

Empowering Tomorrow's Procurement

7 Trends to Prepare for in 2024

Executive Summary

As we head into 2024, the doors open on a shifting procurement landscape marked by complex challenges calling for strategic adaptation.

Rising costs across the supply chain, pressure to execute on ESG commitments, a race to invest in digitisation and a complex energy transition are all challenges coming quickly over the horizon.

In the wake of a global talent crisis and with new capabilities required to succeed, procurement teams are not equipped to cope - yet.

But with the right support, investment in expertise and training, alignment on strategic goals and a commitment to act, procurement functions can prepare themselves.

ArcBlue Managing Director, Dan Fielding says that “Now more than ever before, procurement has a window of opportunity to make a real impact – not only on the businesses that we work in, but to the world that we live in.”

In this report, we address 7 key trends to watch in 2024 with advice and tips from the experts on how organisations and procurement teams can prepare themselves to take action.



Organisations need to move fast on cost

A major priority for procurement and supply chain in 2024 will be to tackle cost. During 2023, costs rose across the supply chain and businesses have been grappling with higher prices for labour, materials, energy and transportation.

Moving into 2024, companies want and need to act now to mitigate these cost increases. Market trends are starting to show on financial accounts and as businesses move into planning cycles for 2024 and 2025, there is a feeling of urgency to get rising costs under control.

Many organisations, ranging from private sector to government, are seeking external help to optimise their operations, from procurement spend to operating structure, head count and organisational design.

How you can get ahead of rising costs:

01



Understand your spend.

With visibility and transparency on what, where and why you're spending, you can make tactical changes around discretionary spend. Cut travel, stand contractors down over Christmas for six weeks instead of four and postpone noncritical capital projects – all of these tactics can provide quick relief.

02



Focus on your key categories.

Focus on where you can make a significant impact through traditional tactics like supply chain consolidation, leveraging volume and considering alternative suppliers.

03



Sustain your savings through strategic design-to-cost and design-to-value work.

Chris Hodgson, Executive Director, Strategic Initiatives at ArcBlue advises, "A strategic cost program takes more time, it's more complex, you need a different skill set, and you need great engagement and influence with the business to create change. But this is how we're helping most clients ease cost pressures."



Re-investing in procurement capability is crucial

If the greatest challenge for procurement in 2024 is optimising costs, ensuring the function has the right talent and capability to drive strategic value and cost value programs comes hand in hand.

Companies must continue to uplift procurement talent to become more strategic, focusing on business partnerships that deliver value. Mental agility and resilience are the key “ingredients” being requested of leadership roles.

A talent shortage and high turnover means that procurement departments are in a state of constant change and instability. Procurement teams are also seeing increased workloads and a mismatch of capability within the team to the projects they’re being asked to execute.

How you can get ahead of a talent crisis:

01



Build a rounded development plan.

Training is just part of the solution - invest in capability programs that focus procurement practitioners into a more strategic category management path. Retain talent by investing in individual development plans. Jacqui Priestly, Director Learning & Development at ArcBlue explains that investment in your people has never been more important. To upskill talent quickly, she recommends building targeted training plans based on both immediate and longer-term role objectives and to use formal coaching to embed the skills learned through training programs.

02



Celebrate and nurture strong performers.

“To change the organisational view of procurement, demonstrating high performance in the function is critical. Leverage and develop talent you can scale, teach and who can use their natural business partnering abilities to persuade and influence business units of the value of procurement.” says Adrian Gjurasic, Executive Director, Asia at ArcBlue, “Build on their influence with clear KPIs and metrics so you can chart a course towards the future.”

03



If your organisation is lacking in specialist procurement expertise, get help.

Hire additional resources with requisite category knowledge and make the most of the resource by assigning internal procurement team members to shadow the consultant or contractor to pass on knowledge.



It's crunch time for ESG

Over the last five years, we've seen companies make commitments to ESG targets in the face of mounting pressure from government, shareholders, consumers and employees.

In 2024, the focus is shifting to how those companies are going to deliver and report on their sustainability commitments - from decarbonisation to modern slavery to social impact.

Producing consolidated ESG reporting will be vital for organisations to deliver on ESG targets. There is a significant capability gap emerging for companies to capture and measure data related to Scope 3 carbon emissions, an area that is once again pushing procurement and supply chain into the spotlight across many organisations.

Robust impact measurement and social valuation will become more and more important. Leading companies are now setting ambitious social value targets alongside Net Zero.

How you can get ahead on sustainability commitments:

01



Don't wait to be asked how you're progressing.

Emily Synnott, Associate Director, Social and Sustainable Procurement at ArcBlue advises companies to move from a reactive to a proactive position so sustainability procurement can become more valuable and meaningful to the business. Don't wait for a reporting request to demonstrate the impact of ESG initiatives. Instead, embed ESG into the corporate strategy with clarity around delivery and measurement. Get ahead of the game by addressing requirements outside of the sourcing and proposal submission process.

