The Procurement Initiative
Pulse Check Q1/2024

State of the CPO and the Role of AI for Procurement

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 Q1/2024 Pulse Check, we aim to gauge the current sentiment within the procurement and supply chain environment, focusing specifically on the role of AI for Procurement and the current state of the Chief Procurement Officer within organizations. Based on our pulse check survey and a CPO survey with 400-plus respondents, this report provides an overview of the current state in procurement and future trajectories.

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.



Laurin Zemmrich,
PhD Candidate, ISCM-HSG



Martina Buchhauser
Senior Advisor, H&Z



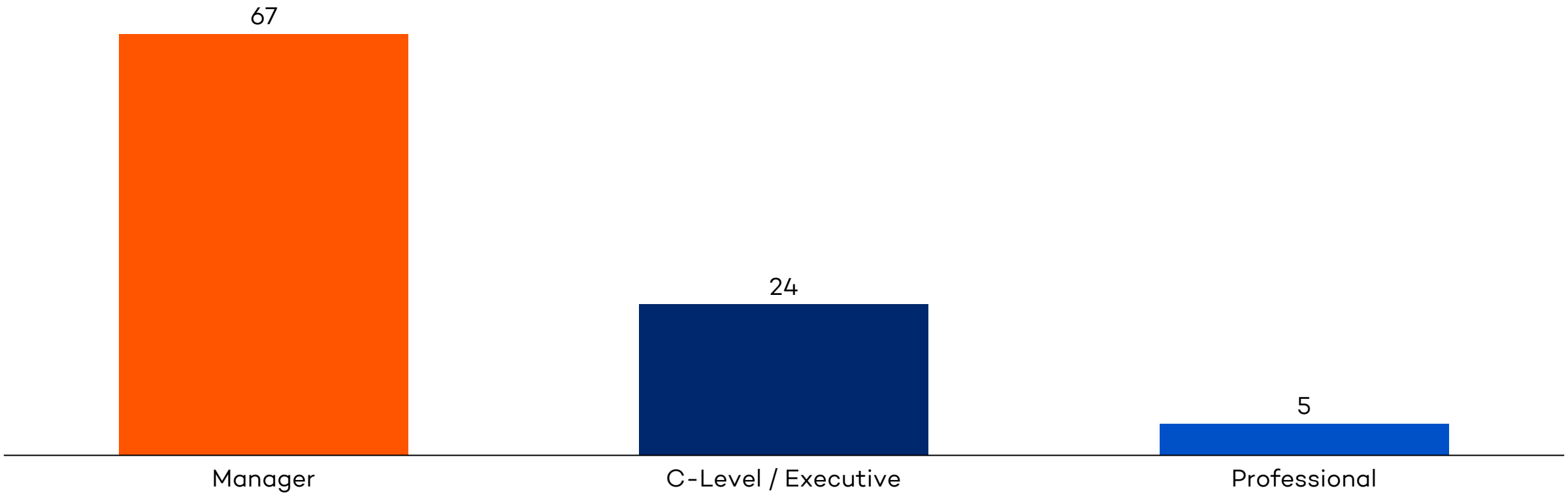
Richard McIntosh
Partner, H&Z

Part 1: Pulse Check Survey

96 participants from the procurement and supply chain environment completed our Q4/2023 Pulse Check

OVERVIEW

Role within the company,
# of respondents (n=96)



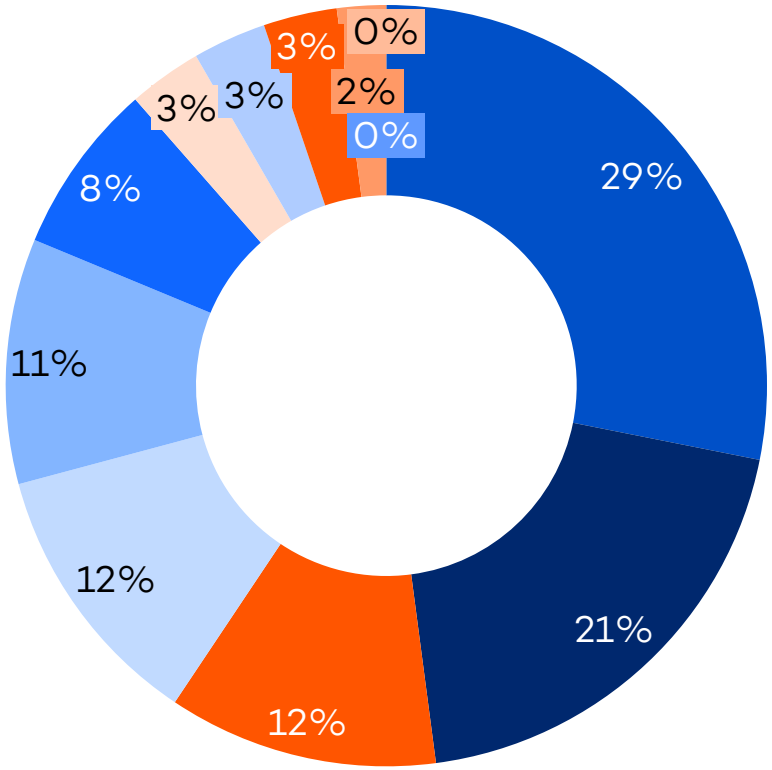
Question: “What is your role in the procurement/supply chain environment?”
Source: Procurement Initiative Pulse Check Q1/2024, Feb 19 – Mar 05, 2024

The Q1/2024 Pulse Check offers an extensive industry analysis, presenting representative findings for various sectors

OVERVIEW

Share of industries,
% of respondents (n=96)

- Industrials: Aerospace, Construction & Engineering, Transportation, etc
- Healthcare: Life Sciences, Pharmaceuticals, etc.
- Materials: Chemicals, Construction, Metals & Mining, etc.
- Fast moving consumer goods
- Information Technology: Software, Technology, Semiconductors, etc.
- Communication: Telecommunication, Media, etc.
- Energy: Oil & Gas, Energy equipment, etc.
- Automotive industry
- Financials: Banks, Insurances, etc.
- Consumer services: Hotel, Retailer, etc.
- Utilities: Electric, Gas, Water, etc.

