

Navigating the Procurement Landscape

Identifying and Addressing Emerging
Challenges of 2023



Transforming challenges in opportunities

COVID19



Rising oil prices



Record inflation



The war in Ukraine



The events above have one common denominator – they created ripples of disruption through global supply chains and brought in new challenges for procurement teams worldwide.

All the points above can be translated to clear scenarios encountered by sourcing and procurement specialists throughout 2022:

- Suppliers going bankrupt due to geopolitical turmoils.
- Manufacturers that can't operate at total capacity as a consequence of regional lockdowns in China.
- Increasing costs for components and materials that cut through profit margins.
- Prolonged delays of deliveries that cause production halts.

As we enter 2023, the consequences of past supply chain disruptions still cause notable global effects. As Bertrand Maltaverne from Spend Matters pointed
"the only certainty for this year is uncertainty."

Is this the end?

Bad news aside, the purpose of this article isn't to portray another fatalistic outlook for the state of procurement and supply chains but to look at challenges from a proactive standpoint and find opportunities for organizational growth within the most demanding problems.

Without further ado let's jump straight to the challenges and trends you can look up to in 2023.



Conflicts and geopolitical tensions

From the war in Ukraine all the way to the conflict between China and Taiwan, regional animosities have a clear reflection in the supply of key components, materials and essential staple foods.

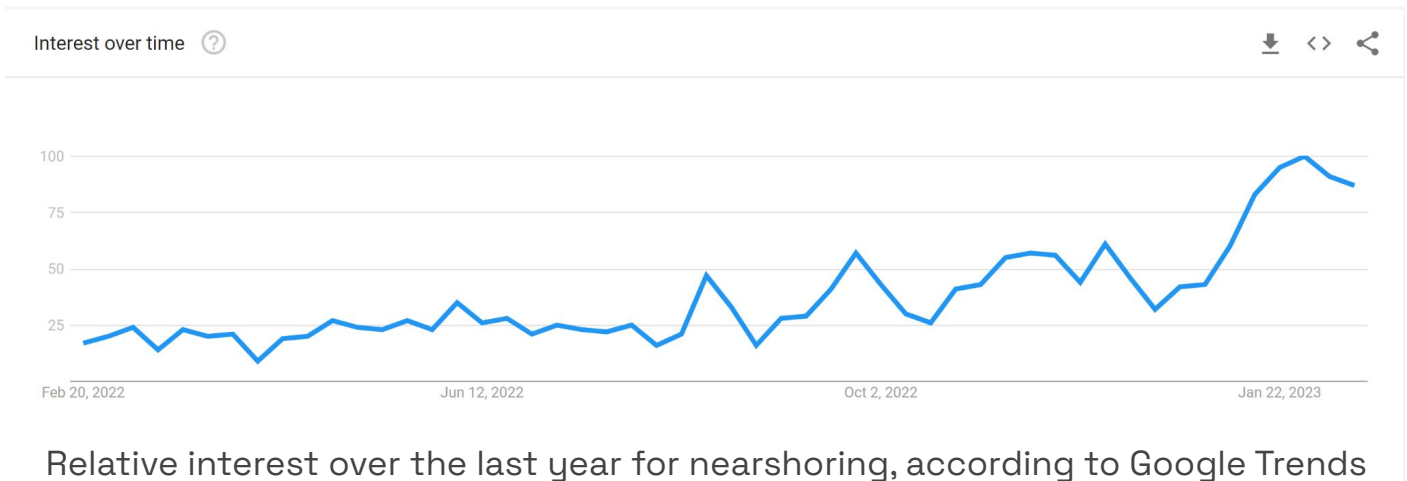
Geopolitical tensions have caused nations to take a more inward-looking approach, resulting in decreased cooperation. Governments and industry leaders are now looking to become more self-sufficient domestically in terms of material supply and manufacturing.

To further this goal, they are forming closer relationships with countries and markets with similar geopolitical viewpoints, referred to as "friend shoring" or "nearshoring."



What can you do from a procurement standpoint?

