

The Procurement Initiative

Pulse Check Q4/2022

Perspectives and Outlook for 2023

In association with





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 purchasing from the periphery into the spotlight.

Our Pulse Check for Q4/2022, therefore, assesses the sentiment within the procurement and supply chain environment regarding supply chain stability, inflation-driven cost increases, and the importance of sustainability actions.

This document summarizes The Procurement Initiative's findings based on an extensive survey of 191 experts from C-Level, managerial, and professional positions.

We want to take this opportunity to thank you sincerely for contributing to our survey.



Martina Buchhauser
Senior Advisor, H&Z



Nicolai Stickler
Senior Consultant, H&Z



Erik Hofmann
Director ISCM-HSG



Laurin Zemmrich
PhD Candidate, ISCM-HSG



Procurement Initiative Pulse Check Q4/2022 | Key takeaways (1/2)



Role within the company

- 191 procurement and supply chain experts participated in our Q4/2022 Pulse Check
- 114 managers, 56 C-level executives, 21 professionals



Supply chain sentiment,

% of respondents (n=191)

- 41% of respondents have a negative outlook regarding the stability of supply chains in 2023



Sourcing Priority,

Average % points (out of 100) per objective

- Sourcing priorities shift from generating cost savings to ensuring supply chain resilience (26% 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 based on increasing energy prices, labor shortages, production constraints, and shipping delays



Inflation expectations,

Average increase in purchasing prices

- For the first half of 2023, respondents expect an average increase in purchase prices of 5.2%



Levers to fight inflation,

% of respondents

- To fight inflation, companies collaborate with suppliers (86%), build cost transparency (69%), and pass inflation to their customers (48%)



Procurement Initiative Pulse Check Q4/2022 | Key takeaways (2/2)



Supply chain risks,

% of respondents

- Among the top supply chain risks rank unpredictable demand & supply (66%), raw material and other shortages (65%), and geopolitical risks (53%)



Measures to increase supply chain resilience,

% of respondents

- Companies plan to make greater use of supplier collaboration (81%), dual sourcing (72%), and supply chain visibility (53%) to increase supply chain resilience



Visibility into supply chain tiers,

% of respondents

- 46% of companies have visibility up to Tier-1 suppliers
- Overall, companies struggle to penetrate deeper levels



Drivers for sustainability,

% of respondents

- External factors (36%) such as investors' pressure and risk factors (34%) such as brand reputation drive the sustainability agenda



Sustainability roadblocks,

% of respondents

- The tension between short-term savings and long-term goals (53%) and a lack of KPIs to measure/monitor sustainability progress (41%) remain roadblocks to implementing sustainable procurement



Sustainability benefits,

% of respondents

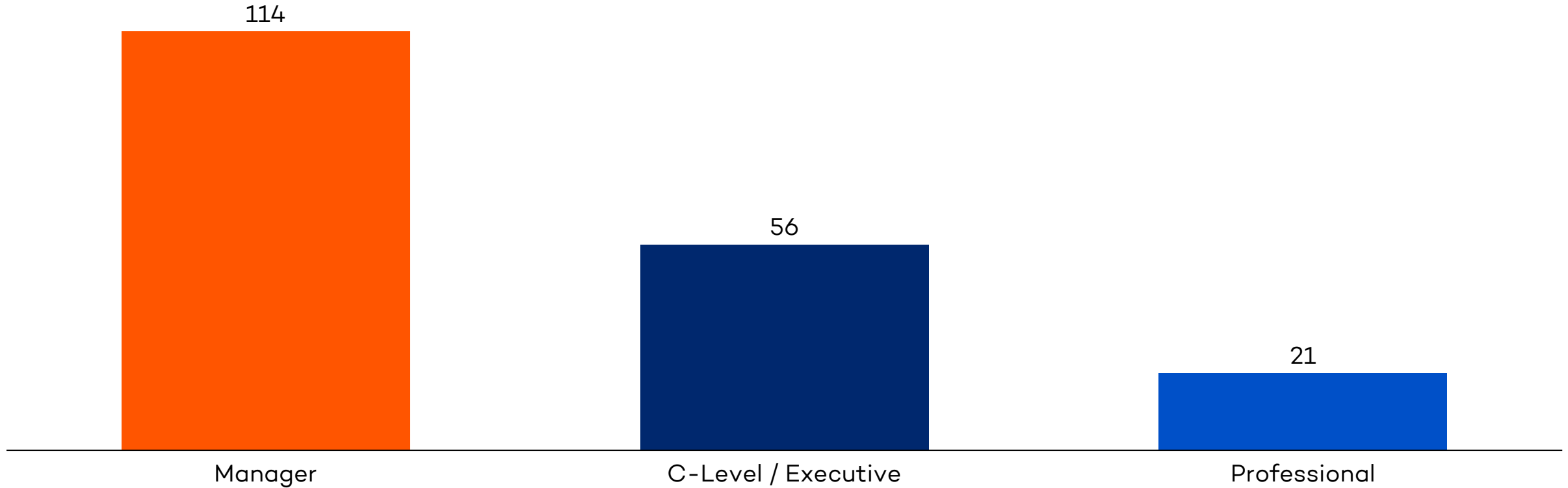
- Ecological gains (69%), risk mitigation (62%), and brand value (60%) represent common sustainability benefits



