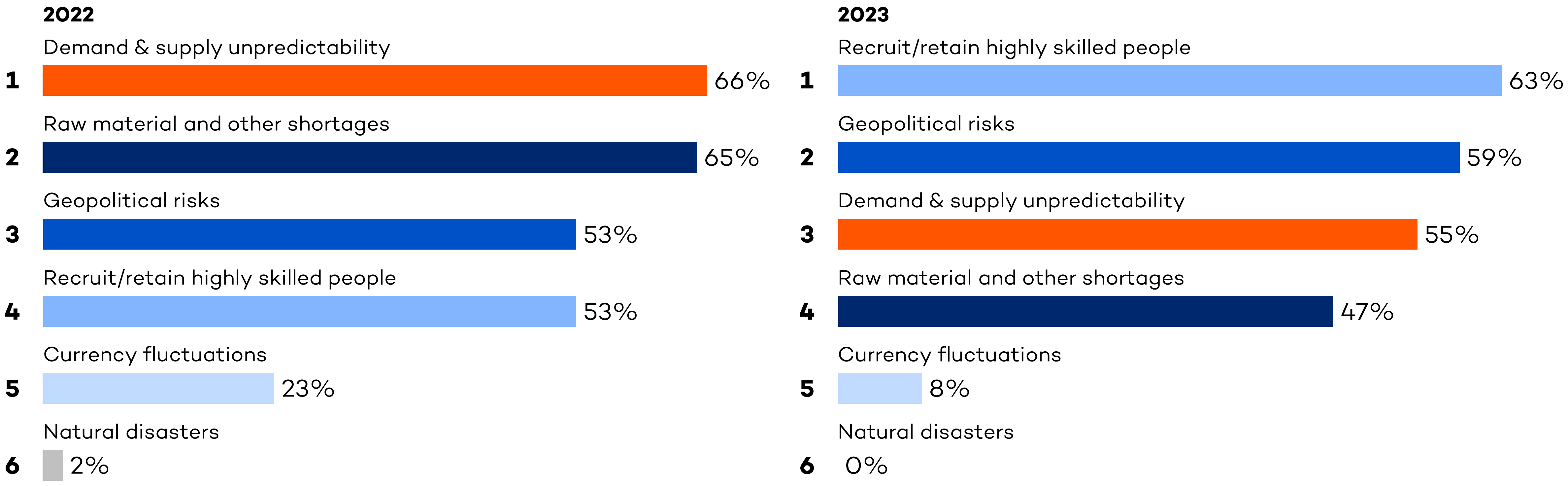
1. Respondents expect an average increase in purchase prices of 2.2%
2. 50% of respondents expect an inflation rate between -1.9% to 5%
3. Some respondents report outliers ranging from -30% to +50%

Question: "Which average change in purchasing prices for your categories do you expect for 2023 (base year for comparison: 2022)?"
Source: Eurostat inflation rate of the European Union & Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

Resilience priorities are shifting from managing demand and supply to recruiting and retaining highly skilled people

RISK & INFLATION

Supply chain and operational risks, % of respondents (n=117)