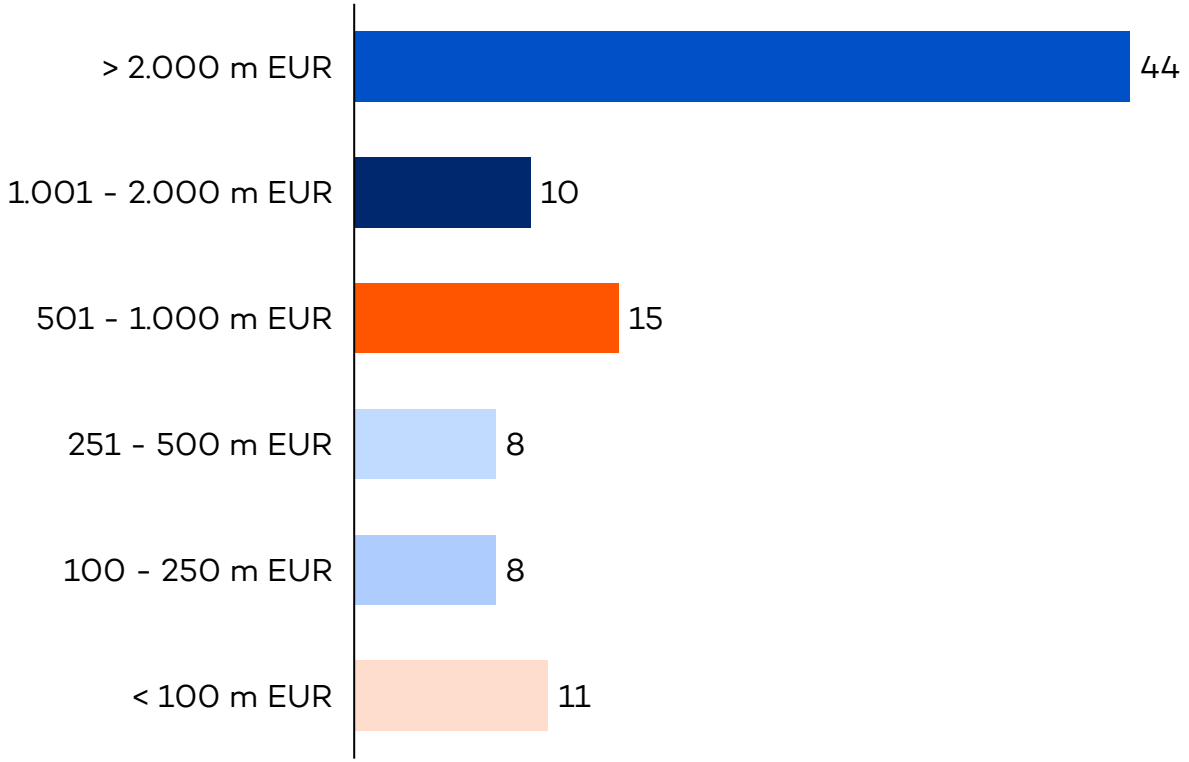


Question: “Which industry does your company operate in?”
Source: Procurement Initiative Pulse Check Q1/2024, Feb 19 – Mar 05, 2024

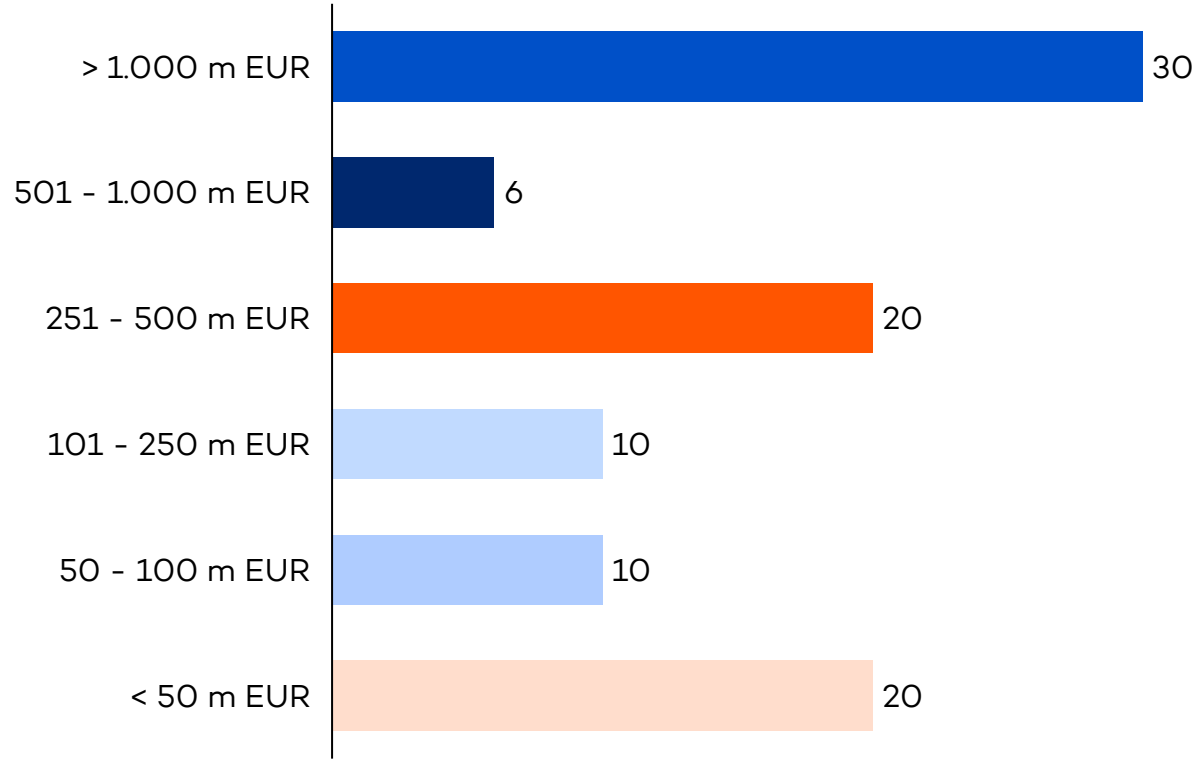
Half the participants' companies exceed 2,000 EUR in annual turnover, while one-third have substantial purchasing volumes of over 1,000 m EUR

OVERVIEW

Annual turnover (in EUR),
# of respondents (n=96)



Annual procurement volume (in EUR),
# of respondents (n=96)

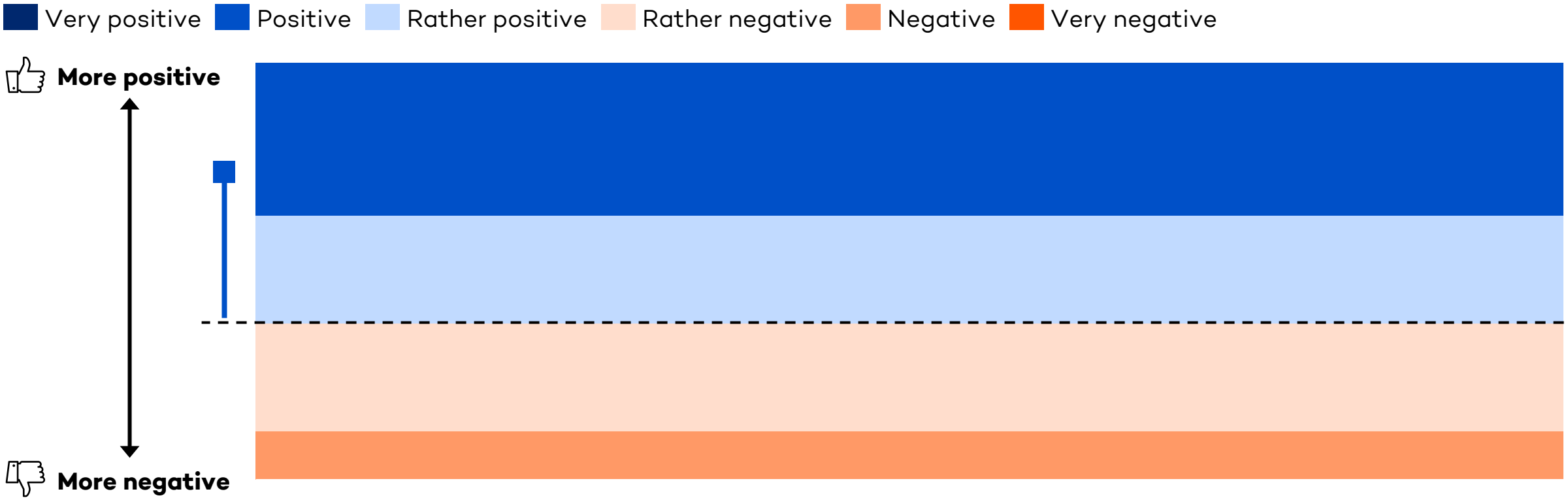


Questions: “What was your company turnover in 2022?” and “What was your procurement volume in 2022?”
Source: Procurement Initiative Pulse Check Q1/2024, Feb 19 – Mar 05, 2024

62% of respondents have a rather positive to very positive outlook regarding the stability of supply chains in 2024

OVERVIEW

Supply chain sentiment,
% of respondents (n=96)