191 participants from the procurement and supply chain environment completed our Q4/2022 Pulse Check



Role within the company, # of respondents (n=191)





41% of respondents have a negative outlook regarding the stability of supply chains in 2023



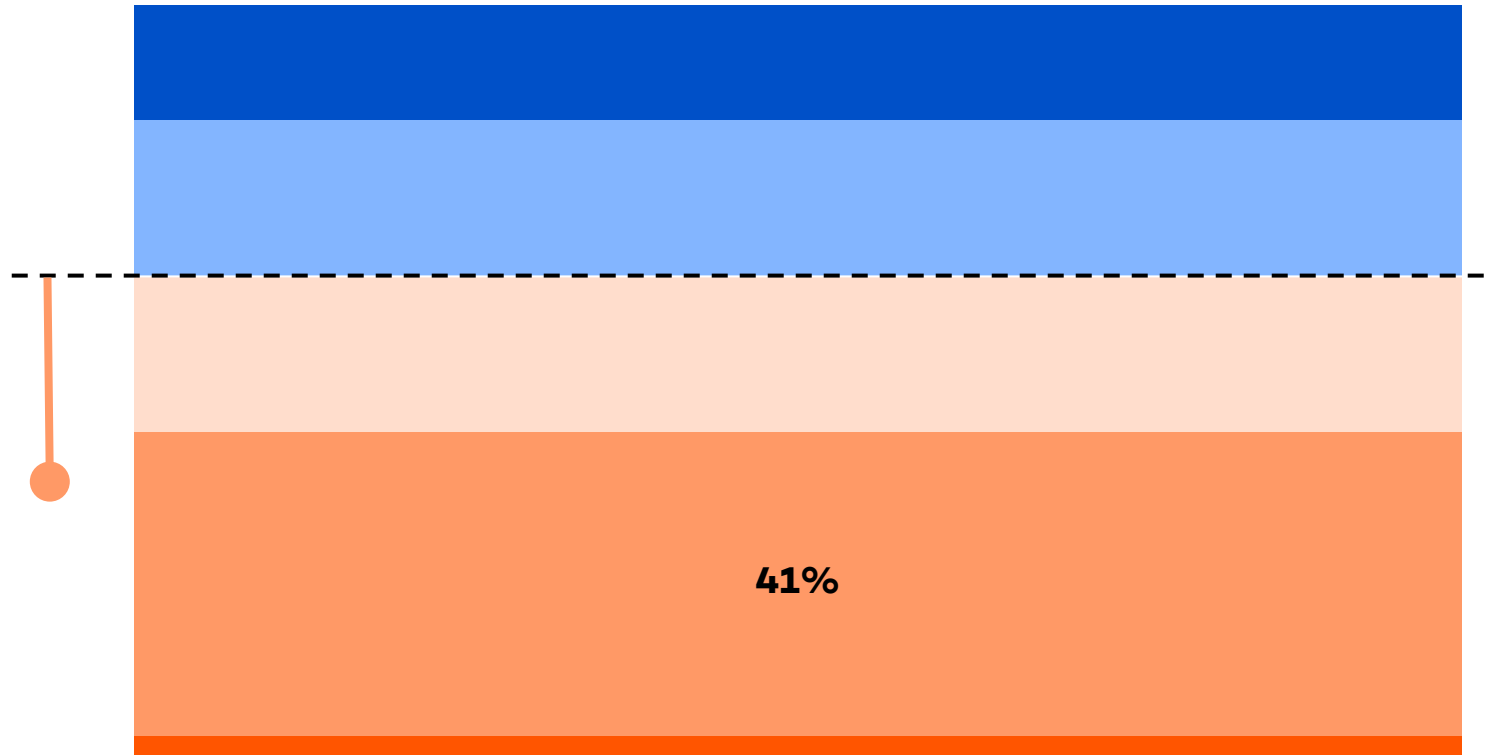
Supply chain sentiment, % of respondents (n=191)