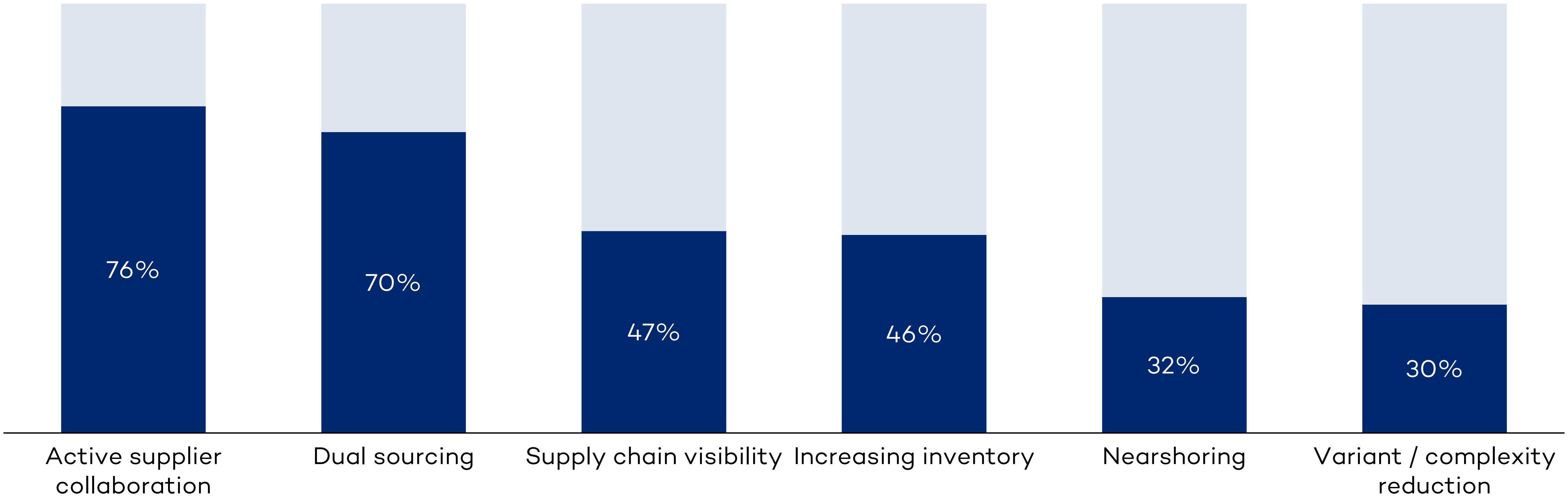


Question: "Which factors are currently most critical for your operations?"
Source: Procurement Initiative Pulse Check Q3/2022, vs Q2/2023

Supplier collaboration, dual sourcing, and visibility emerge as the most implemented measures to increase supply chain resilience

RISK & INFLATION

Implemented measures to increase supply chain resilience, % of respondents (n=117)