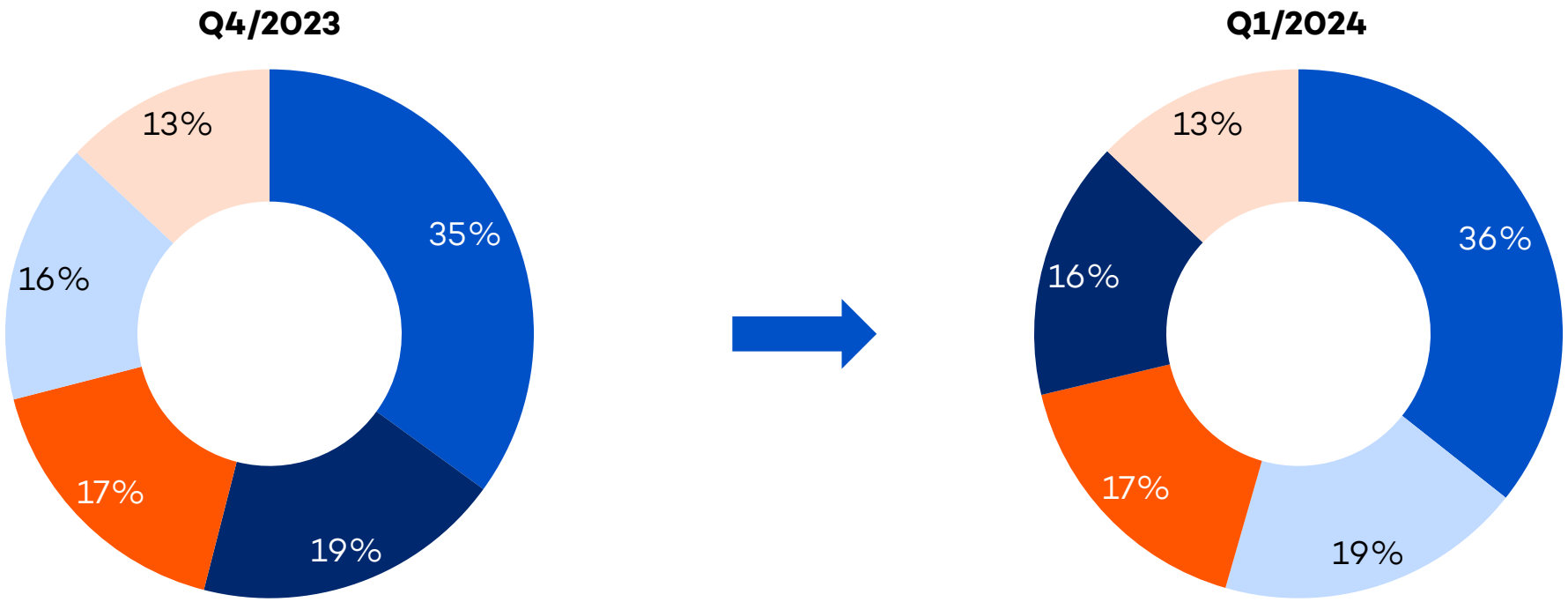
Question: "What is your sentiment regarding supply chain stability in 2024?"
Source: Procurement Initiative Pulse Check Q1/2024, Feb 19 – Mar 05, 2024

Sourcing priorities remain largely unchanged as cost remains key for decision-making in Procurement but sustainability gains momentum

OVERVIEW

Sourcing Priority,
Average points (out of 100) in the sourcing process based on ranking (n=96)

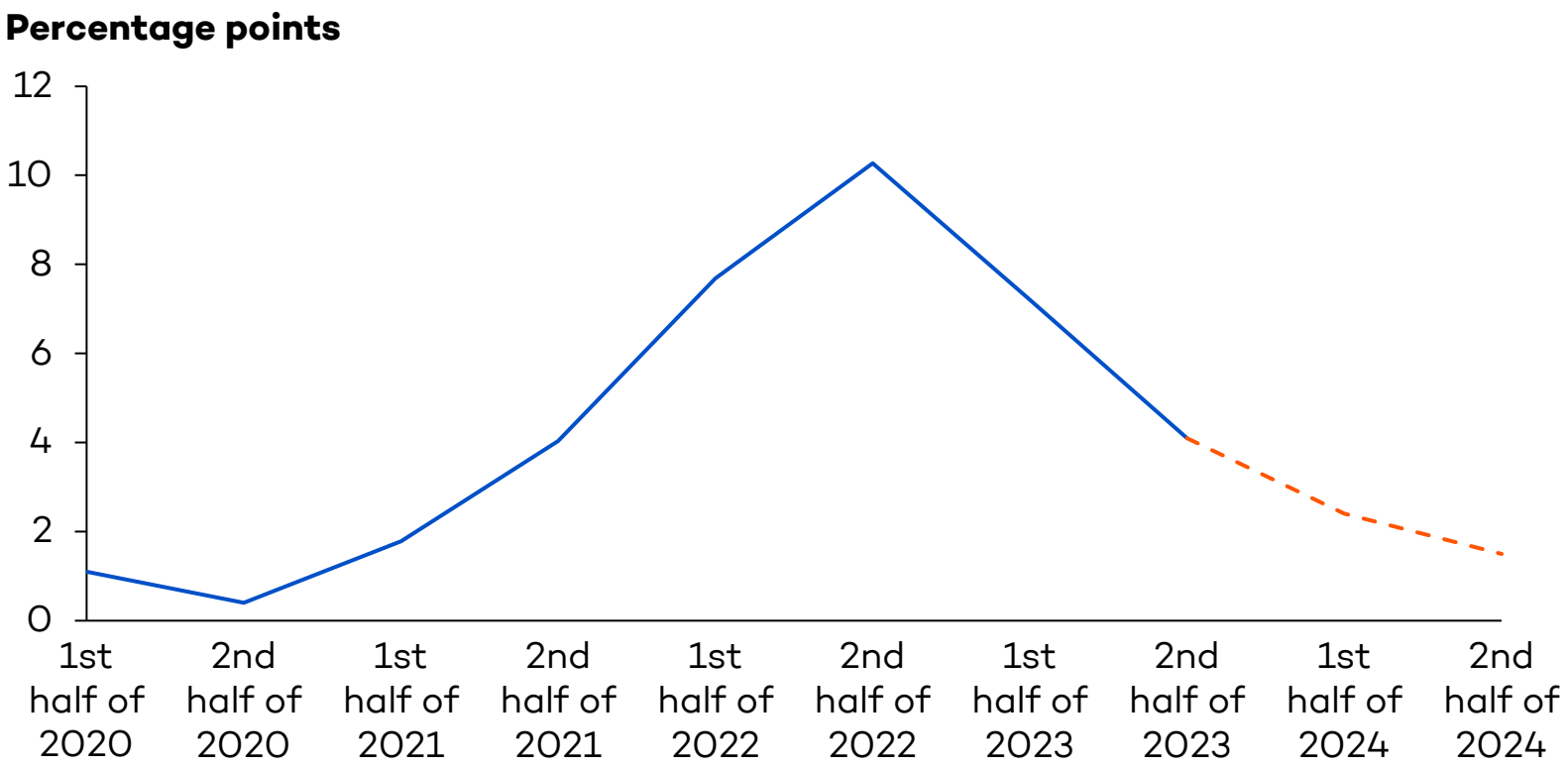
Cost Resilience Quality Sustainability Innovation



Question: "How would you rank the following criteria in terms of their importance for sourcing decisions?"
Source: Procurement Initiative Pulse Check Q1/2024, Feb 19 – Mar 05, 2024

As supply-side disruptions are expected to ease, respondents expect inflation to be at 2.4% (1st half 2024) and 1.5% (2nd half 2024)

Inflation expectations,
Average increase in purchasing prices for 2023 and 2024 (n=96)



Observations

1. Respondents expect an average increase in purchase prices of 2.4%
2. 50% of respondents expect an inflation rate between -1.75% to 5%
3. Some respondents report outliers ranging from -15% to +10%

