



Future of procurement

Know how to calibrate the right blend of strategic decision-making and automated support processes

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April 2024



Contents

01.

Introduction
page 3

02.

About the
research
page 5

03.

Signals of
change
page 6

04.

Strategic
imperatives
page 11

05.

Key takeaways
page 23

06.

KPMG
transformation
page 27

07.

Contacts
page 29

01

Introduction

Numerous forces are converging to deeply influence the future trajectory of procurement. Faced with uncertainty over their pace and impact, procurement teams should brace themselves for a myriad of potential scenarios.

Geopolitical tension is widespread, with a retreat from globalisation, and conflict in certain regions impacting food markets and energy prices and deterring trade routes.

Increasing **ESG demands** from regulators and other stakeholders puts pressure on procurement teams to create low-carbon, nature-friendly supply chains that sustain the flow of materials and goods while remaining resilient to climate change and

extreme weather events. If procurement teams transition to sustainable sourcing faster than their rivals, will this push up costs and make their products uncompetitively priced?

Technology — particularly **generative AI** — is speeding up automation and improving predictive capabilities to create huge potential efficiencies. But will procurement teams make the right technology bets to bring the efficiencies and cost savings they're looking for?

With **inflation remaining high**, can procurement achieve cost and contract management efficiencies to maintain margins? As China's economy deflates, will falling prices for Chinese goods

make other Asian countries' products uncompetitive and jeopardize efforts to procure beyond China?



And, faced with skills shortages and transformational change, how can procurement functions access the people and capabilities to create a **dynamic workforce** that delivers excellence?

In this report we examine how these forces may affect procurement teams and discuss how procurement leaders can respond — and the capabilities they will need to thrive. Our insights are augmented by findings from the KPMG 2023 Global Procurement Survey of 400 senior procurement professionals from a range of industries.

In light of all these challenges, we believe the future procurement function is likely to be positioned along a spectrum. At one extreme, procurement would resemble a support process so thoroughly

automated that it may be subsumed by other functions. At the opposite end, it could become a strategic influencer that harnesses advanced technology and acts as an orchestrator of third-party risk management (TPRM) and ESG compliance.

The direction that procurement departments take should inevitably be determined by several factors, including the geography, industry, degree of digitalisation in the organisation, and the impact of environmental developments on the supply chain.

Procurement is at an exciting turning point, where the benefits of strategic, technological, and operational improvements are potentially significant. If procurement functions can seize these opportunities, they can make a major contribution to organisations' financial and non-financial performance.

02

About the research

The KPMG 2023 Global Procurement Survey features the responses from 400 senior procurement professionals. Twenty-two percent of the respondents were C-suite level and 79 percent were SVP and VP level, with all working in the procurement function. The respondents represented a range of industries including Consumer & Retail, Industrial Manufacturing, Energy & Natural Resources, Technology, Media & Telecommunications, and Financial Services.

N=400

Current role (overall)^(b)

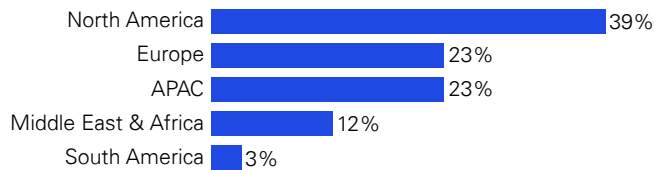
22%

C-suite executives (procurement only)

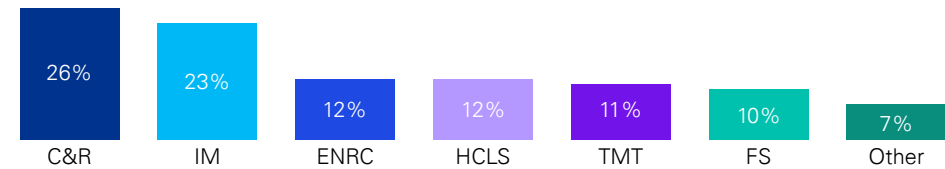
79%

SVP and VP levels (procurement only)

Regions where company is headquartered ^(a)



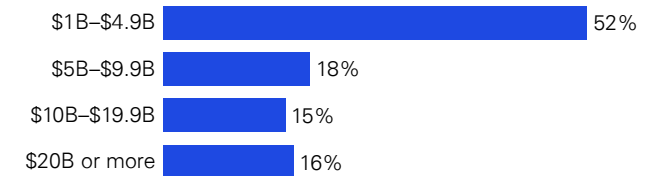
Organisational sector



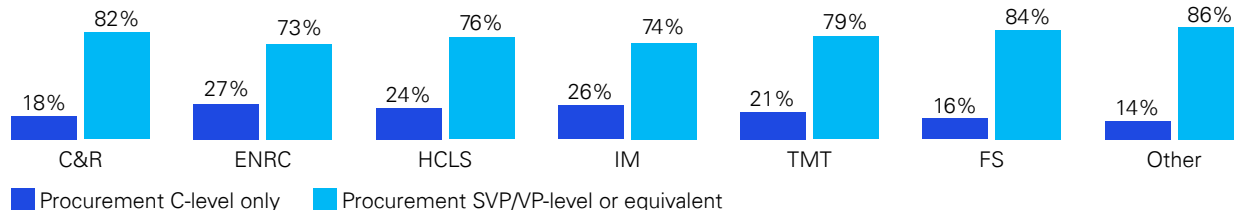
Current role (sector-wise)



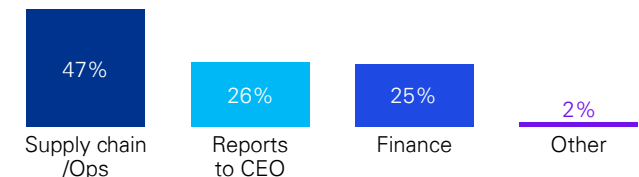
Organisation's sector (\$US equivalent)



Current role (sector-wise)



The procurement function housed within your organisation



Notes: (a) North America includes US and Canada; Europe includes Western Europe and Eastern Europe; Middle East & Africa includes Middle East and Africa; APAC includes India, South Asia, China, Japan, East Asia, Southeast Asia, Australia, and Oceania; (b) Total might not add up to 100 percent due to rounding; KPMG 2023 Global Procurement Survey, July 2023

03

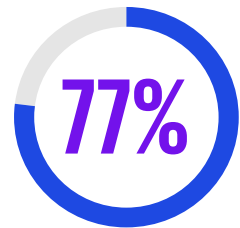
Signals of change

The future of procurement is likely to be shaped by five key forces, which could differ in level of impact according to geography, industry, and organisation size.



1. Geopolitical tensions and global network challenges

Procurement professionals face an uncertain geopolitical environment, with the U.S. and China decoupling as part of a wider deglobalisation of supply chains, and conflict in Ukraine and Middle East regions threatening traditional supply sources, including disruptions of the Red Sea shipping lanes due to ongoing political instability in Yemen.



of respondents cite risk of supply disruption as a critical external challenge.

A large majority of respondents (77 percent) to the KPMG 2023 Global Procurement Survey cite risk of supply disruption as a critical external challenge. These pressures are testing companies' supply chain resilience and forcing a rethink of sourcing strategies, in a bid to

reduce the risk of shortages and price rises of commodities and parts. As they seek greater reliability in a volatile world, procurement teams are considering how to increase supply chain transparency and opportunities to collaborate with other industry players, to ensure continued availability and predictable costs.