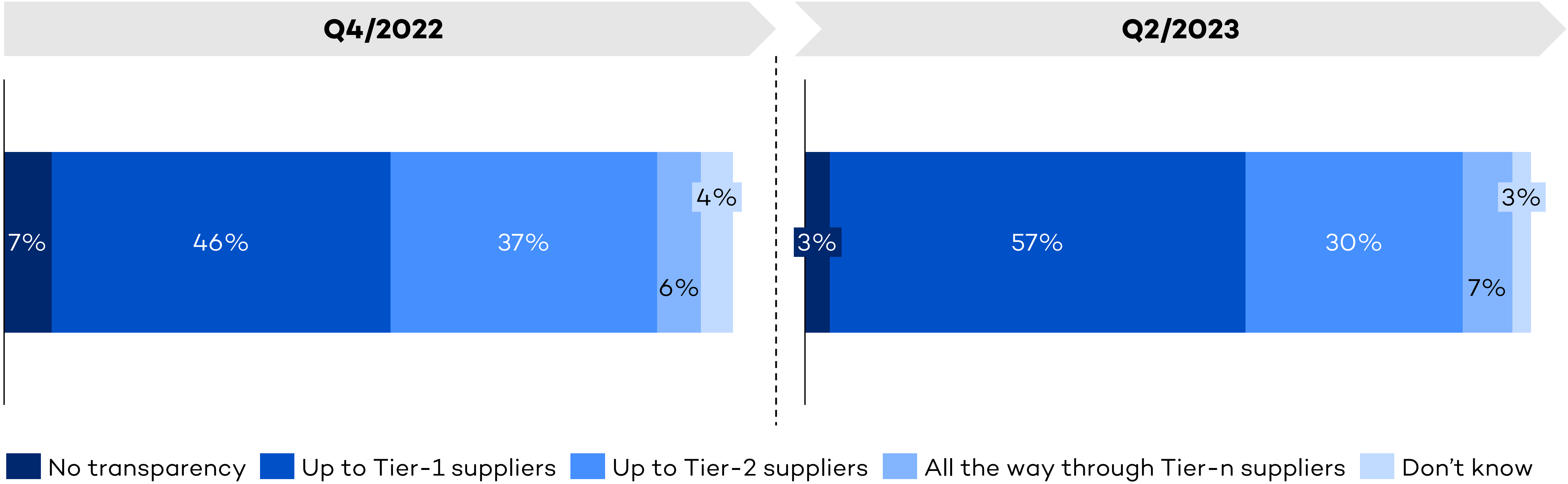


Question: "Which of the following measures have you ramped up to increase supply chain resilience? "
Source: Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

As focus on resilience increases, companies build supply chain visibility but struggle to penetrate deeper levels

VISIBILITY

Visibility into supply chain tiers, % of respondents (n=117)

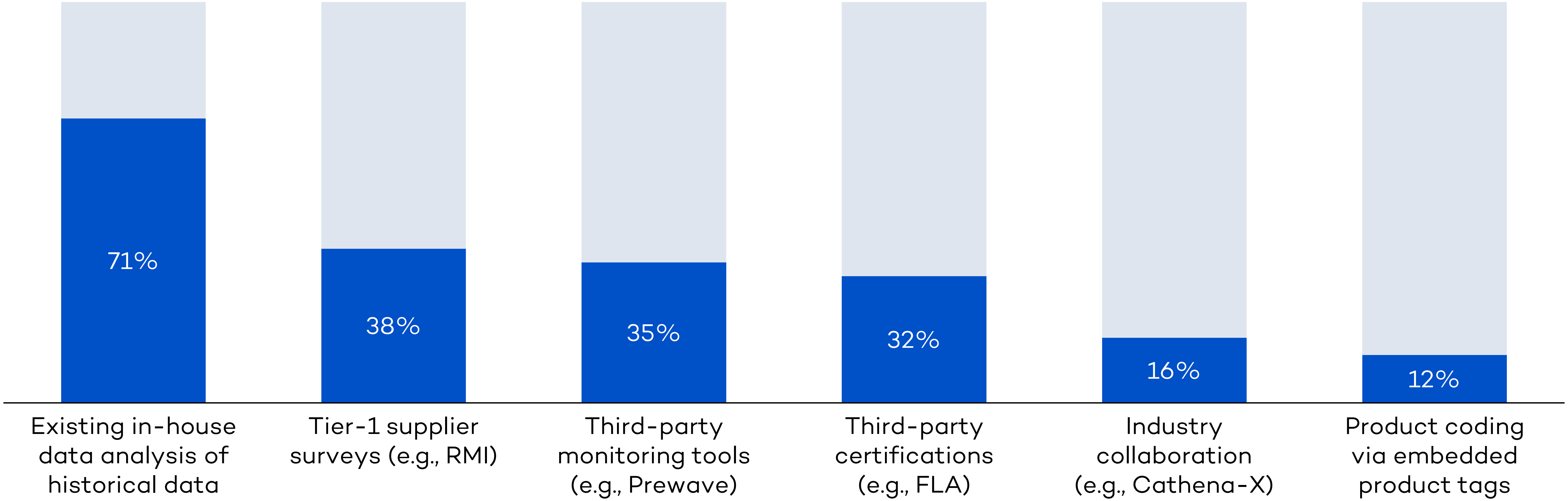


Question: "To what extent does your company have supply chain transparency?"
Source: Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

Most companies rely on internal data sets to map their supply chain, followed by supplier surveys and third-party monitoring tools

VISIBILITY

Levers for supply chain mapping, % of respondents (n=117)