02



Actively seek to understand your Scope 3 emissions in your supply chains.

Build a baseline understanding of your Scope 3 emissions to help you identify where to prioritise your efforts. You can leverage your spend data to build a carbon cube that will highlight categories and suppliers that have high emissions, so that you can build an engagement strategy focused on the areas where you can make the biggest impact. You can begin those conversations with priority suppliers to address issues now while there's still time.

03



Build strong relationship with your sustainability champions.

In 2024 procurement teams will need to work smarter with sustainability teams to drive transparency around decarbonisation by using spend data and desktop analysis to get a sense of their organisation's carbon footprint.



Diversifying supply chains will build resiliency

Risk and resiliency remain front of mind for procurement and supply chain leaders. Shipping markets remain highly volatile. Airfreight is still limited as airlines slowly return to full capacity and look to recover losses of the pandemic years. Global geopolitics remains a threat, with continuing wars resulting in sanctions disrupting commodity markets, nervousness in oil markets and an increasing sense of protectionism everywhere.

Cyber risk is front of mind with mounting supply chain cyber attacks threatening the growth of businesses and impacting governments and critical infrastructure. According to Cybersecurity Ventures, cybercrime is projected to cost \$10.5 trillion in damages by 2025. ¹

Organisations are moving to diversify their supply chains to improve resiliency, whether that be near shoring or re-shoring, without disconnecting relationships with established suppliers, explains Keith Gauntlett, Director at ArcBlue. In doing so, procurement should be vigilant to ensure new suppliers are compliant and adhering to regulations like modern slavery and net zero strategic ambitions.

Procurement leaders will need a much deeper view of their supply chain vulnerability and exposure in order to minimise and mitigate risk. Gaining visibility and building resilience requires investment and companies will need to balance how they pay for it. Options could include absorbing the costs, sharing them with suppliers or raising prices for customers.

How you can get ahead of supply chain constraints:

01



Build and test the backup plans.

Contingency planning involves alternative sources of supply and alternative channels. A major ports operator, DP World Australia recently shut down its terminals around the country to contain a “cybersecurity incident.” ² Incidents like these show the value in establishing alternatives throughout the supply chain and regularly testing these.

02



Focus your technology investment on improving resilience.

Procurement leaders are likely to increase investment in cloud based digital technology in 2024 with many organisations motivated to analyse cost reduction opportunities, improve supply chain visibility, understand where emissions lie in their supply base, and source new value chains.

03



Supplier relationship management is key.

By gaining visibility across the supply chain and sharing knowledge and data with your suppliers, you can predict future risks and build more resilient supply chains. Longstanding and collaborative supplier relationships founded on trust will be hugely beneficial to help manage risks in the supply chain.



Digital transformation is snowballing

The growth in digital procurement technology will continue to accelerate throughout 2024, with a special focus on iterations in AI, Procure-to-Pay software, blockchain and robotics.

A 2023 survey of global supply chain leaders predicted that 73% of supply chain technology budgets will be allocated to growth and performance enhancements this year. The most sought after technology is actionable AI and smart warehousing, mobile asset management and cloud platforms, and technology that scales performance, integrating processes and mitigating against cyber risk. ³

Whilst investment in digital transformation will grow in 2024, it comes with a large caveat. Technology is part of the solution but it is not the solution. Chris Hampden cautions that technology must be implemented with effective processes, structure and capable people. Technology alone will not fix everything.

How you can get ahead in your digital transformation:

01



Make sure the technology is suitable for your transformation.

With new technology shaping the way procurement teams interact with stakeholders and deliver value, choosing the right systems for your business is crucial. Now is the time to understand business objectives, do your research and make sure the technology you choose is aligned with your actual requirements.

02



Choose a solution that matches your maturity and risk profile.

With many new players in the technology space, procurement has more choice than ever before. A tech start-up may offer a more cost-effective solution that grows and evolves as your organisation matures. Choosing the right solution will depend on your goals and risk appetite. “Are you a company that’s willing to work with and test new technologies, or are you relatively risk adverse and prefer tested and proven solutions?” says Adrian Gjurasic. “Once you understand the benefits and risks, you can effectively select technology solutions that support the change you want to drive.”

03



Ensure AI is providing you with real value.

Barry Ward, Senior Managing Analyst at ArcBlue explains that actionable AI is key. AI is not foolproof and is largely dependent on the quality of the input. It will not always deliver the result you are aiming for unless it is understood and scrutinised with a procurement lens.



If data is King, leveraging it is the Ace

Spend data analytics and its associated insights will be essential for procurement teams to succeed in 2024. Many procurement functions still lack expertise in data management, especially across compliance, modern slavery, risk and carbon reporting.

Without the ability to leverage their spend data, procurement will miss out on key opportunities to optimise costs, drive sustainability and mitigate risk throughout their supply chain.