The "China Plus One" strategy — where global businesses diversify into manufacturing in other countries in addition to China — is gaining ground, with economies like India, Thailand, and Vietnam among the more popular alternative destinations for far-shoring, and Mexico and Poland emerging as near-shore options. Any future conflict in the Asia Pacific region would be expected to accelerate this trend, which includes sanctions. Chinese companies face import restrictions (and possibly even bans) on a range of technology raw materials and components, especially those related to semiconductors.

2. Rapidly advancing technology

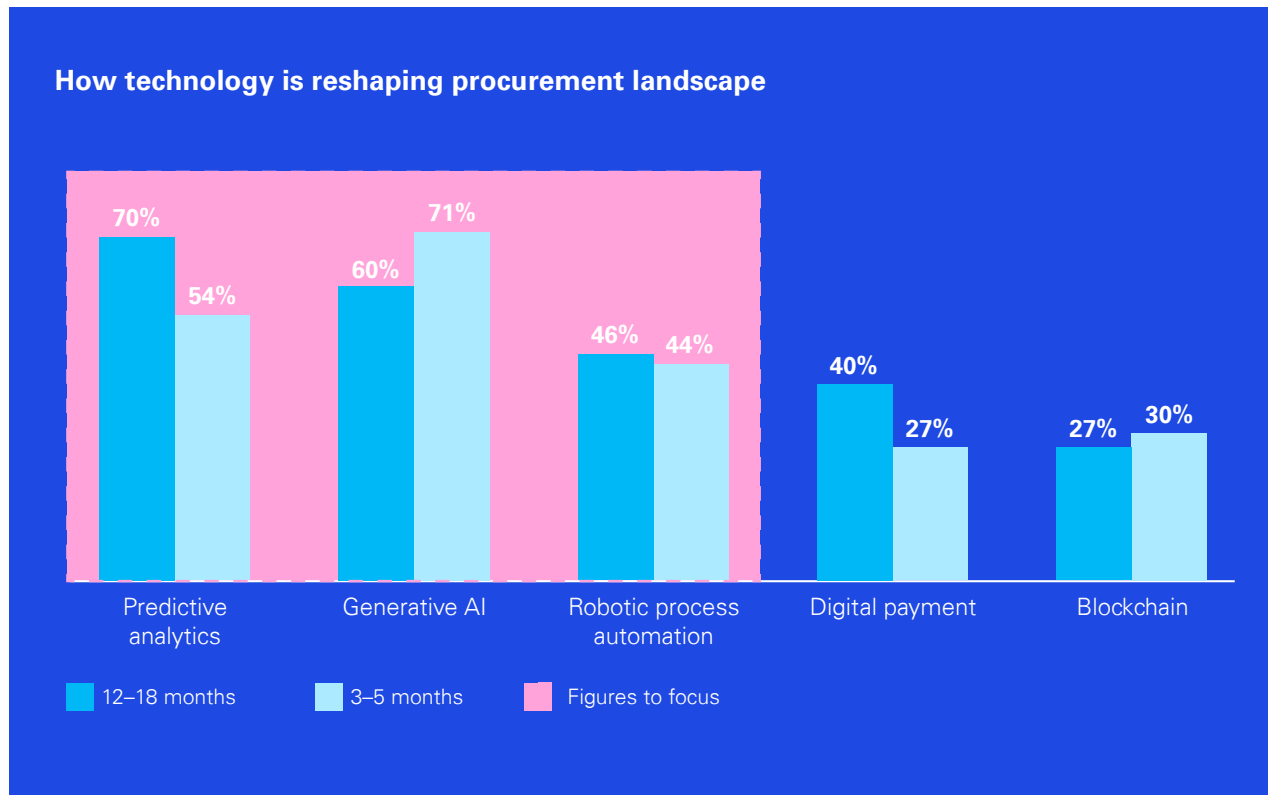
When asked which technologies will have the biggest impact on their firm's procurement function over next 12–18 months, survey respondents ranked predictive analytics and generative AI as number one and two

respectively, with robotic process automation (RPA), some way behind in third place. However, they also cite limited data and insights as the top internal challenge they face, indicating an urgent need to invest in this area.

Technology should aid procurement functions in enhancing efficiency, fostering innovation, and increasing value creation, particularly within the source-to-pay process. But companies need to be cautious about the impact of AI on investment, change management, and data quality, as well as the ethical and legal implications of this fast-growing technology.

Data graphs and other enterprise data management approaches are driving advances in procurement, enabling faster processing and contracts. This, in turn, leads to more accurate forecasting, reduced waste, and improved timeliness of inventory.

Procurement practices and contracting are evolving fast, with an increase in as-a-service (XaaS), software subscriptions, and microservices, as contracting models shift toward value-based and performance-based contracts. Artificial intelligence also influences the way that organisations negotiate.



* Figures depict the sum of percent of respondents who ranked the respective option as 1, 2 or 3; KPMG 2023 Global Procurement Survey

The speed at which AI can process information is helping companies screen their supplier base — or potential new suppliers — at a global level, which can enhance supplier relationships. Indeed, the entire process, from sourcing through to contracting, may be transformed, with tender proposals evaluated in a matter of days or even hours. Although this relieves pressure on often overworked procurement teams, by taking over many tasks traditionally performed by people, risks relegating the function to an automated process.

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Generative AI is reshaping procurement

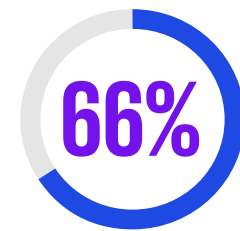
In a recent KPMG paper, **Unleashing the power of generative AI in procurement**, we discuss how generative AI has the potential to reshape procurement's operating model and its organisational role, providing category managers in particular with deep and up to the minute insights and market intelligence. A significant proportion of procurement activity could be automated, eliminated, or shifted to self service models.



3. The increasing regulatory and strategic importance of sustainability and ESG

ESG should be a high priority for procurement professionals, with an all-encompassing impact on organisational reputation, customer loyalty, innovation, cost savings, risk management, and social impact of the procurement function.

Companies in certain regions, notably Europe, are being affected by **increasingly stringent regulatory and reporting requirements**.¹ Almost two-thirds of respondents (66 percent) to our global survey say that increased regulatory and ESG demands are heavily influencing strategic sourcing in the next 3–5 years. Businesses must demonstrate that their manufacturing and supply chains are not only low-carbon and environmentally friendly, but also provide adequate pay and conditions for workers. It's a similar story for different industries, where financial services and government organisations are scrutinised with particular intensity. However, our survey reveals that 77 percent of procurement leaders do not rate their organisation's TPRM as "highly mature," suggesting that there is a need to grow capabilities quickly.



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As the concept of a circular economy takes hold, procurement could seize a vital role at the centre of circular development, from supporting product design through to sourcing.