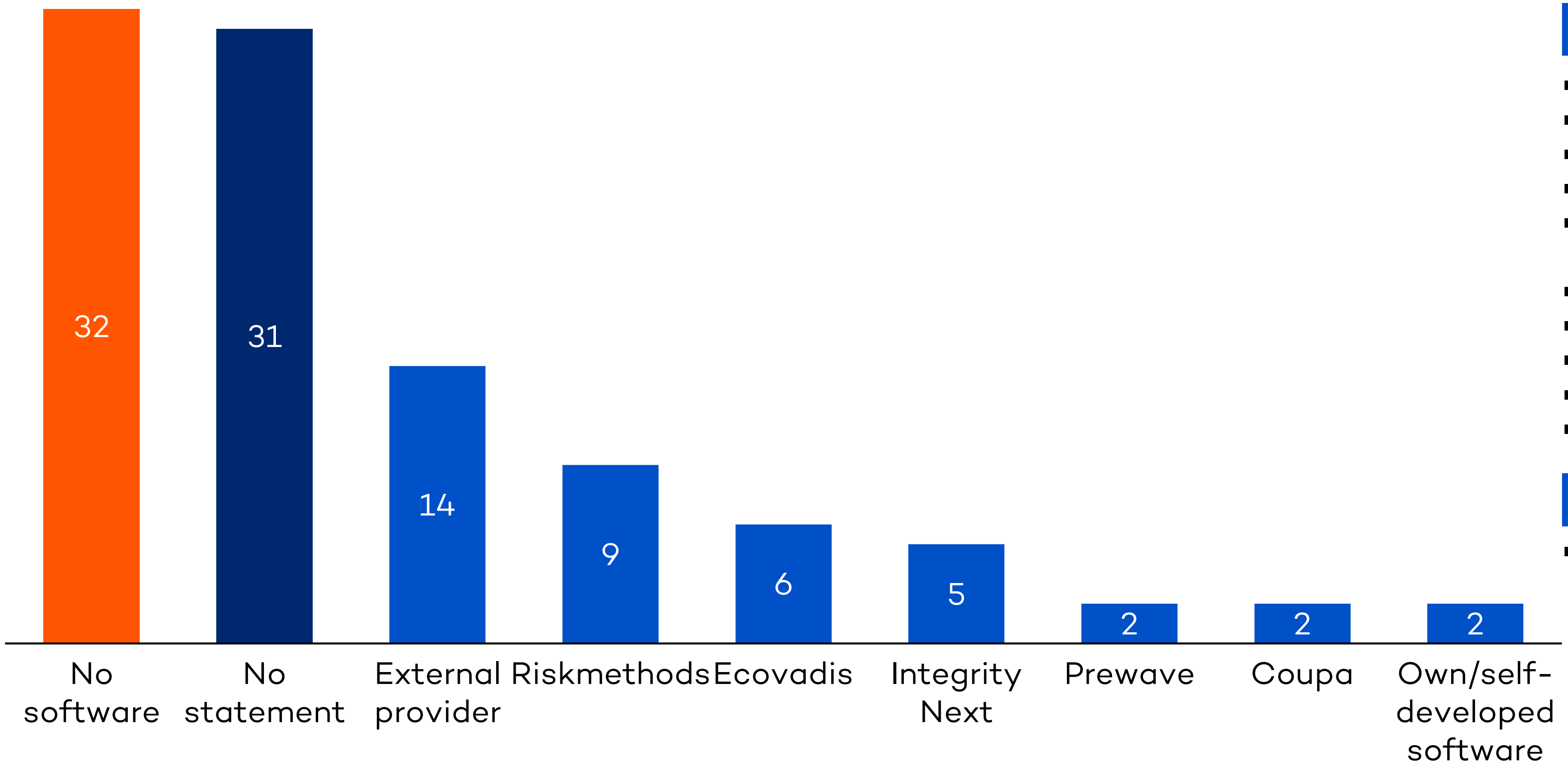


Question: "Which levers do you use for mapping your supplier ecosystem? "
Source: Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