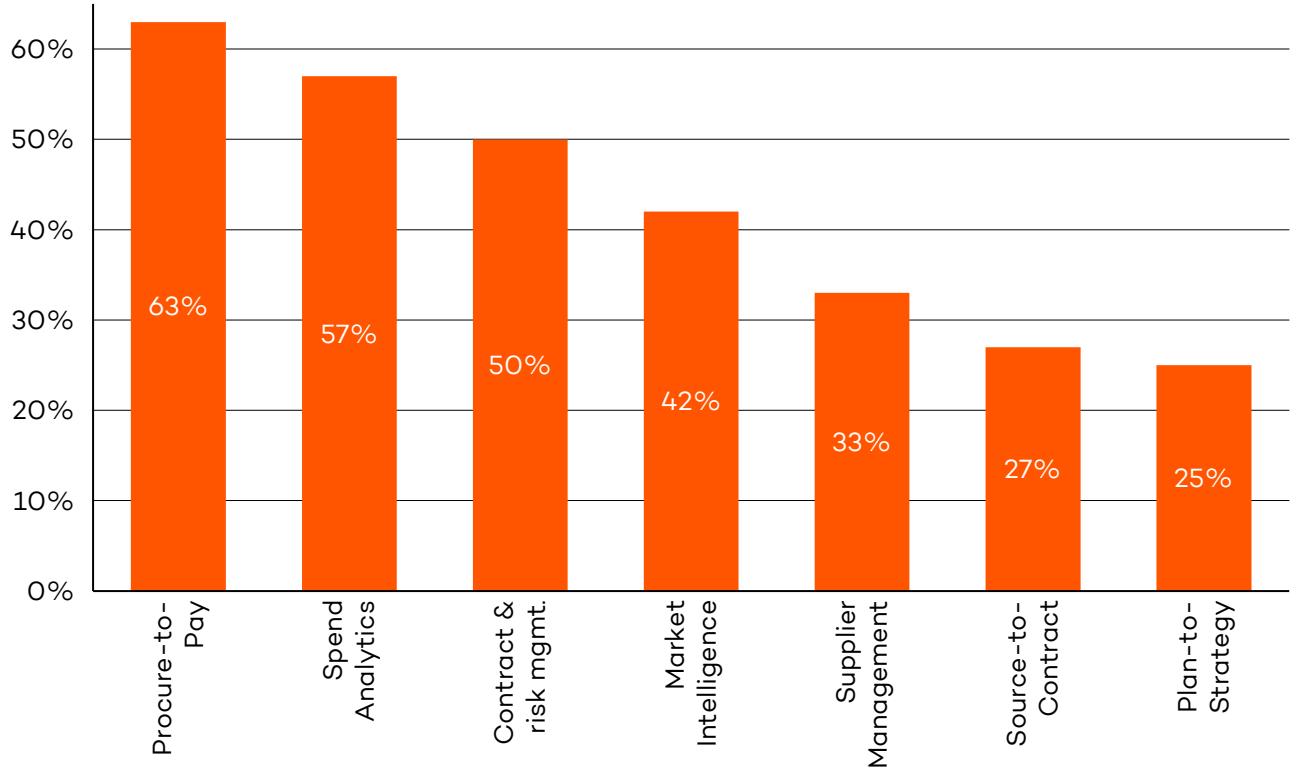
Question: "Which average change in purchasing prices for your categories do you expect for 2023 (base year for comparison: 2022)?"
Source: Procurement Initiative Pulse Check Q1/2024, Feb 19 – Mar 05, 2024

AI in Procurement: The top 3 AI application areas in Procurement include Procure-to-pay, spend analytics and contract & risk management

AI in Procurement

AI application areas in Procurement,
% of respondents (n=96)

Core Processes	Plan-to-Strategy	Spend analysis	Category strategy	...
	Source-to-Contract	Automated RfX generation	Market intelligence	...
	Procure-to-Pay	Automating invoice process	Automated Receipt Matching	...
	Supplier Management	Risk assessment	Scenario modelling	...
Support Processes	Spend Analytics	Index based pricing	Price forecasting	...
	Contract & Risk mgmt.	Automated contract generation	Contract summary generation	...
	Market Intelligence	Market Intelligence	Demand forecast	...



Question: "Please identify the top 3 areas, where you believe that AI applications will have the biggest impact in Procurement."
Source: Procurement Initiative Pulse Check Q1/2024, Feb 19 – Mar 05, 2024

AI application areas are vast – Procurement teams are implementing first solutions and capabilities in all areas

AI application areas in Procurement,
% of respondents (n=96)

Core Processes

- **Plan-to-Strategy**
- **Source-to-Contract**
- **Procure-to-Pay**
- **Supplier Management**

Support Processes

- **Spend Analytics**
- **Contract & Risk mgmt.**
- **Market Intelligence**

AI is used for spend analysis and the creation of the category strategy. Respondents leverage tools such as *CIRTUO* or *AKIROLABS* to integrate supply market data through web crawlers with internal knowledge to compare and recommend strategic options for category strategies.

AI is used for new ways to find, manage, and use supplier data in both public and private databases. Respondents leverage tools such as *7Q1*, *ALPAS* or *PINPOOL* to improve supplier discovery and tender management.

AI is used to eliminate the need for manual activities in purchase-processing procedures (eProcurement). Respondents leverage tools such as *MDSL* or *ABBYY* to create purchase requests, review and approve purchase orders, automate accounts payable and invoice processing, and review supplier offers and price lists.

AI is used for supplier performance management and supplier collaboration. Respondents leverage tools such as *SAP Ariba* to track supplier performance and get notified when requirements are no longer satisfied.

AI is used to optimize automatic spend classification and vendor matching. Respondents leverage tools such as *Sievo* or *tamrAI* to eliminate the need for manual classification by classifying spend data into standard taxonomies.

AI (Natural language processing) is used to automatically generate, scan and interpret legal documents. Respondents leverage *CLM suites* to extract contract information and get smarter terms & clauses for documents.

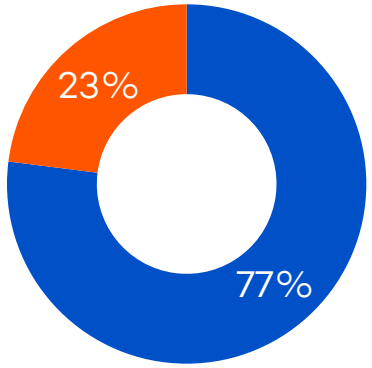
AI is used to gather market intelligence data. Respondents leverage tools such as *IVOFLOW* to automatically gather external data, including raw material prices, logistics and customs duties, exchange rates and energy costs and assign these costs to their categories.

Question: "AI tools / solution providers: Which tools/solution providers does your company use or plan to use in the future?"
Source: Procurement Initiative Pulse Check Q1/2024, Feb 19 – Mar 05, 2024

GenAI: 38% of respondents indicate daily use of GenAI, specifically large language model (LLM) chat bots such as ChatGPT, Copilot or Gemini

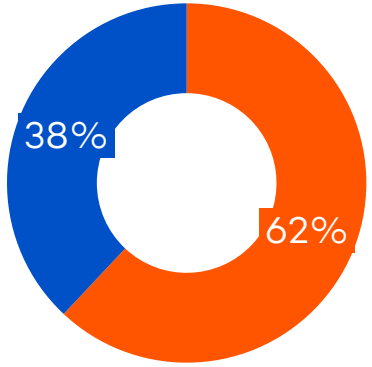
GenAI in Procurement,
% of respondents (n=96)

"I have already used an LLM-chatbot at least once..."



Personal experience is increasing but...

"I use an LLM-chatbot in my daily work..."