Integrating ESG into procurement requires a comprehensive analysis of all activities, including gap assessments, to enhance supply chain visibility, adopt a circular approach, decarbonise, and collaborate with industry peers. Although this transformation may be costly and time-consuming, it also offers opportunities to make supply chains more resilient to climate change. With less than a quarter of respondents (24 percent) to the KPMG Global Procurement Survey stating that their sustainable supply chain capabilities are of high maturity, there appears to be a **considerable gap between circular intent and delivery**.

Transitioning to a circular business model is an organisation-wide undertaking that goes a long way beyond initiatives such as recycling, green energy, and sustainable packaging. Despite establishing various initiatives, many companies still grapple with closing the circular economy loop and modifying their processes to adapt.

¹ This is particularly prevalent in Europe, where stringent ESG regulations have been established. These encompass the European Banking Authority (EBA) and the Digital Operational Resilience Act (DORA) specifically for the financial sector. Further regulations include the Corporate Sustainability Reporting Directive (CSRD), the Cross-Sector Due Diligence Directive (CSDDD), and the European Union Deforestation Regulation (EUDR), among others. These regulations all have obligatory compliance deadlines and exert an expansive cross-sector influence.

² "Républik HA 5/5 Barometer: a declaration of love for the purchasing function," Republik HA, March 2024

4. Rising costs and inflation

Respondents to our global survey rank inflationary pressures and increasing commodity prices as the top external procurement challenge (83 percent) — while cost savings/cost avoidance are the number one optimisation initiative (91 percent).

Inflation is unlikely to change the procurement function itself, although it does increase the workload and, subsequently, the need to manage costs more effectively.

To achieve this, procurement professionals are under greater pressure to build an in-depth knowledge of categories, cost drivers, and pricing formulas, and to collaborate more closely with other functions and suppliers. And in a volatile environment, the drive to continually enhance budget and contract management becomes crucial to maximise the value of limited financial resources. However, if deflation in China persists throughout 2024, falling prices of Chinese goods may prevent procurement teams from shifting to alternative geographies in Asia and beyond.

83%

of respondents rank inflationary pressures and increasing commodity prices as the top external procurement challenge.



5. Growing labor mismatches

Like all disciplines, procurement is struggling to bridge the talent gap; a task made more urgent given the burning need for a digitally skilled future workforce that can work with and make the most of generative AI and other emerging technologies. For example, just 34 percent of survey respondents believe they have a strong capability in contract analytics for contract lifecycle management, highlighting the need for skilled professionals in procurement.

04

Strategic imperatives

As procurement leaders consider how to address the signals of change and seize emerging opportunities, they have five strategic imperatives:



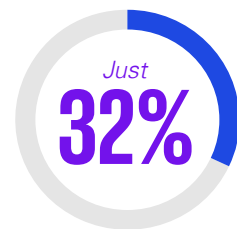
1. Build a resilient global footprint

Through redundancy and regular risk assessments, procurement leaders can address geopolitical tensions and global network challenges impacting their organisation to become more resilient.

An important step is to review the supplier base and sourcing strategies by increasing reshoring and nearshoring, and reducing sole sourcing, as Aaron Qin, Director of Procurement Advisory, KPMG China, explains: “This may well include a ‘China Plus One’ strategy to help ensure continuity of supply should U.S.-China relations deteriorate further. Companies should also tap into an alliance ecosystem of suppliers and vendors to gain a better understanding of risk and develop flexible relationships that can withstand supply chain pressures.”

However, of procurement leaders taking part in our global survey say their company is planning, or likely to initiate, onshoring or nearshoring of supply sources in the next 3–5 years.

Organisations in countries affected by restrictions or bans of certain imports should be prepared for a potential ramping up of pressure, and plan to increase the rate of last-mile local assembly, identify backup suppliers (local or international), and re-route finalised imported products to neighboring countries. They should also consider how to vet and train local suppliers to co-develop essential components, develop dual supply chains in and out of the country, buy foreign suppliers, and accumulate inventory of key categories.



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Enhancing supply chain transparency is vital for tracking the movements of goods and materials, identifying bottlenecks, determining the causes of delays or shortages, and closely monitoring sustainability and human rights. To achieve improved transparency levels, companies can employ end-to-end automated solutions for third-party and supplier risk management, conduct continuous performance monitoring, and utilise real-time inventory management systems.

In an unpredictable world, no supply chain can be regarded as secure. That's why scenario modeling is becoming an essential capability, to model the impact of disruptions like geopolitical turmoil, inflation, and climate events on supply chains.

Case study:

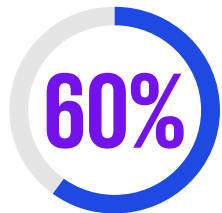
Achieving a new level of supply chain transparency

The client, a major retailer, needed to define and implement a company-wide transparency vision for all brands, raw materials, and products. KPMG established leadership ambitions, analysed supply chain business drivers, assessed the external supply chain landscape, and evaluated potential technology solutions. As a result of our work, the company now has an aligned vision on supply chain transparency and the tools to help it reach its goals.

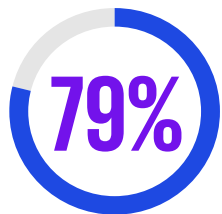
| Key actions | Timescale |
|--|-------------|
| ✓ Focus on redundancy | <6 months |
| ✓ Map the global supply chain | <6 months |
| ✓ Build end-to-end, automated third party and supplier risk management and monitoring | 6–12 months |
| ✓ Review supplier base and sourcing strategies: reshoring, nearshoring, reducing sole sourcing | 6–12 months |
| ✓ Build capabilities to model impact of disruptions on supply chain | >12 months |
| ✓ China Plus One global sourcing to improve supply chain resilience and real-time inventory management | >12 months |
| ✓ Real-time resilient performance monitoring of supply base | >12 months |

2. Embed big data and generative AI to accelerate automation

Artificial intelligence is causing a rethink of procurement, as companies consider how to integrate AI-driven technologies into a unified procurement architecture. By dramatically speeding up the processing and analysis of (structured and unstructured) data and the generation of relevant insights, procurement functions can drive innovation and enhance productivity and decision-making.



60% of survey respondents are implementing technology or data and analytics solutions in the next 12-18 months.



79% of respondents are progressing their implementation of emerging technologies such as generative AI.

Such early adoption of AI can place procurement at the helm of technology and help to keep abreast of advances in source-to-pay platforms.

Automation can enable manual operations and adjustments to be touchless and create data and

signals from suppliers and internal stakeholders. Proof-of-concept, AI-powered initiatives can help to optimise procurement, including classification and data analysis to generate new insights into spend, contracts, and supply chain actors. Some companies are already applying AI to direct and indirect purchasing to optimise spend across these categories, as well as sending out automated tender proposals. And AI can also speed up tender submissions: manual evaluations may take as much as 2-3 weeks, whereas an automated approach can be completed in as little as 1-2 days.

According to Sven Linden, KPMG in Germany Operations Consulting partner, there are several considerations when introducing AI: “To improve category management, companies need data from suppliers, which requires them to manage associated security and privacy risks. This can slow down progress. Embedding AI technology in procurement processes, on the other hand, should be much faster. Many bigger corporates have a fragmented IT infrastructure, so it’s a big chunk of work to implement a middle layer of processing.” Many “best of breed” solutions have already embedded AI for activities such as negotiations, category management, risk screening, and vendor master data classification and cleaning.