Riskmethods and Ecovadis are the most frequently used visibility tools. Yet, most companies do not rely on a solution provider or tool at all

VISIBILITY

Visibility tools, # of respondents (n=114)



Other: tools

- Smart Risk
- Amplifi Pro
- BVD Orbis
- Everstream Analytics
- BPDD (business partner due diligence tool)
- Authenticate
- HighQ
- Scout
- Complex
- Position green
- Versed AI
- Z2Data
- BI
- AI
- Blockchain
- ASI
- Sedex
- Sievo
- RPMA
- Assent Compliance

Non-provider-based visibility approaches

- Questionnaires + data sheets in-house and experience of strategic buyers
- Local CSR agent on the ground

Question: “Which tools or platforms do you leverage to gain visibility of your supplier ecosystem beyond Tier-1 suppliers? ”
Source: Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

To tackle stockout risks, most companies rely on inventory management based on demand forecasting and building up safety stocks

INVENTORY MANAGEMENT

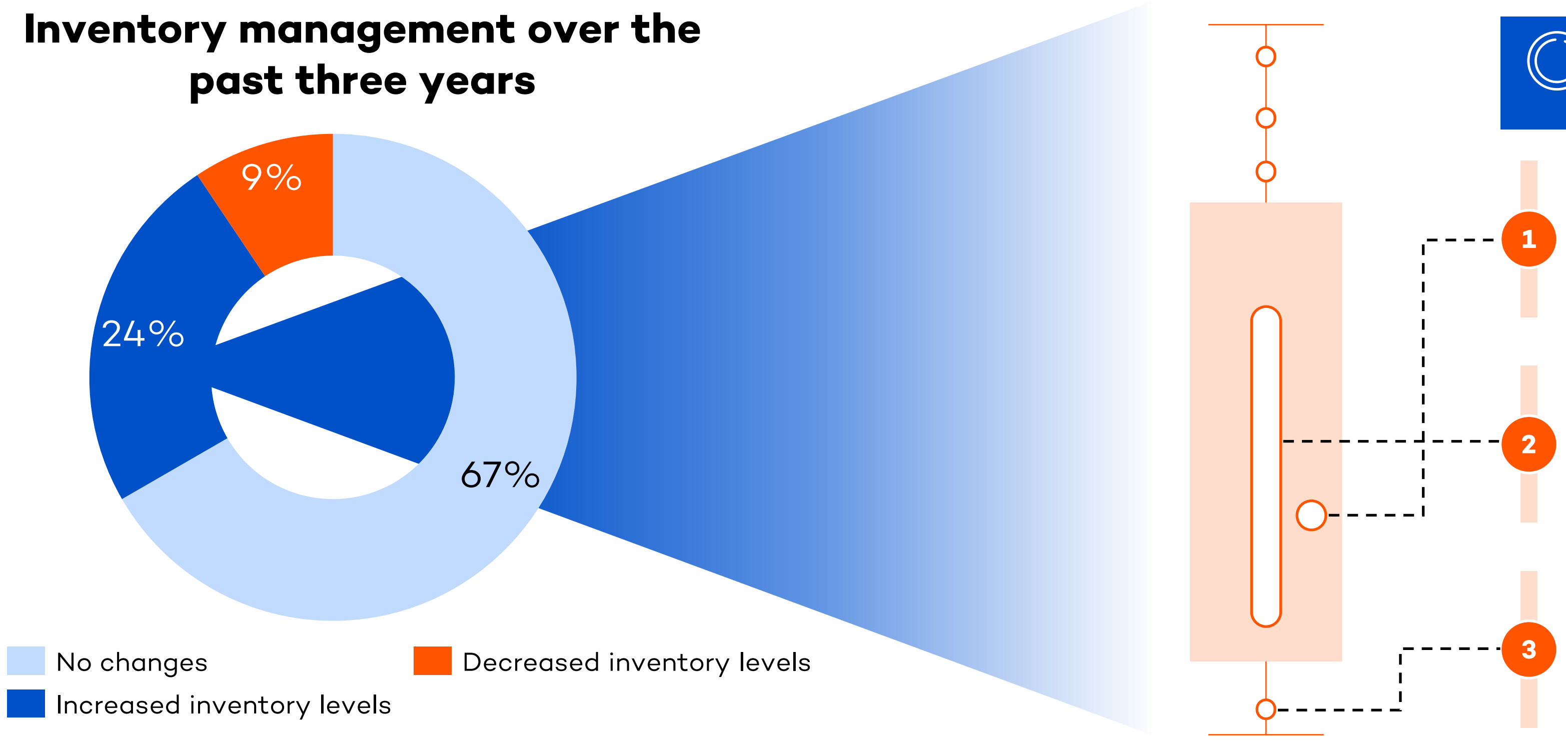
Measures to prevent stockouts, % of respondents (n=117)