More positive



More negative



- Very positive
- Positive
- Rather positive
- Rather negative
- Negative
- Very negative

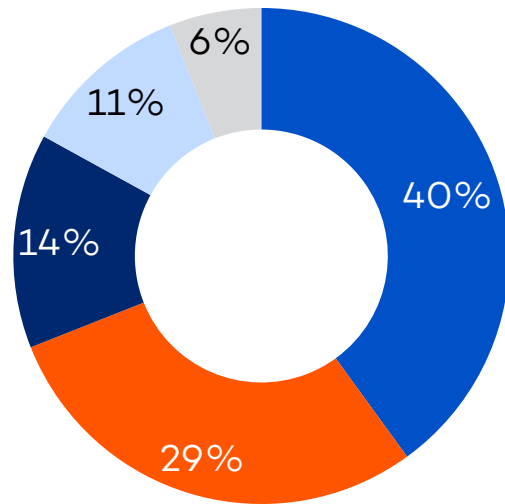


Given this negative outlook, sourcing priorities are shifting from generating cost savings to ensuring supply chain resilience and quality

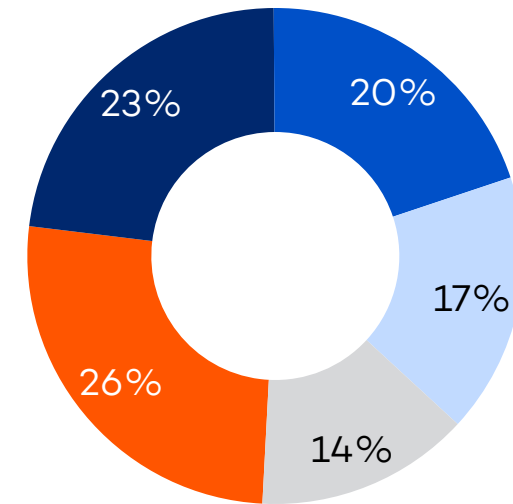


Sourcing Priority, Average points (out of 100) in the sourcing process based on ranking (n=102, n=191)

Q2/2022



Q4/2022



Resilience Quality Cost Sustainability Innovation

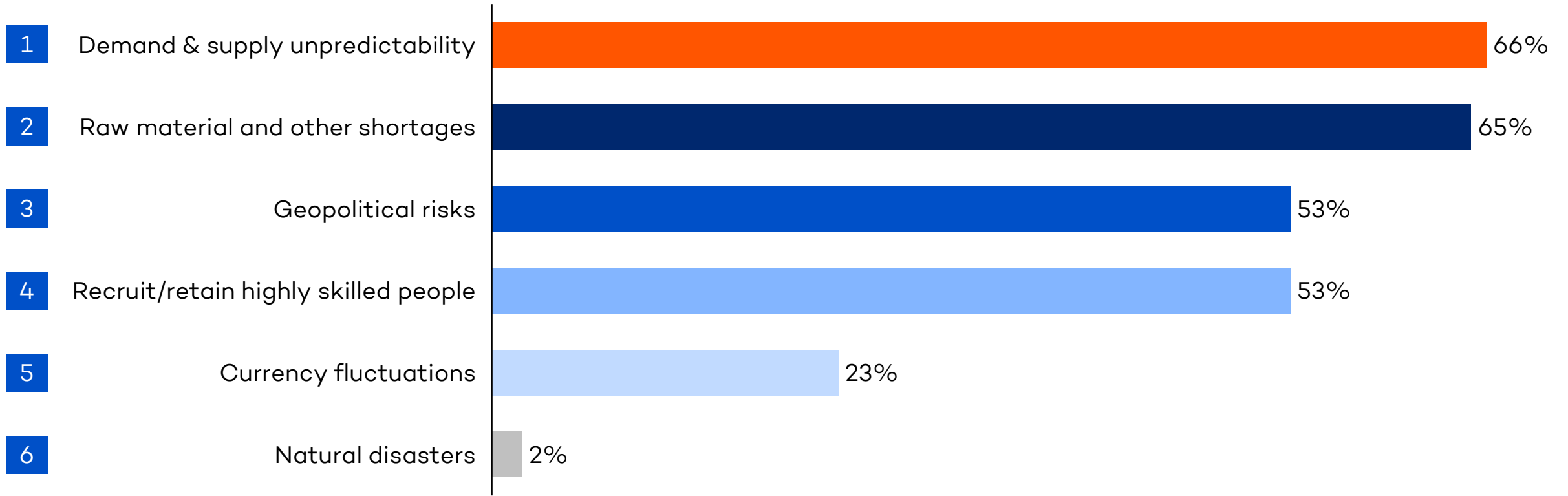
Question: "How would you rank the following criteria in terms of their importance for sourcing decisions?"
Source: Procurement Initiative Resilience Survey May – June 2022 & Procurement Initiative Pulse Check Q4/2022, Oct 20 – Nov 02, 2022