...most companies are still at an early stage when it comes to using LLM-chatbots in procurement

Use case examples
Open text responses (n=73)

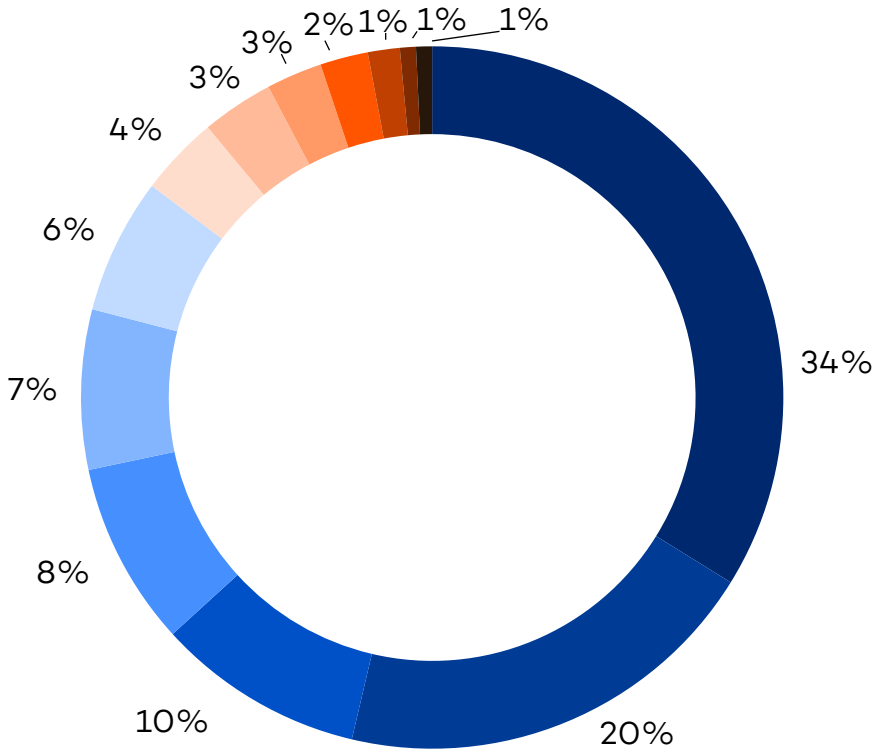
- **General workflow:** Creating presentations, elaborating on role descriptions, formulating standard emails, performing translation services, generating text for reports (e.g., annual report, CSR report) and speeches, creating and improving processes (e.g., procurement SOP's), recording and documenting meeting minutes in MS Teams
- **Procurement processes and exemplary prompts:**
  - Supplier management: "Can you name me three competitors for supplier A"
  - Tender Management: "Can you prepare this tender, tender letter, negotiation"
  - Spend forecasting: "Categorize my spend data", "Analyze patterns", "Predict future spending patterns on my historical data"
  - Supplier management: "Possible solutions to solve conflict X with supplier Y" or "Correct this supplier letter"
  - Project management: "Setting of OKR proposals"
  - Contract management: "Compare T&Cs and flag any potential issues between the old and new version of our contract"

Question: "Have you already used chatbots (e.g., ChatGpt, CoPilot, Gemini, etc.)? Are you using chatbots in your daily work in Procurement? Please indicate how and in which areas."
Source: Procurement Initiative Pulse Check Q1/2024, Feb 19 – Mar 05, 2024

Part 2: CPO Survey

The CPO survey offers an extensive industry analysis, presenting representative findings for various sectors

Share of industries, % of respondents (n=453)

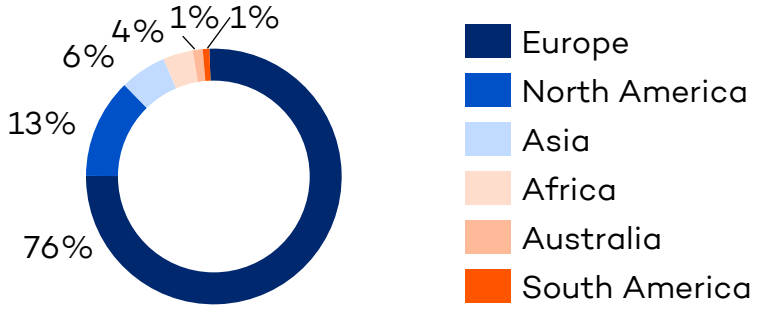


- Manufacturing (e.g. Automotive, Primary Metals Industries, Textile Products, Electronics, Chemicals, Food, Industrial Machinery)
- Other
- Transportation and Public Utilities (e.g. Railroad, Transportation by Air, Pipelines, Electric Services)
- Healthcare and Pharmaceuticals
- Finance, Insurance, Real Estate
- Services (e.g. Health Services, Business Services, Educational Services)
- Retail Trade (e.g. Food Stores, Apparel Stores, Building Material Stores)
- Public Administration
- Construction
- Engineering
- Wholesale Trage
- Agriculture, Forestry, and Fishing
- Mining (e.g. Metal Mining, Oil and Gas Extraction)

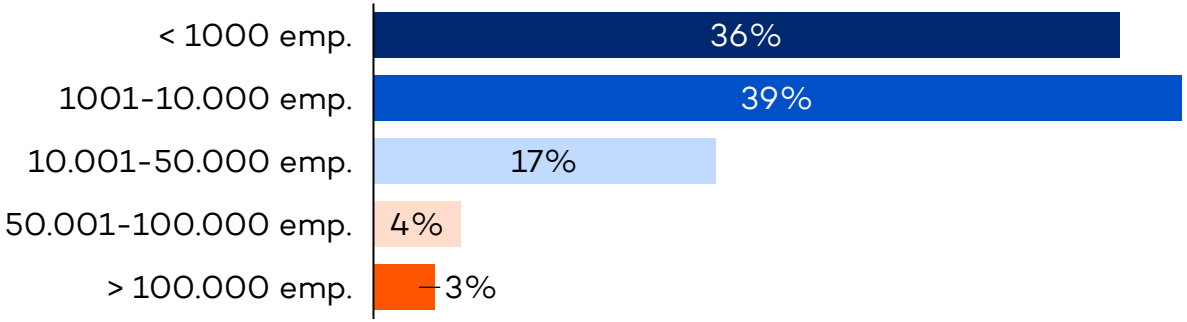
Source: CPO Survey- Interpersonal Relations between Top Management Team Members and CPOs (Jan 29- Feb 13, 2024)

More than a fourth of the participants exceed 2,000 m EUR in annual turnover, mainly headquartered in Europe

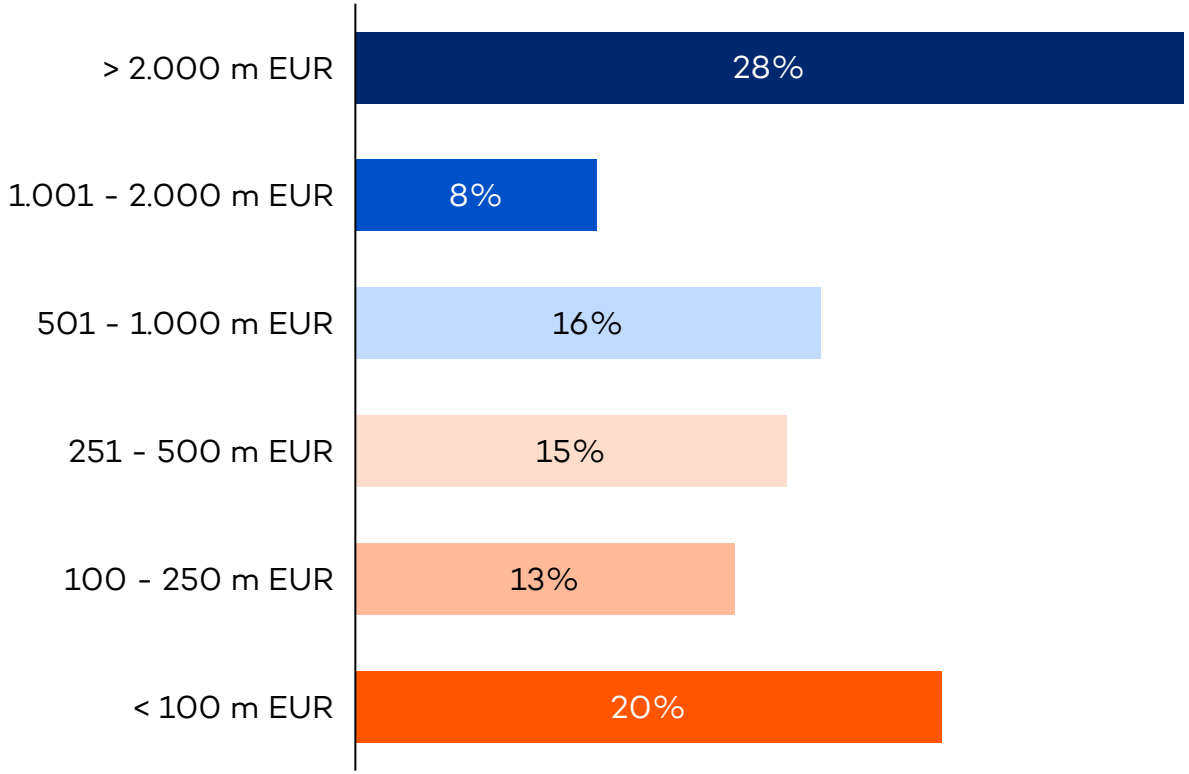
Location of headquarter, % of respondents (n=453)