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– Sven Linden, KPMG Operations Consulting Partner, KPMG in Germany

Use of automation — and especially AI — generates ethical and legal questions around data privacy and cybersecurity, calling for clear new policies on working with AI.

AI use cases

Reviewing supplier contracts

An AI “assistant” can review supplier contracts, check against best practice and any legal requirements — such as the German Supply Chain Act — and suggest appropriate changes. This can dramatically speed up productivity and improve compliance.

AI sourcing manager

In this instance, AI assesses how different supplier offers comply with the original tender proposal document. With the capability to scan various document formats, AI raises productivity and reduces manual error.



Key actions

Timescale

| | |
|--|------------|
| ✓ Ensure early adoption of AI to gain leader advantage by prioritising AI/Gen PoCs that drive efficiency and building an enterprise-wide AI/generative AI strategy | <6 months |
| ✓ Set up proof-of-concept exercises in AI | <6 months |
| ✓ Identify specific generative AI applications separately for direct (commodity trends) and indirect categories for cost reduction | <6 months |
| ✓ Evaluate employee productivity versus process efficiency via big data, generative AI and AI, for cost reduction and performance improvement | <6 months |
| ✓ Use AI classification and data analysis to generate new insights into spend, contracts, and supply chain actors and influences | <6 months |
| ✓ Incorporate AI into source-to-pay platforms; use AI cross-enterprise to support procurement functions; ensure cross-enterprise governance of development of procurement capabilities | >12 months |
| ✓ Focus on associated change management activities | >12 months |

3. Reaffirm commitment to sustainability and ESG

Respondents to the KPMG global survey say developing ESG capabilities is the number one priority in the next 3–5 years, and just over half (52 percent) have a roadmap to guide investment in a sustainable supply chain over 1–3 years. By becoming more responsible and transparent, procurement functions can address increasing regulatory and market pressures to practice — and demonstrate — sustainable sourcing. **ESG also provides a chance for procurement to play a bigger strategic role.**

A first step is to perform gap assessments for new regulations to ensure that suppliers are meeting evolving requirements, and, crucially, that procurement teams can access the appropriate data to satisfy ESG reporting demands.

Procurement's role as a "coordinator" of TPRM and ESG means that its people need to collaborate more with other functions like risk, compliance, legal, sustainability, and supply chain, to help maintain compliance and stay on

top of changing regulations, using automation to get timely updates from their suppliers, and advising internal stakeholders and suppliers.

Third-party risk management becomes even more important to assess supply chain ESG risks. It's likely that new TPRM policies will be necessary, with a need to vet suppliers for carbon footprint, circularity, labour practices and, ultimately, consolidating the supplier base according to its ESG/circular credentials. The growing risk of cyber-attacks across an organisation's ecosystem — often referred to as "fourth party risk" — calls for a strong awareness of, and ability to counter cyber threats.

Another priority is to increase supply chain visibility of tier suppliers, using data providers to access real-time information, flag supplier risks, and set up end-to-end TPRM solutions. Many geographies are obliged to report Scope 3 emissions, which account for approximately three-quarters of total emissions

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according to CDP, a non-profit environmental organisation. This doesn't just occur internally, but across the entire value chain, which suggests that collaboration with other industry players may well be necessary to develop ESG solutions for tracking suppliers' carbon footprint.

As organisations come under growing pressure to demonstrate sustainable supply chains, supplier visits are likely to become increasingly important in order to get an accurate understanding of carbon footprint, resource use, waste, pollution, and labor practices, including sub-contractors. In-person inspections and meetings can also increase assurance over quality and reliability of supply.

Case study:

Taking supplier management and TPRM to a new level

The client, a fintech payments provider, sought to increase transparency and contract collaboration, speed up supplier risk assessments, and ensure compliance with its internal TPRM policy as well as with regulatory requirements. However, with no dedicated procurement function and a lack of clearly defined procurement policies and processes, new, efficient solutions were needed.

Placing change management at the heart of our approach, KPMG professionals applied leading practice supplier management and technological expertise, reducing complexity by capturing the complete procurement process within one tool. The client now has a standard, largely automated global process for onboarding and risk assessments with improved efficiency and streamlined collaboration for more than 4,000 suppliers. It is able to negotiate better prices, increase contract compliance and seamlessly execute sourcing with a greater visibility over supplier risk.

The circular economy: Is assuming greater prominence, which gives procurement an opportunity to get involved at an earlier stage in designing circular products and business models that maximise re-use and recycling of materials and decarbonise the supply chain. It's interesting to note that procurement's role becomes strategically vital at this stage, as it serves as the orchestrator of ESG compliance/TPRM and circular economy initiatives. This role involves liaison with suppliers, ensuring sustainable

and compliant sourcing, and promoting circular economy principles throughout the supply chain. To achieve this, and to improve ESG capabilities across the procurement function, leaders should help their teams build category-specific expertise in all aspects of ESG, including compliance. Circularity cannot be achieved alone; for example, the recycling of aluminum requires suppliers to have the facilities to take back and re-use any excess or unused materials.

Case study:

Decarbonising the value chain

A leading European industrial manufacturing company wanted to set science-based targets to achieve a net zero carbon footprint by 2040. This involved improving internal and product energy management and collaborating with suppliers to reduce emissions from the supply chain.

KPMG professionals carried out a complete GHG (greenhouse gas) inventory for scope 1, 2, and 3 emissions that complies with established protocols, and established a decarbonisation roadmap across the value chain, including a financial impact analysis. The company now has a clear route to decarbonisation, enabling it to engage with customers and suppliers, set shared targets and substitute emission intense materials.

| Key actions | Timescale |
|--|-------------|
| ✓ Perform gap assessments for new regulations to drive compliance | <6 months |
| ✓ Vet suppliers for labor practices, environmental impact, and carbon emissions | <6 months |
| ✓ Start discussions with suppliers to introduce circular business models | <6 months |
| ✓ Install new policies for TPRM | 6–12 months |
| ✓ Consolidate suppliers based on TPRM risks and ESG criteria, and source sustainable materials to accelerate a circular economy | >12 months |
| ✓ Set up supply chain visibility to tier suppliers; use data providers to get real-time information; flag risks in supplier base; set up end-to-end TPRM solutions | >12 months |
| ✓ Contract management teams leverage generative AI to support ESG goals | >12 months |
| ✓ Identify circular economy opportunities for reuse, recycling, product redesign, refurbishment, and rehousing | >12 months |
| ✓ Explore new business models to support ESG initiatives and goals | >12 months |
| ✓ Decarbonise supply chain | >12 months |
| ✓ Collaborate with other industry players to work out ESG solutions for tracking Scope 3 emissions | >12 months |
| ✓ Partner with suppliers to improve Scope 3 emission reduction | >12 months |

4. Drive continuous performance improvement, harnessing data and analytics

A modern procurement function should seize the power of data and analytics to improve efficiency and performance, by optimising costs, service levels, and working capital, and rethinking category strategies. **Respondents to the KPMG Global Procurement Survey cite the implementation of technology in data analytics as the single most important activity over the next 12–18 months**, and 70 percent see predictive analytics as one of the top technological trends to impact the procurement function in the next 1–3 years. To achieve new levels of performance will likely involve some degree of change management and the acquisition of new skills, as well as the development of use cases.