This storm of circumstances brings nearshoring interest at an all time high. Being a consistent theme of 2022, nearshoring is set to become a standard in the next years with businesses recognizing the cost-effectiveness and supply reliability that comes with buying locally or regionally.



Smaller batches and quicker responses can often be achieved with local suppliers. At the same time, regional clusters can help companies get the 'best of both worlds' (talking about off and nearshoring) with closer partners, maintaining supply chains while avoiding high cost.

Nearshoring powered by our Complex Search API

One of the first steps for transitioning into nearshoring sourcing is going through a supplier discovery process for your defined territory and accessing key details about their activity to assess the fit.

Using Veridion's Complex Search API, we went through a **supplier discovery scenario**. The main goal is to find new potential suppliers in a smaller geographical footprint rather than sourcing globally from multiple countries.

Key Points

- Client: Manufacturing company operating in South East Asia.
- Ideal Supplier Profile: manufacturers or distributors of eco friendly packaging in Malaysia, Indonesia, Thailand, Singapore.
- Additional requirements: ISO certification (ISO 9001)

Results summary

After running the API call, we managed to find a total number of 15 potential suppliers, with 13 suppliers matching exactly the requirements, translating to 87% search to shortlist ratio.

You can check here the entire output for this API call example.



15

Total output of suppliers



13

Suppliers with shortlist potential



87%

Search to shortlist ratio

A second wave of unavailability for commodities and components

According to a recent report from KPMG, for 2023, the primary commodities affected by low levels of availability will be fuel, plastics for packaging, timber, and steel but also smaller component parts may be impacted. The increased stress on critical materials and components supply chains will **lead to cost inflation.**

What can you do from a procurement standpoint?

Rather than just claiming that you will identify alternative suppliers in the event of a disruption, take the time to develop detailed plans for the ideal profiles of those suppliers, where and how you can find them, and what impact any changes will have on your costs and operations.

Embrace the capabilities of **real-time analytics** to more accurately **predict and forecast demand volatility, identify unnecessary spending** within each category, and **prioritize critical areas** of interest.



Overcoming supply unavailability through data



We went through a sourcing scenario in the Semiconductors space for this challenge. The main goal is to build a network of alternative suppliers with capabilities like water fabrication.

Leveraging Veridion's (formerly Soleadify) Complex Search API for Supplier Discovery.



Veridion™

Scope 3 emissions scrutinized

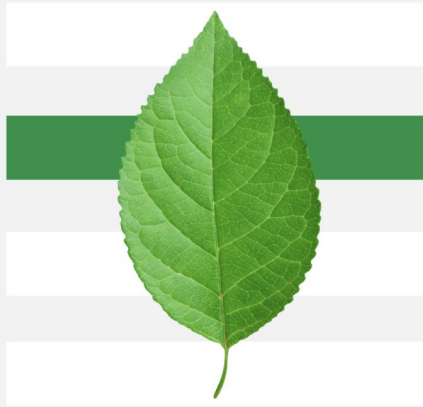
By 2023, organizations will likely face pressure from regulators, customers, finance communities, and investors to take action and reduce scope 3 emissions. 'Greenwashing' will no longer be tolerated, and global banking institutions, private equity, and venture capitalists will favor those demonstrating a low scope 3 emissions. As a result, organizations need to **integrate sustainability strategies** into their corporate ESG initiatives to remain competitive.

To ensure that your ESG strategy is successful, it is vital to ensure that the objectives of each business function (not just Procurement), such as Finance, HR, IT, Operations, and Commercial, are aligned. You can achieve this **mutual goal** by fostering internal collaboration and creating a system wherein all these functions access and track the same ESG data.

What can you do from a procurement standpoint?

Gain **comprehensive visibility** into the entire supply chain to monitor the flow of goods, identify the organizations responsible for transporting them, and assess their sustainability credentials. Leverage this information to **make informed decisions** about your supply chain partners and take active steps to reduce your scope 3 emissions.