No. of employees, % of respondents (n=453)



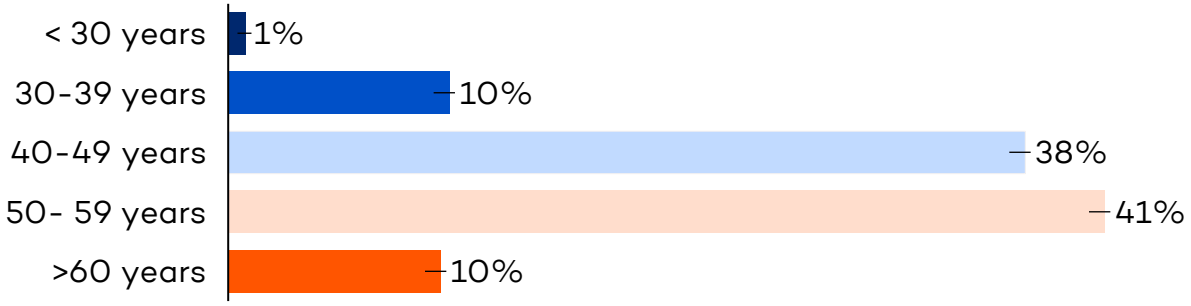
Annual turnover (in EUR), % of respondents (n=453)



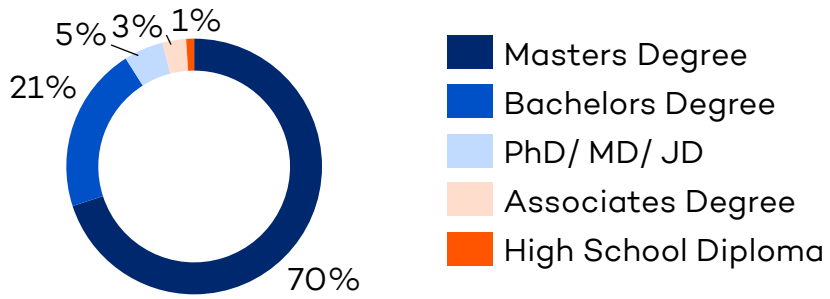
Source: CPO Survey- Interpersonal Relations between Top Management Team Members and CPOs (Jan 29- Feb 13, 2024)

Most respondents are males over 40 with a master's degree, employed at their current company for under five years

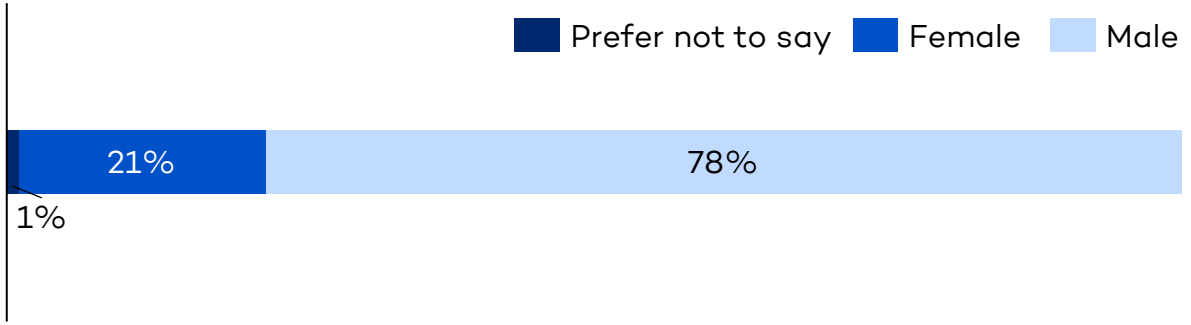
Age (n=453)



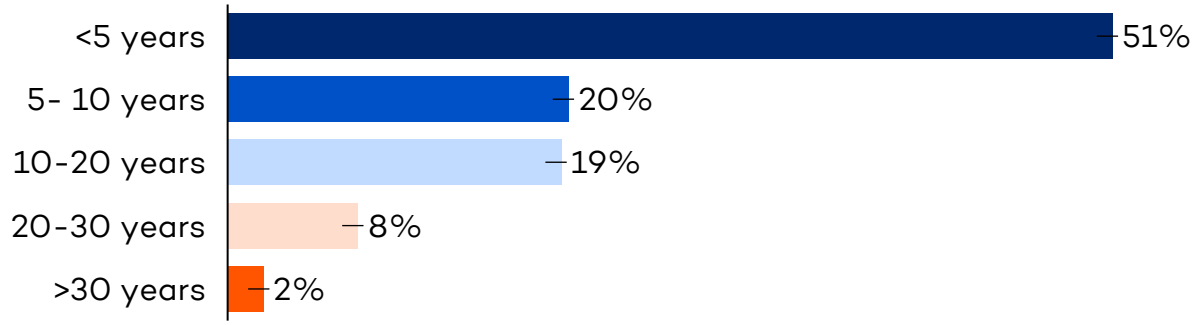
Latest degree (n=453)



Gender (n=453)



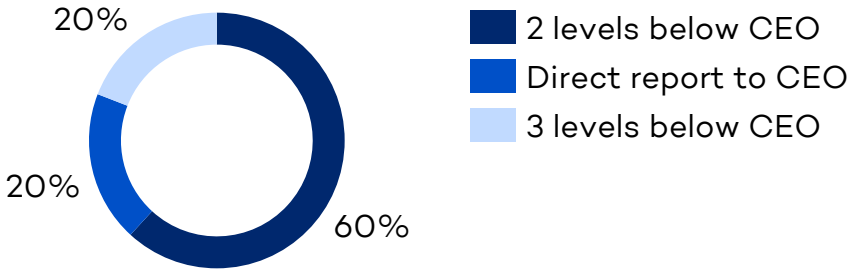
Years working for current company (n=453)



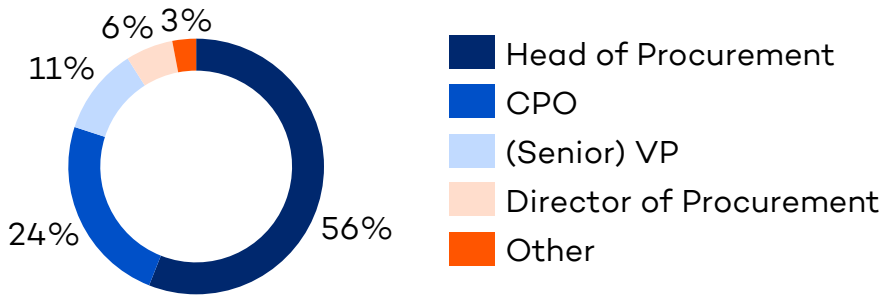
Source: CPO Survey- Interpersonal Relations between Top Management Team Members and CPOs (Jan 29- Feb 13, 2024)

The procurement functions mainly report two levels below CEO with 20% of CPOs represented in the executive board