The surge in inflation over recent years may have caught some procurement teams by surprise after a long period of stable prices — category managers and buyers could benefit from upskilling to adapt to such pressures. From a macro perspective, a review of category plans and broader sourcing strategies can pinpoint areas for improvement that could bring savings. Working capital improvement initiatives — such as more favorable payment terms and inventory optimisation — can release much-needed cash for the business.



of the procurement professionals surveyed by KPMG rate their organisation's category management as "highly mature."

Leaving room for improvement in understanding the main cost drivers, including packaging, temporary labour, and third-party logistics. By screening suppliers based on a massive amount of structured and unstructured data, procurement can bring rapid new insights — as well as monitoring the supply base for potential risks.

Data analytics implementation is the single most important short-term activity

The **KPMG 2023 Global Procurement Survey** found that the biggest obstacle to contract life cycle management is a lack of insight and oversight over contracts. Contract enforcement can lead to a lot of value loss, so it is essential to have the capacity to renegotiate and enforce vendor contracts and review contract pricing formulas. Many procurement departments do not

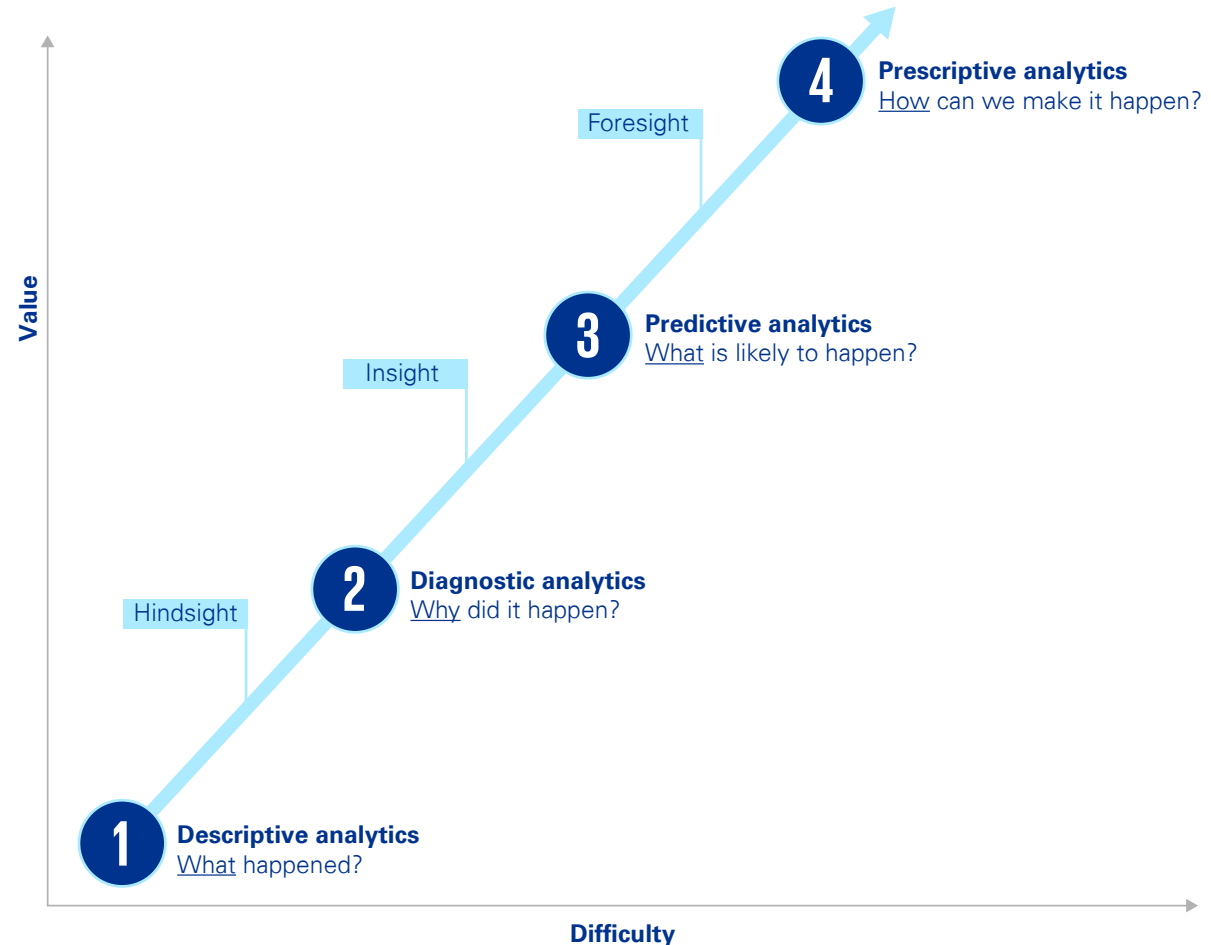


have enough resources or tools to handle the workload, which results in contracts managers having too many contracts to manage. Generative AI can help with screening and renegotiating contracts, including the creation of self-service data and analytics capabilities to tailor AI models to the organisation's specific needs. AI-powered contract portfolio analysis can sift through large amounts of unstructured data to discover patterns and pinpoint areas for improvement. One advantage of such a development is to identify contract clauses that may pose a risk to the company; for example, allowing price increases for certain raw materials, exposure to laws like the EU General Data Protection Regulation (GDPR), or raw materials acts.

Procurement can also use AI and technology to enhance source-to-pay processes, automating many manual tasks and freeing up time for procurement to tackle strategic challenges that create value. **Over time, procurement can improve the maturity of its analytics capability, shifting from "descriptive" to "prescriptive."**

Analytics maturity

Traditional model



Case study:

Redefining outsourcing strategy at a major financial services group

The client had a number of service providers with multiple sites and potential overlap, with an inconsistent approach to managing offshoring arrangements, and contracts that leaked value. KPMG professionals performed a review of the organisation's offshoring landscape, to develop a strategic roadmap to rationalise, optimise, and expand the offshoring footprint.

As a result of our work, the company is now able to optimise its offshoring and select an appropriate strategic partner. Additionally, it can develop its future state operating model and roadmap to establish an offshoring center of excellence, ultimately driving consistency and improving outcomes.