Resilience gains spotlight as most companies face demand & supply unpredictability, shortages, and geopolitical risks



Supply chain risks, % of respondents (n=191)



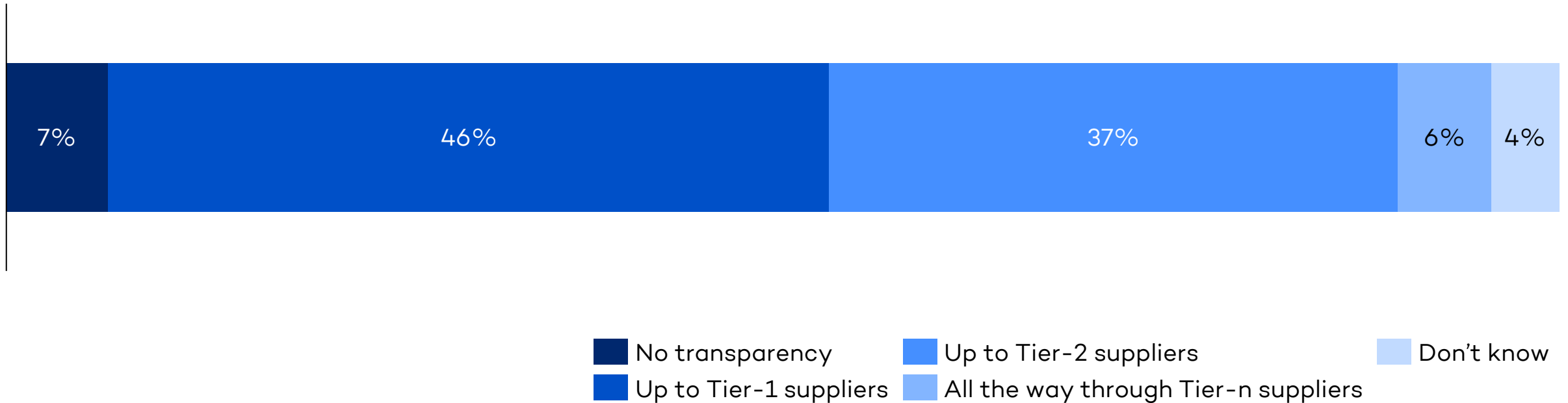
Question: "Which factors are currently most critical for your operations?"
Source: Procurement Initiative Pulse Check Q4/2022, Oct 20 – Nov 02, 2022



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



Visibility into supply chain tiers, % of respondents (n=191)



Question: "To what extent does your company have supply chain transparency?"
Source: Procurement Initiative Pulse Check Q4/2022, Oct 20 – Nov 02, 2022