No. of reporting levels to CEO (n=453)



Role (n=453)



Representation in executive boards (n=453)



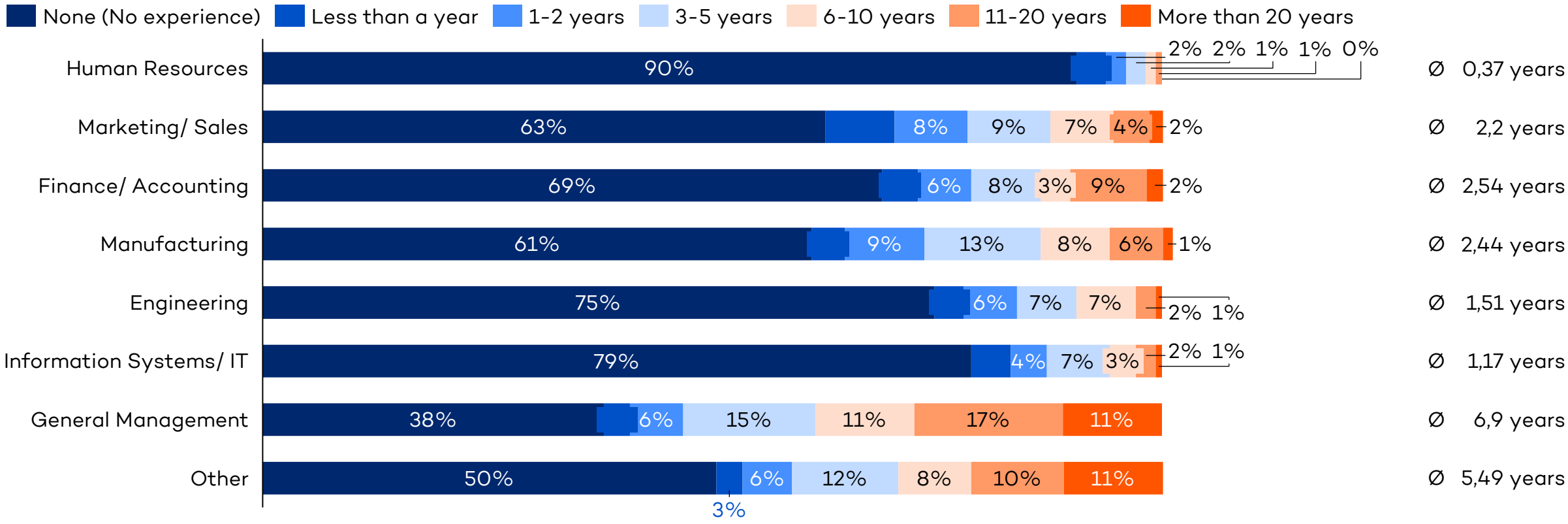
Ownership (n=453)



Source: CPO Survey- Interpersonal Relations between Top Management Team Members and CPOs (Jan 29- Feb 13, 2024)

CPOs possess a broad spectrum of professional experience, chiefly in general management and purchasing and supply management (“other”)

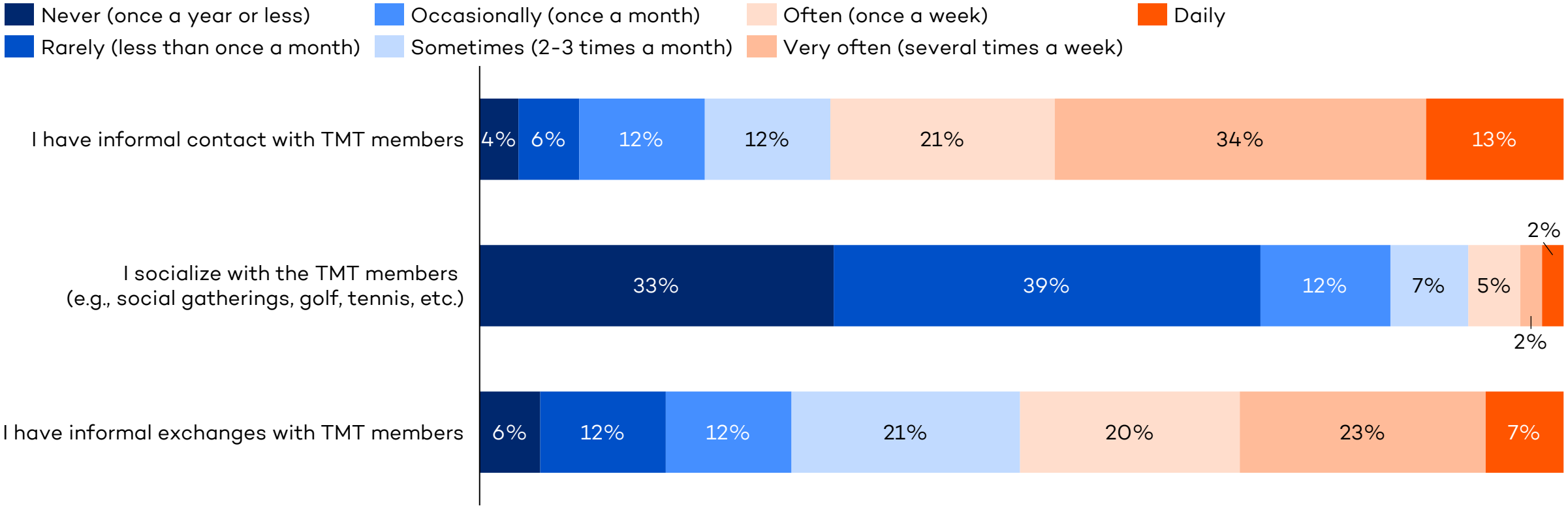
Experience in functional areas of professional career (in years), % of respondents (n=453)



Source: CPO Survey- Interpersonal Relations between Top Management Team Members and CPOs (Jan 29- Feb 13, 2024)

CPOs frequently have informal interactions with their top management, yet seldom at social events

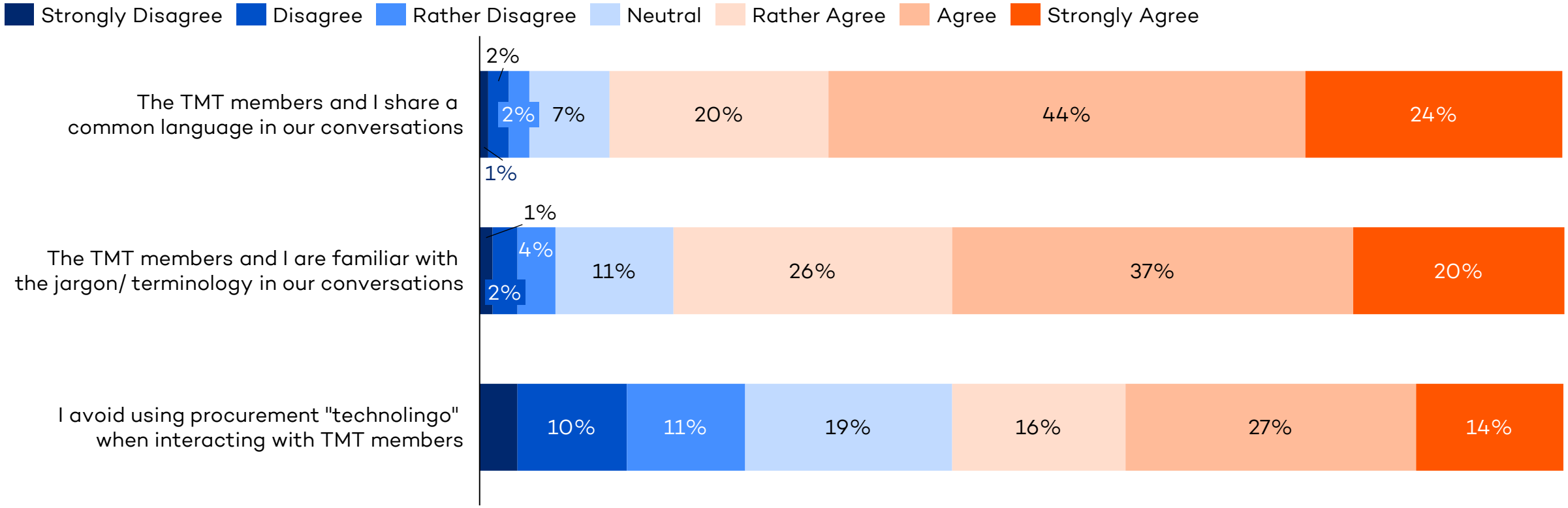
Informal interaction, % of respondents (n=453)