Key actions

Timescale

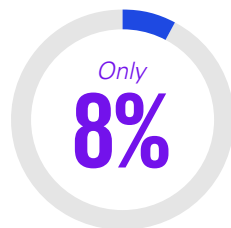
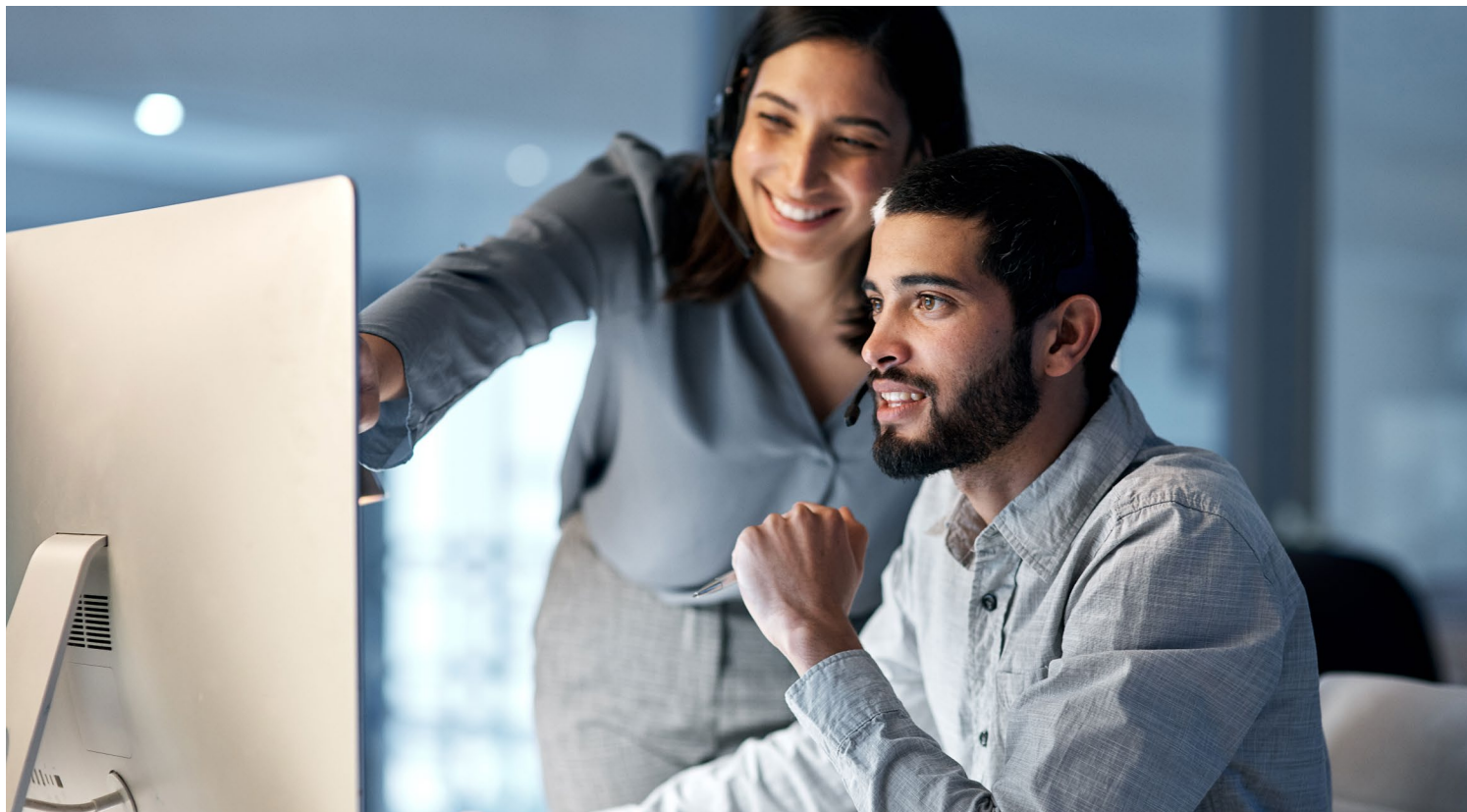
| | |
|--|-------------|
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| ✓ Build capabilities to model impact of disruptions on supply chain | >12 months |
| ✓ China Plus One global sourcing to improve supply chain resilience and real-time inventory management | >12 months |
| ✓ Real-time resilient performance monitoring of supply base | >12 months |



5. Build, train, and retain tomorrow's workforce

As procurement leaders strive to create technically proficient teams, they must cope with scarcities in talent and the subsequent competition for the best people. Procurement can also appeal to people who want to play a key, strategic role in organisations — with accelerated chances of advancement. Procurement is not well-known in universities, so **collaborating with academic institutions** can help connect with the future talent and promote procurement as a rewarding career choice.

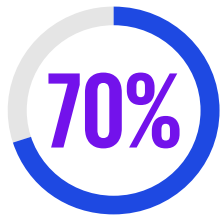
Automated category management software can start to bridge the gap. As technology plays a more prominent role, procurement functions should define a new, AI-enabled operating model, determining how AI can complement existing skills, reduce manual tasks, and increase productivity. Staff should be trained to work effectively with AI, to use self-service platforms and development tool kits, and teach buyers to work alongside chatbots and adopt new ways of working.



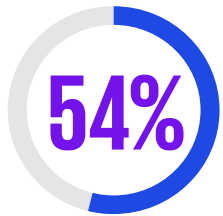
of the procurement professionals taking part in our global survey expect a significant decrease (10–25 percent) in headcount in the next 18 months or so, suggesting that technology is unlikely to replace humans in the near future.

In fact, with automation handling much of the traditional work, procurement functions take on more advanced tasks, meaning that category and sourcing managers are expected to remain in high demand by organisations.

It's not just about technology skills. More than two-thirds (70 percent) say they've developed a 1–3-year roadmap to invest in and improve capabilities in supplier relationship management, and 54 percent have similar plans for TPRM.



developed a 1–3-year roadmap to invest in and improve capabilities in supplier relationship management.



of respondents have similar plans for TPRM.

Survey respondents expect to reduce resources dedicated to operational activities (like procurement operations and accounts payable) by one-third (34 percent) in favour of strategic work — such as supplier relationship management, which is key — as regulations drive companies to monitor the supply base

continuously on performance and risks. Procurement professionals need to continuously update supplier information at all tiers. The future of procurement should be based around **adaptable, agile, and technology-savvy teams** that understand how their roles impact the organisation.

| Key actions | Timescale |
|--|-------------|
| ✓ Focus on recruitment and training to attract top talent and develop a technology team | 6–12 months |
| ✓ Teach buyers to work alongside chatbots and embrace new ways of working | 6–12 months |
| ✓ Increase AI training to use self-service platforms and development toolkits | 6–12 months |
| ✓ Redesign roles and jobs around generative AI | >12 months |
| ✓ Define how the team interacts with generative AI and bots | >12 months |
| ✓ Define new operating model with AI and evaluate what skills can be complemented and what new skills are required | >12 months |

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Key takeaways

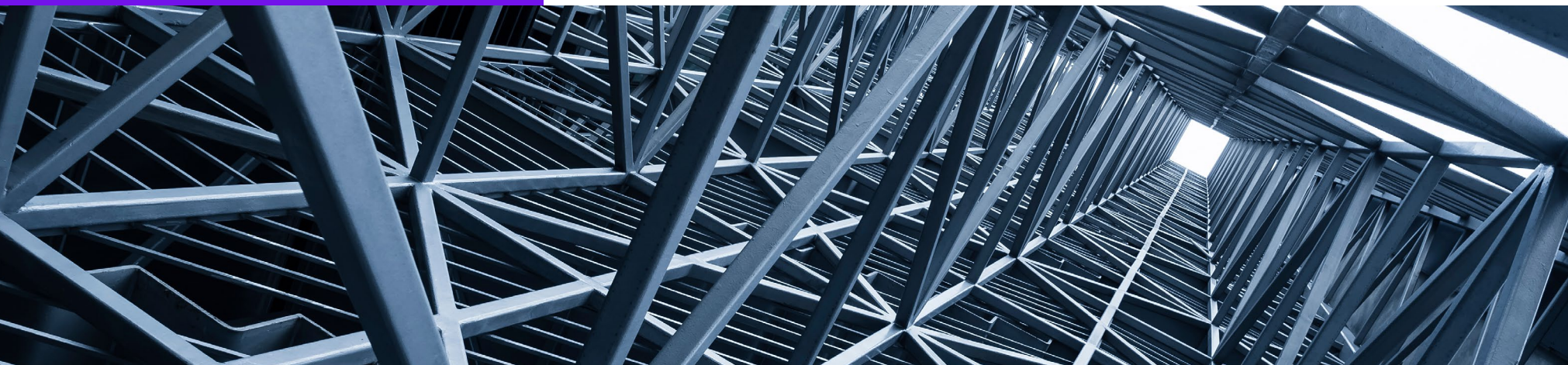
From strategic influencer to automated support process:

How automation is shaping the future of procurement.