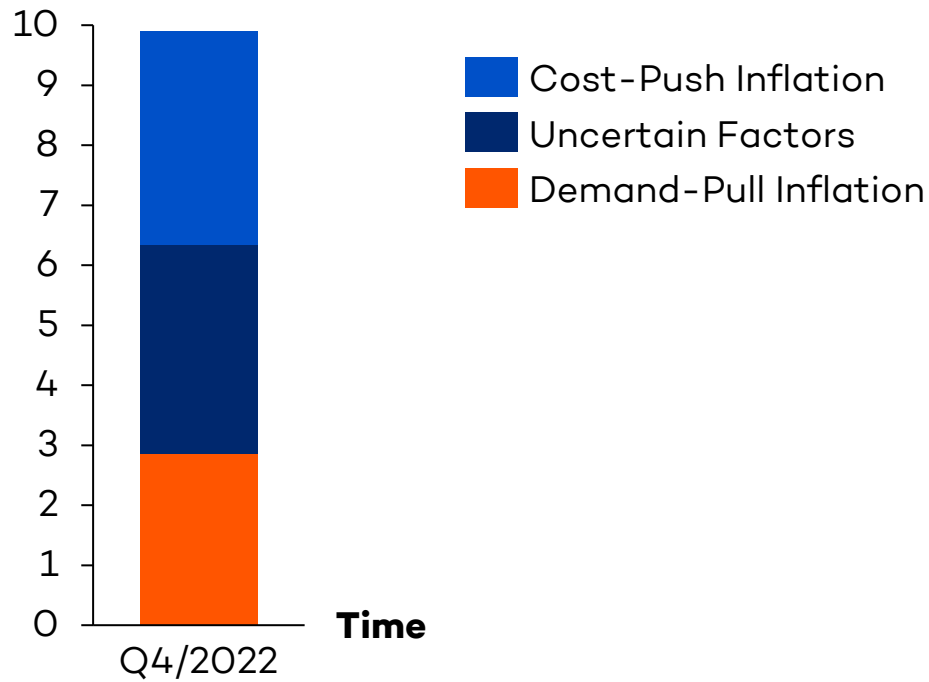


While both supply and demand are responsible for current inflation levels, supply-side shortages are considered as the main driver



Inflation drivers, Average share based on 7-point Likert scale (n=191)

Percentage points



36%

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

35%

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

29%

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

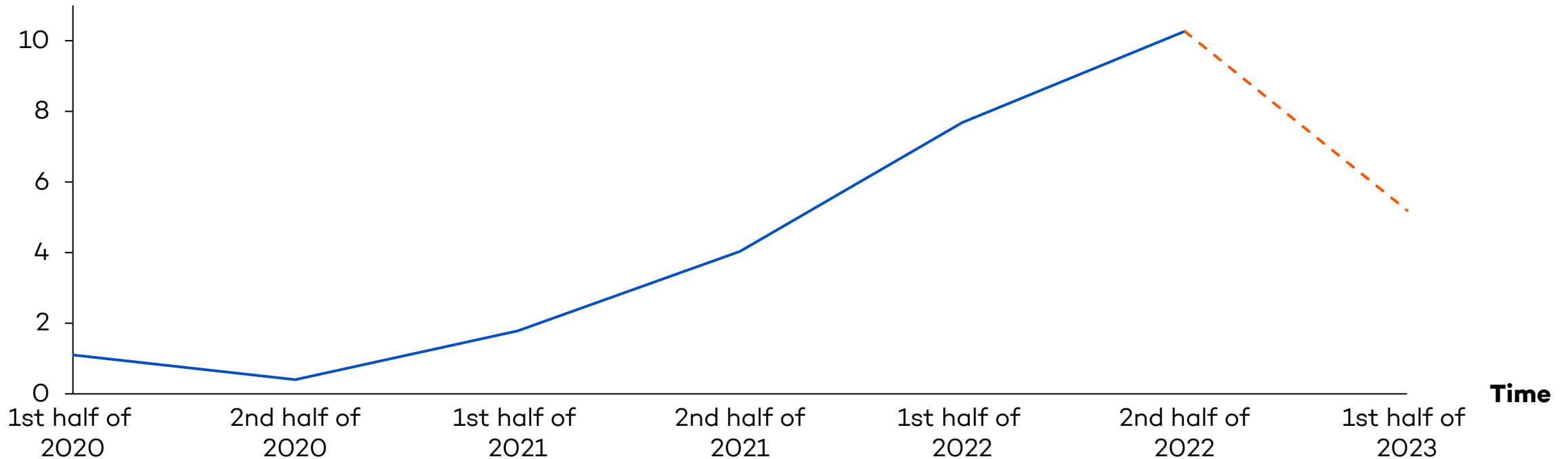


As supply-side disruptions are expected to ease, an average increase in purchase prices of 5.2% is expected for the first half of 2023



Inflation expectations, Average increase in purchasing prices for the first half of 2023 (n=191)