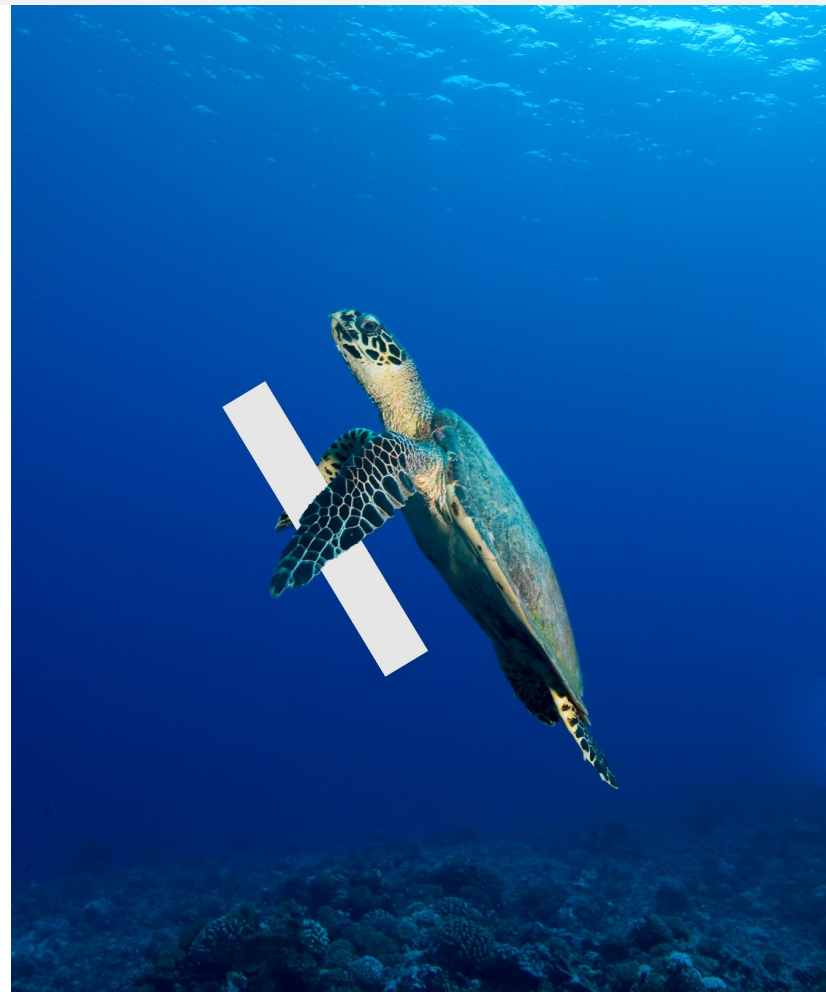
Utilize **data analytics to gain a better understanding** of the sustainability of the supply chain and make sure that the goods you purchase are produced in an environmentally responsible manner. With this data, you can make better decisions to ensure your business operates sustainably and reduces its scope 3 emissions.



Achieving net-zero supplier networks can seem like a far-distant dream, but one of the first steps towards this goal is to understand the sustainability profile of your suppliers.

With our ESG insights on private companies, you can assess over 70 million companies from 3 different POVs.

- **Corporate ESG policy data** - What the company is stating publicly about its sustainability commitments.
- **ESG behaviour data** - What the company is doing and others are saying in regards to its sustainability commitments.
- **Company profile data** - What type of business activities is the company involved in that may impact its sustainability commitments.



Procurement teams will face numerous challenges in 2023, from conflicts and geopolitical tensions to the unavailability of commodities and the efforts around gaining visibility into scope 3 emissions.

We at Veridion believe that.



Access to high-quality data can empower procurement teams to achieve long-term goals and position any procurement practice in a strategic role, more than just a cost saving role.



With this thesis in mind, we built an extensive repository of distributors, manufacturers, and service providers (20+ million profiles) that includes key data points about their activity, location, products and services, certifications, ESG-related issues, and much more.



*Are you ready to fuel your Procurement Solutions with next-generation global, fresh **company** and **product** data?*

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