Procurement leaders have the opportunity to recast their functions as strategic powerhouses, enabled by generative AI and automation to drive high-performing, sustainable purchasing activity and become key influencers in the organisational value chain.

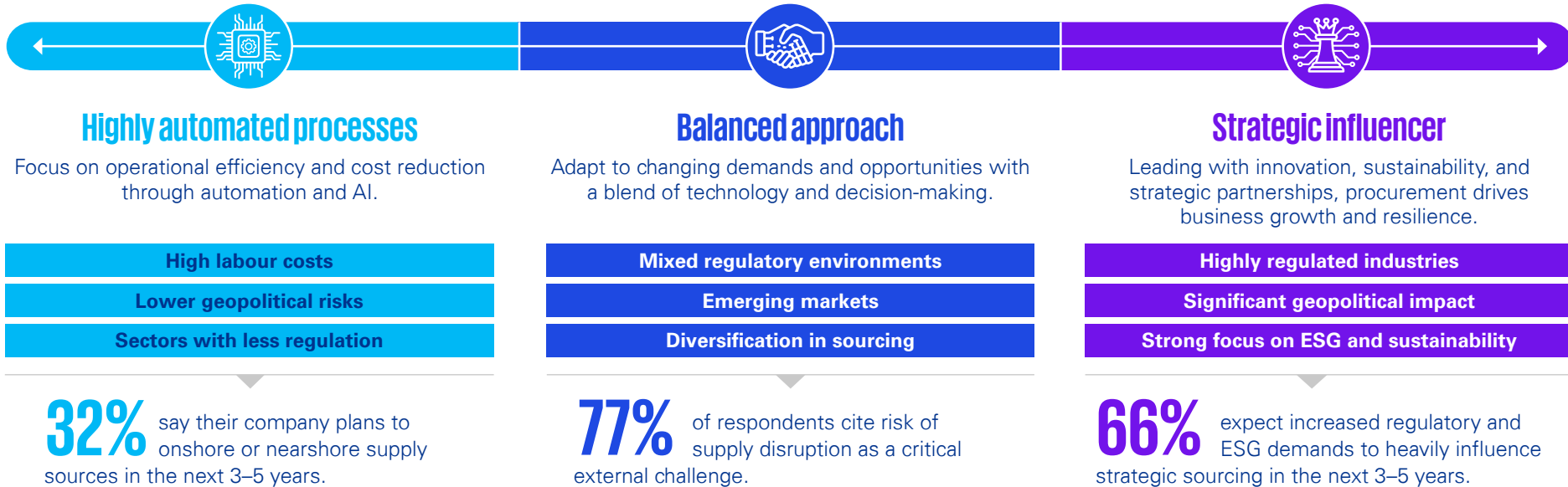
Such an advance should enable procurement organisations to take on additional roles and objectives, such as co-designing products, promoting supply innovation, forging business development alliances, and supporting emerging providers.

However, organisations less subject to regulation, material scarcity, and geopolitical risks may naturally evolve into more automated processes subsumed into other parts of the organisation. Most procurement functions are likely to position themselves along a spectrum between high automation and strategic influencer. Where your own function is headed will depend upon a number of factors, including geography, scale, industry, geopolitics, and labour markets.



Navigating procurement's path from automation to influence³

Explore where procurement functions might position themselves in the future — assess the range of roles and see how key forces and factors may intersect to potentially create a hybrid or nuanced procurement function between automated efficiency and strategic significance.



Future directions

70% see predictive analytics as one of the top technological trends for the procurement function in the next 12–18 months.

»» Where does your organisation aim to be on this spectrum?

»» What steps are you taking to get there?

³ KPMG 2023 Global Procurement Survey

Ripe for automation? Opportunities and risks

Regardless of where organisations are on the spectrum, automation is coming, with areas such as supplier onboarding, supplier pre-qualification and supplier performance management, as well as contract management, reporting and requisitioning all ripe for automation, along with certain spend categories and tail spend management.

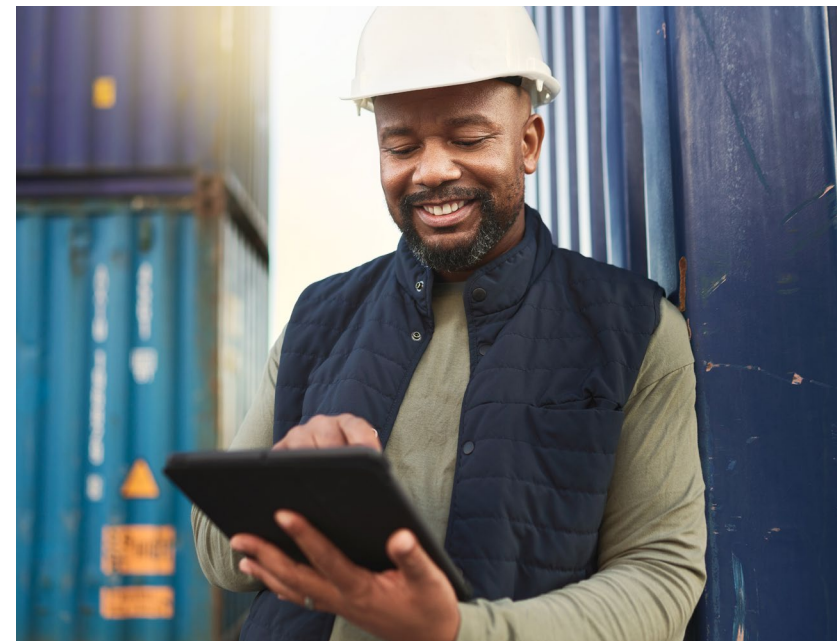
An automated procurement function should have automatic re-ordering based on minimum/maximum inventory levels, forecasted material requirements, and working capital availability. It can coordinate information and data sets to provide recommendations to procurement professionals who review and validate transactions. At a transactional level, the automation can be self-managed and implemented rapidly without much human involvement. Typically, this occurs where procurement is key to the back office and an enabler rather than a strategic influencer.

Human intervention will still be required to orchestrate internal stakeholders, interpret internal and external signals, carry out supplier alignment, and perform activity-based costing.

Overdependence on automation may hamper innovations related to circularity and product design where the procurement team can help build intrinsically circular value chains with sustainable sourcing.