Question: “How do you manage the risk of stockouts and ensure product availability?”
Source: Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

While most companies refrained from making any adjustments, there was an average 10% increase in inventory levels during the past three years

INVENTORY MANAGEMENT

Inventory changes in the past three years, % of respondents (n=117)



The extent of inventory changes

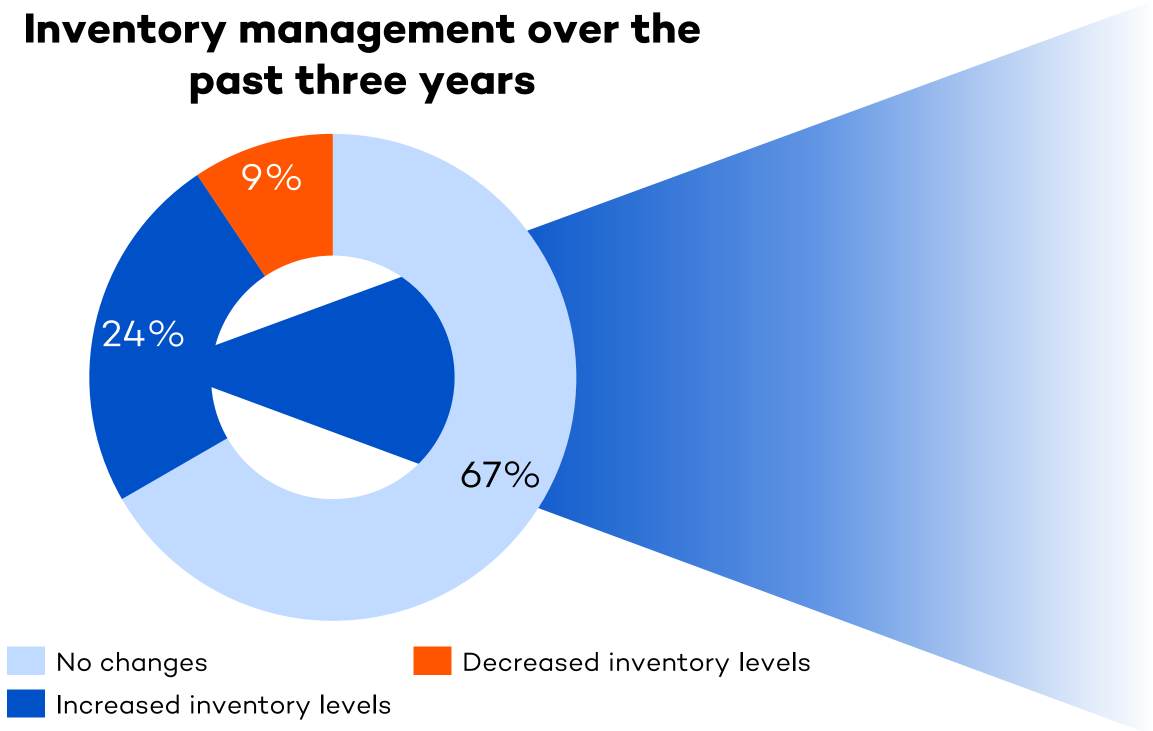
1. On average, respondents increased their inventory level by 10%
2. 50% of respondents increased their inventory level between 1% to 16%
3. Several respondents have reported outliers, with inventory level changes ranging from a 20% reduction to a 50% increase