Percentage points

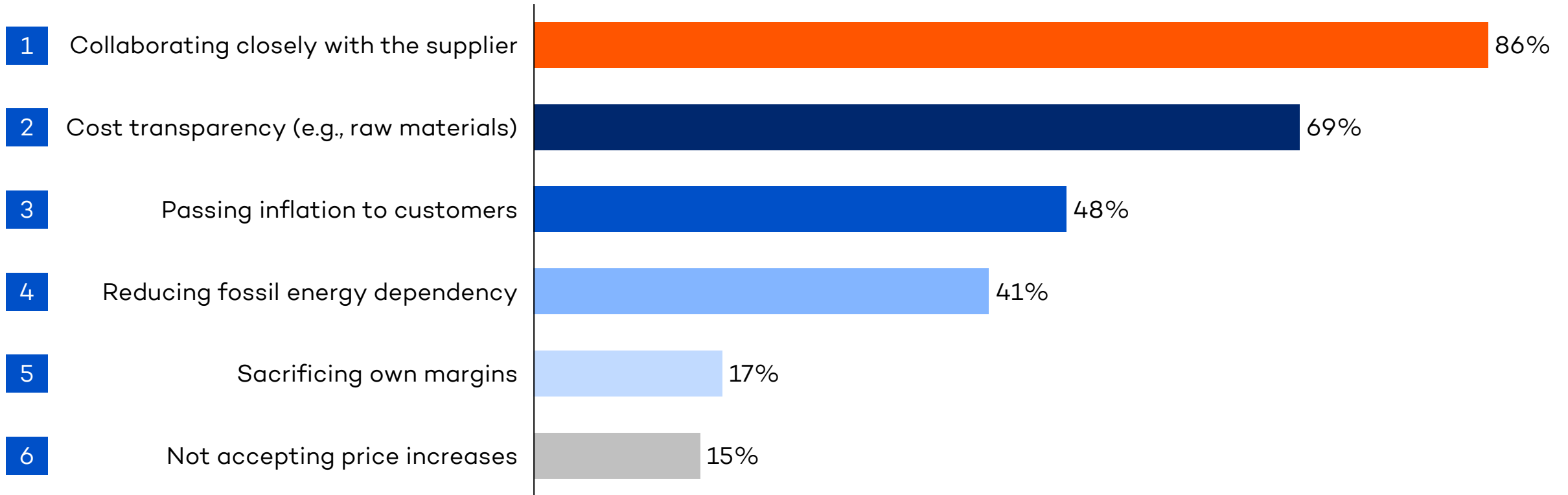


Question: "Which average change in purchasing prices for your categories do you expect for the first half of 2023 (base year for comparison: 2022)?"
Source: Eurostat inflation rate of the European Union & Procurement Initiative Pulse Check Q4/2022, Oct 20 – Nov 02, 2022



To fight inflation, companies are building on three pillars: Supplier collaboration, cost transparency, and reduced fossil energy