Relying too heavily on automation could also result in procurement professionals **losing touch with key internal customers and external suppliers**; these relationships are vital to co-create and innovate. Internal controls should also have a manual intervention option

to review procurement and ensure it meets strategic goals and regulatory requirements. Technology should, ultimately, support category managers and supplier relationship management executives in their daily tasks, with the **human touch remaining critical** where discussions, negotiation, and alignment with organisational strategy are key.



To automate or not to automate?

This series of strategic questions can help you identify the potential for automation within various procurement processes, discern where technology can streamline operations, and where human judgment remains paramount, to inform a holistic procurement strategy. By examining which processes are suitable for automation, and by recognising the indispensable role of human strategic thinking, organisations can help create an effective, balanced procurement framework.

» Can I automate many or most of my processes and make them touchless?

» Which parts of the business can be automated using robotic process automation (RPA) and/or AI?

» Which part of the business will benefit from process automation and which part will benefit from an AI decision-support automation?

» Can contract management be largely automated?

» Can supplier performance management be automated?

» What value can automation create in my process?

» How can I measure cost versus benefit of process automation? And how do I quantify potential benefits?

» Where is human intervention critical?

» Where do I position human strategy verses automated processes in the value chain?

» Should I position the procurement function differently by category of spend; i.e. should procurement act as a strategic influencer for key categories and an automated process for tail spend or non-strategic spend?

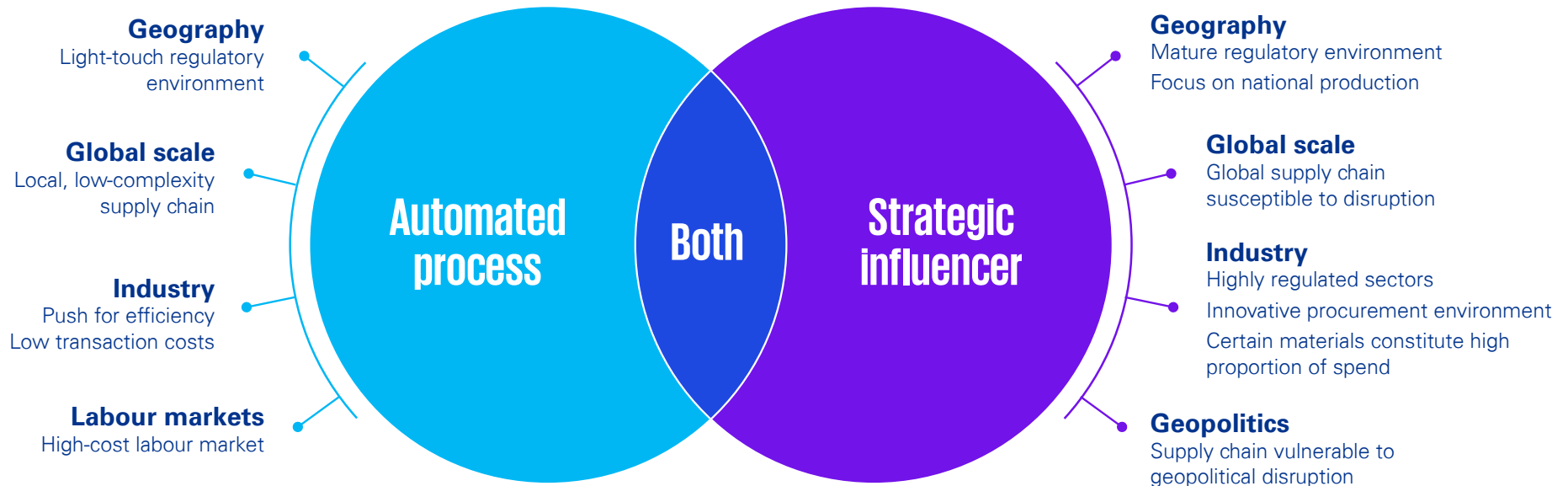
Factors that affect procurement's level of strategic influence

In the dynamic procurement landscape, organisations increasingly face a pivotal question: how to balance automation with the human touch. As automation becomes ubiquitous across various procurement processes, we see the potential for touchless operations, leveraging technologies like RPA and AI. However, human oversight remains

critical for internal stakeholders to interpret market signals and align procurement activities with broader strategic objectives and sustainability goals.

The Venn diagram below explores how the extent of automation and the role of procurement as a strategic influencer vary

across different dimensions such as geography, industry, and supply chain. It offers a roadmap to navigate the evolving procurement terrain, where the integration of technology and human expertise is essential to achieve resilience, innovation, and strategic alignment in supply chain management.



Transformation never stops. Neither do we.

At KPMG, we believe that business transformation is too good an opportunity to miss. In our view, combining the right tech and leading processes with people whose insight is as broad as it is deep are essential ingredients to a successful transformation.

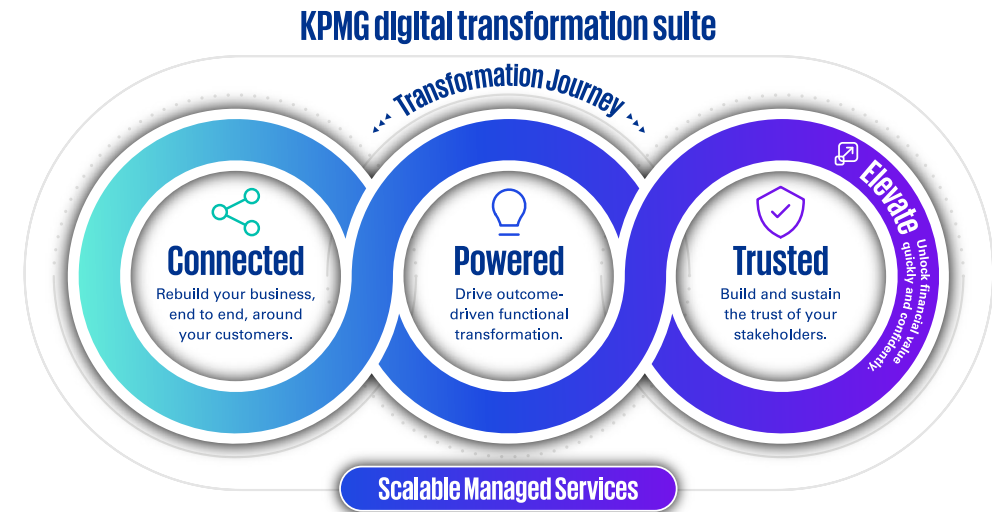
KPMG professionals have worked at the heart of global businesses for many decades, helping clients realise the full potential of their people and technology, and working together to achieve real-world outcomes. Because when people and technology are in harmony, great things can happen.

Making a world of difference

KPMG people can make all the difference on your transaction or transformation journey. Whether it's growth through mergers and acquisitions or transformational change, together we can help you to orient your business around the customer, enhance functions for a new era, support enterprise risks and regulations for a safer future, rise to a new level of value creation, and create an environment for managing ongoing change.

Through the richness of their digital transformation capabilities, KPMG firms are helping clients build modern, intelligent, and resilient businesses that can deliver leading results for people and the planet.

KPMG professionals work shoulder to shoulder with clients, using a portfolio of regularly evolving tech-driven services to help deliver lasting change and consistent opportunity. The KPMG digital transformation suite can help engineer a different future of new opportunities that are designed to create and protect value.



07

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