Question: Please indicate how often you interact informally with members of the Top Management Team (TMT) in your role as CPO (or similar)
Source: CPO Survey- Interpersonal Relations between Top Management Team Members and CPOs (Jan 29- Feb 13, 2024)

CPOs collectively recognize a common language with top management but often overemphasize “technolingo”

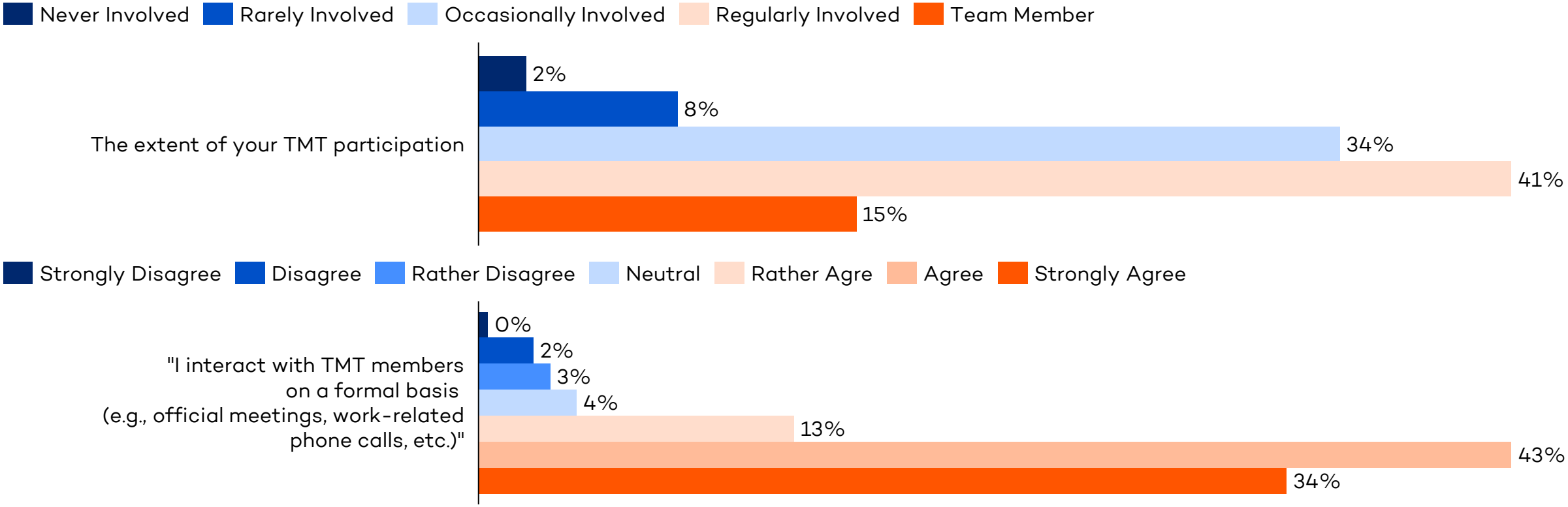
Shared Language % of respondents (n=453)



Question: Please evaluate the degree to which you, in your role as CPO (or similar), share a common language and terminology in your communications with the Top Management Team (TMT)
Source: CPO Survey- Interpersonal Relations between Top Management Team Members and CPOs (Jan 29- Feb 13, 2024)

CPOs are experiencing a higher interaction frequency with their top management, demonstrating a high level of commitment

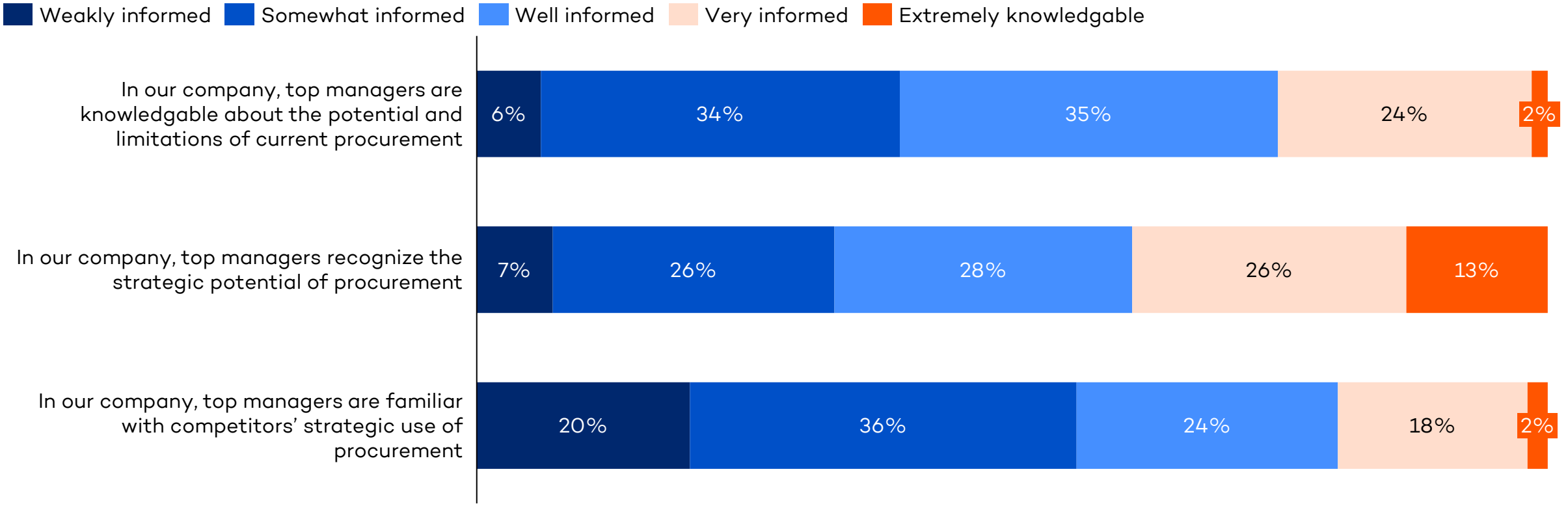
Structural systems of knowing, % of respondents (n=453)



Question: Please indicate your level of involvement as CPO (or similar) with the Top Management Team (TMT) / Please indicate your level of interaction as a CPO (or similar) with the Top Management Team (TMT)
Source: CPO Survey- Interpersonal Relations between Top Management Team Members and CPOs (Jan 29- Feb 13, 2024)

CPOs should use their organizational visibility to educate their top management about the potential and limitations of procurement

Shared Domain Knowledge - Top Management Team strategic procurement knowledge, % of respondents (n=453)



Question: Please rate your Top Management Team's (TMT) level of procurement-related strategic knowledge
Source: CPO Survey- Interpersonal Relations between Top Management Team Members and CPOs (Jan 29- Feb 13, 2024)



Laurin Zemmrich
Institute of Supply Chain Management, HSG
+49 157 85713792
laurin.zemmrich@unisg.ch



Martina Buchhauser
H&Z Management Consulting
+49 160 7264269
martina.buchhauser@hz.group



Richard McIntosh
H&Z Management Consulting
+44 7494 051150
richard.mcintosh@hz.group

Thank you for taking part in our Pulse Check Q1/2024 and our global CPO survey.

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

Stay tuned!

University of St.Gallen
Institute of Supply Chain Management

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