★ —
★ — **Levers to fight inflation, % of respondents (n=191)**
★ —

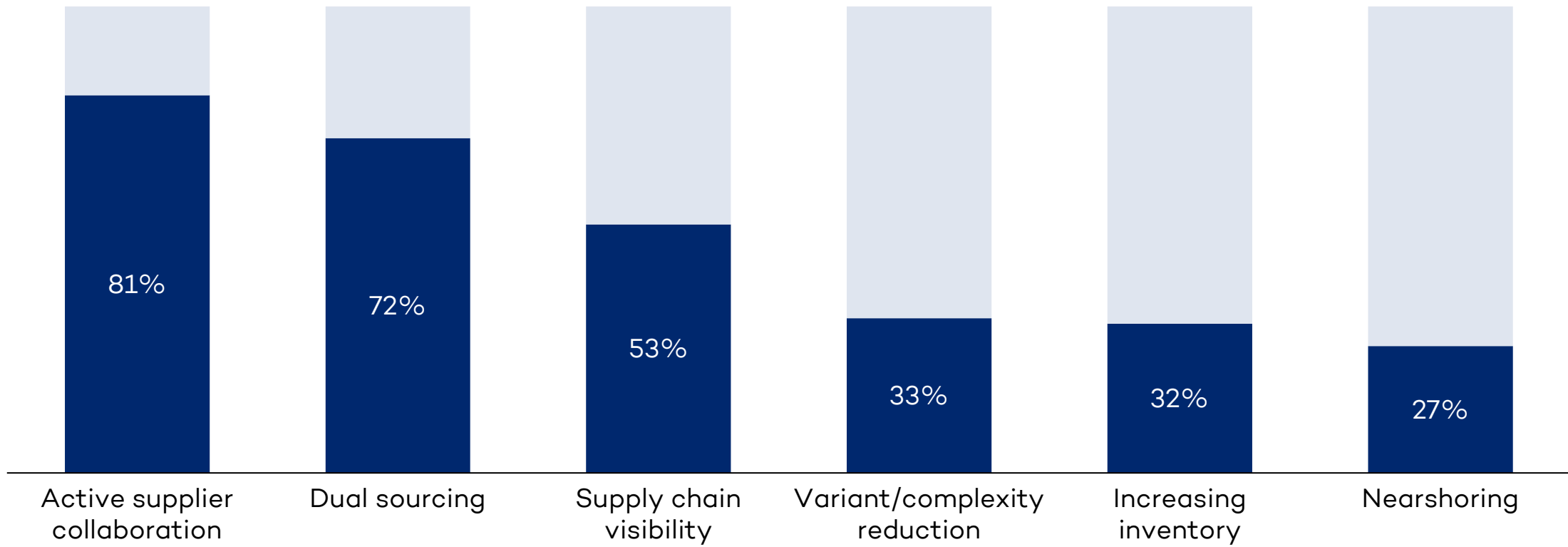


Question: "How do you address inflation-driven cost increases?"
Source: Procurement Initiative Pulse Check Q4/2022, Oct 20 – Nov 02, 2022



Resilience priorities are shifting from increasing inventory to dual sourcing and supply chain visibility

 **Planned measures to increase supply chain resilience, % of respondents (n=191)**



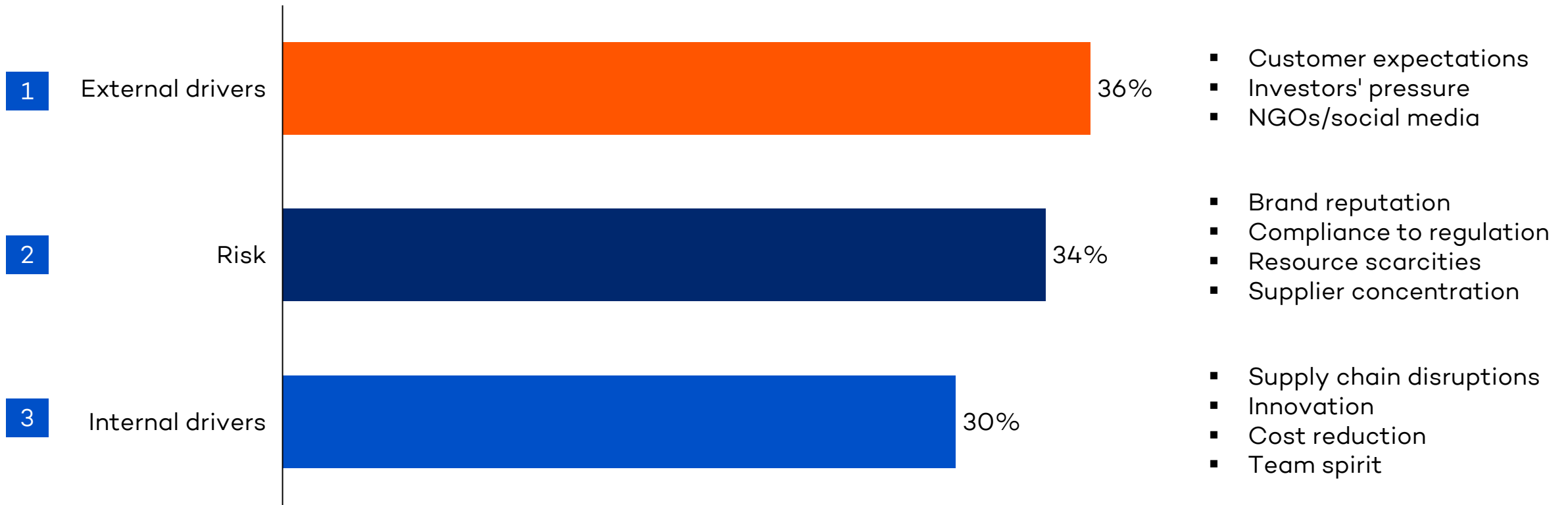
Question: "Which of the following measures will you make greater use of to increase supply chain resilience?"
Source: Procurement Initiative Pulse Check Q4/2022, Oct 20 – Nov 02, 2022



External factors such as investors' pressure and risk factors such as brand reputation drive the sustainability agenda



Drivers for sustainability, % of respondents (n=191)



Question: "Which factor drives sustainability in your company?"