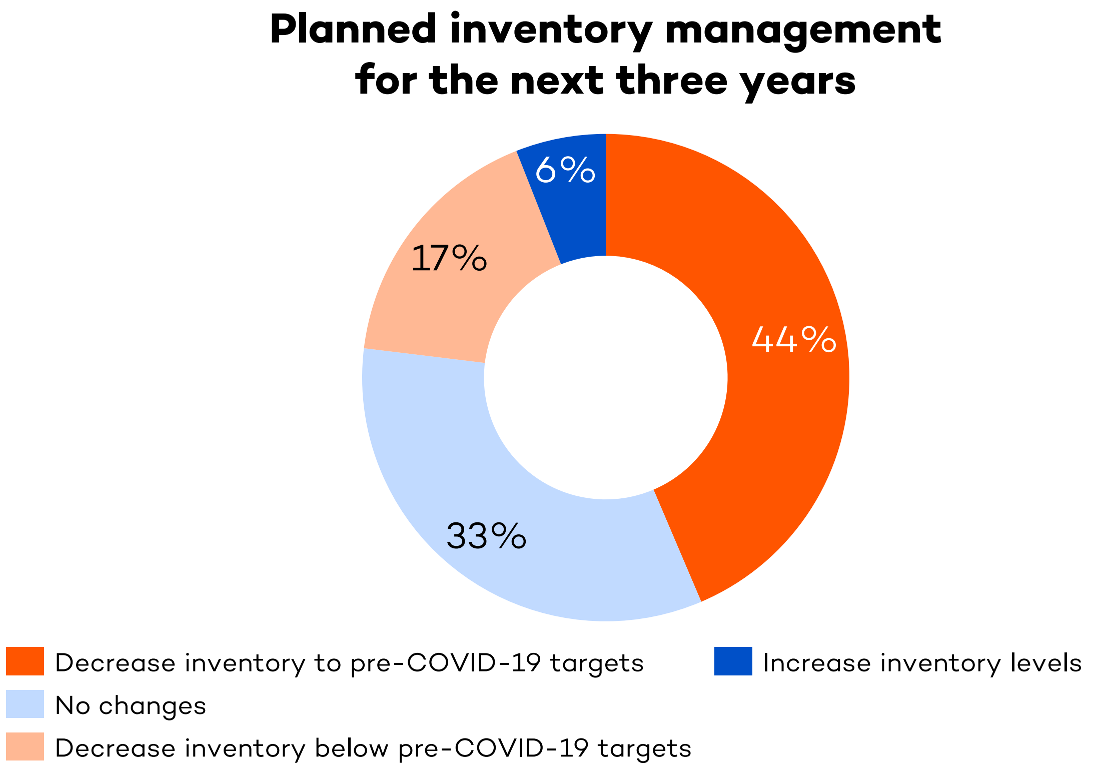
Questions: "How did you adjust your inventory management over the past 3 years?" and "To what extent did you increase/decrease inventory levels?"
Source: Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

44% of companies plan to return to Just-in-Time inventory management and decrease inventory levels to pre-COVID-19 targets

INVENTORY MANAGEMENT

Inventory changes (past & planned), % of respondents (n=117)





Questions: "How did you adjust your inventory management over the past 3 years?" and "What changes to inventory management are you planning for the next 3 years?"
Source: Procurement Initiative Pulse Check Q2/2023, May 08 – May 19, 2023

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Thank you for taking part in our Pulse Check Q2/2023.

We will share future research results on our LinkedIn channel The Procurement Initiative.

Stay tuned!

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