“While investment in data technology continues, many procurement teams face the challenge of lacking the necessary skills to interpret and derive intelligence from the data,” says Keith Gauntlett, ArcBlue’s Director for Hong Kong and China. Developing these skills will help procurement meet the hefty targets and objectives placed on the function. For example, when it comes to Scope 3 emissions and carbon reporting, insights gleaned from spend data will allow procurement to proactively identify key categories and suppliers to focus on to reduce the organisation’s carbon footprint.

How you can get ahead leveraging your data:

01



Make sure you’re analysing the right data.

Data must be relevant, clean and governed with an emphasis on transparency and granularity on transactional data to target Scope 3 emissions. For many organisations, a small group of suppliers will account for a large portion of Scope 3 emissions. Engaging these suppliers and collaborating on a strategy that ensures supplier data is complete, accurate and verified will be critical.

02



Build capability in insights, not just analysis.

Enhance data analytics skills within the procurement team or partner with a procurement analytics specialist so you are equipped to derive useful insights from your data. Building data analysis skills will give your organisation a competitive edge when it comes to making informed decisions, optimising costs and improving efficiency.

03



Invest in visualising your data.

“Visual dashboards are invaluable to procurement teams,” says Dan Renfrey, Director for Infrastructure and Renewables at ArcBlue. “There are advanced solutions in the market and procurement teams can tap into consultancy expertise to understand what a good dashboard looks like, where the data comes from, the science behind it and crucially – the strategies to use it to make an impact.”



Procurement needs to be prepared for the energy transition

The energy sector is in the midst of a sweeping global transformation towards green energy and decarbonisation. The coming energy transition will be especially complex for organisations to navigate. Businesses will need to reengineer processes and roles in order to balance their goals of sustainability with affordability and reliability.

For procurement, the function will be challenged to quickly develop new skills and expertise to fully grasp new technologies, new players and ecosystems. The surge in renewable projects will bring supply chain risks like prolonged lead times in sourcing components, intensified demand, price hikes and scarcity of supply. Businesses will have to make tough choices on where they are sourcing from, how robust their supply chains are and how to get the best prices.

To manage these challenges, procurement teams need to be skilled up and the business aligned on an informed strategy to mitigate risks, capitalise on opportunities and be on the front foot when it comes to transitioning to a renewable future. “Act early, and act decisively,” is the unequivocal advice here from ArcBlue Director, Justin Sara.

How you can get ahead in the energy transition:

01



Everyone is now a producer.

From rooftop solar to wind and biomass, new technologies and rapidly declining unit costs put microgrids not just in reach but increasingly a genuinely attractive part of the energy solution for all consumers and thus a key consideration for 2024. The ‘make versus buy’ comparison can be complex (almost always involving a hybrid strategy) and is a critical first step in category analysis for procurement.

02



Energy reduction is a valuable lever.

Volatile gas markets, still a major part of the energy mix across Southeast Asia, provide an important incentive for energy saving as an immediate value lever for businesses. Every business should have an ‘Energy Champion’ and team to harness workforce interest and enthusiasm in energy saving. Environmental imperatives are also impactful for the bottom line.

03



Take advantage of experienced skill sets when you find them.

With the energy market rapidly evolving it's vital to take the time and access expertise to understand the new possibilities and approaches. These could range from new affordable technologies that enable organisations to be a producer to long term Power Purchase Agreements (PPA) that actively support the growth of renewable energy projects. This is a complex market and engaging the right expertise is key, even if that means you have to engage a specialist contractor or consultancy.



Conclusion

The path ahead for procurement is complex and challenging but the opportunities for the function to continue to develop into a key strategic player are clear.

“While what lies ahead is challenging, our ability to rise to these challenges is why being in procurement and supply chain has never been more exciting, or more important,” says Chris Newman ArcBlue Managing Director.

Embracing new technologies and harnessing data will be game changing, guiding decisions and unlocking untapped opportunities. Developing talent and building strong relationships between business functions and throughout the supply chain will transform procurement teams into strategic thinkers, ready for tomorrow.

By leveraging the digital landscape in 2024, and preparing and committing to strategies, procurement can chart a course towards a future where its role extends beyond value creation to actively contributing to global sustainability.

¹ Cybersecurity Ventures, “[2023 Official Cybercrime Report](#)” (p. 6)

² David Marin- Guzman, “[DP World shuts down ports after hack](#)”, Australian Financial Review, Nov 2023 (p. 6)

³ Gartner, “[Gartner reveals the top supply chain technology trends for 2023](#)” May 2023 (p. 7)



Our mission is to deliver positive change through procurement

ArcBlue is a leading specialist procurement consultancy operating across Asia Pacific, and is part of Bain & Company.

We support organisations to use procurement and supply chain as a platform to achieve more – more efficiency, more insight, more social outcomes, more value, more clarity, more influence, more flexibility, more assurance, more savings, and more visibility.

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