Source: Procurement Initiative Pulse Check Q4/2022, Oct 20 – Nov 02, 2022



Besides the tension of short-term savings and long-term goals, the lack of KPIs to measure/monitor sustainability progress also creates roadblocks



Sustainability roadblocks, % of respondents (n=191)



Question: "How do you address inflation-driven cost increases?"

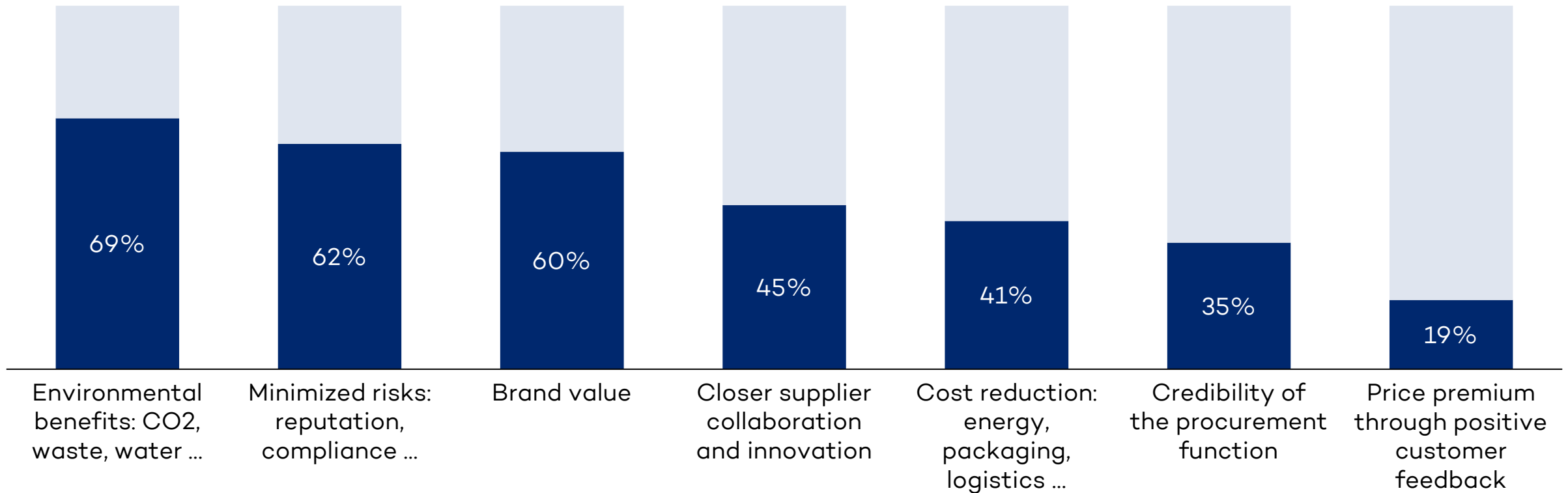
Source: Procurement Initiative Pulse Check Q4/2022, Oct 20 – Nov 02, 2022



While ecological gains, risk mitigation and brand equity represent common sustainability benefits, cost reductions and margin gains are less perceived



Sustainability benefits, % of respondents (n=191)



Question: "In which way does your company benefit from sustainable procurement practices?"
Source: Procurement Initiative Pulse Check Q4/2022, Oct 20 – Nov 02, 2022



Martina Buchhauser

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



Nicolai-André Stickler

H&Z Management Consulting
+49 151 40019930
nicolai.stickler@hz.group



Prof. Dr. Erik Hofmann

Institute of Supply Chain Management, HSG
+41 712 247295
erik.hofmann@unisg.ch



Laurin Zemmrich

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



Thank you for taking part in
our PulseCheck Q4/2022.

We will share future research
results on our LinkedIn channel
[The Procurement Initiative](#).

Stay tuned!

