

Industry Trends with The Hackett Group

*Uncovering the Priorities for Procurement
(and a little bit in Finance) in 2025*

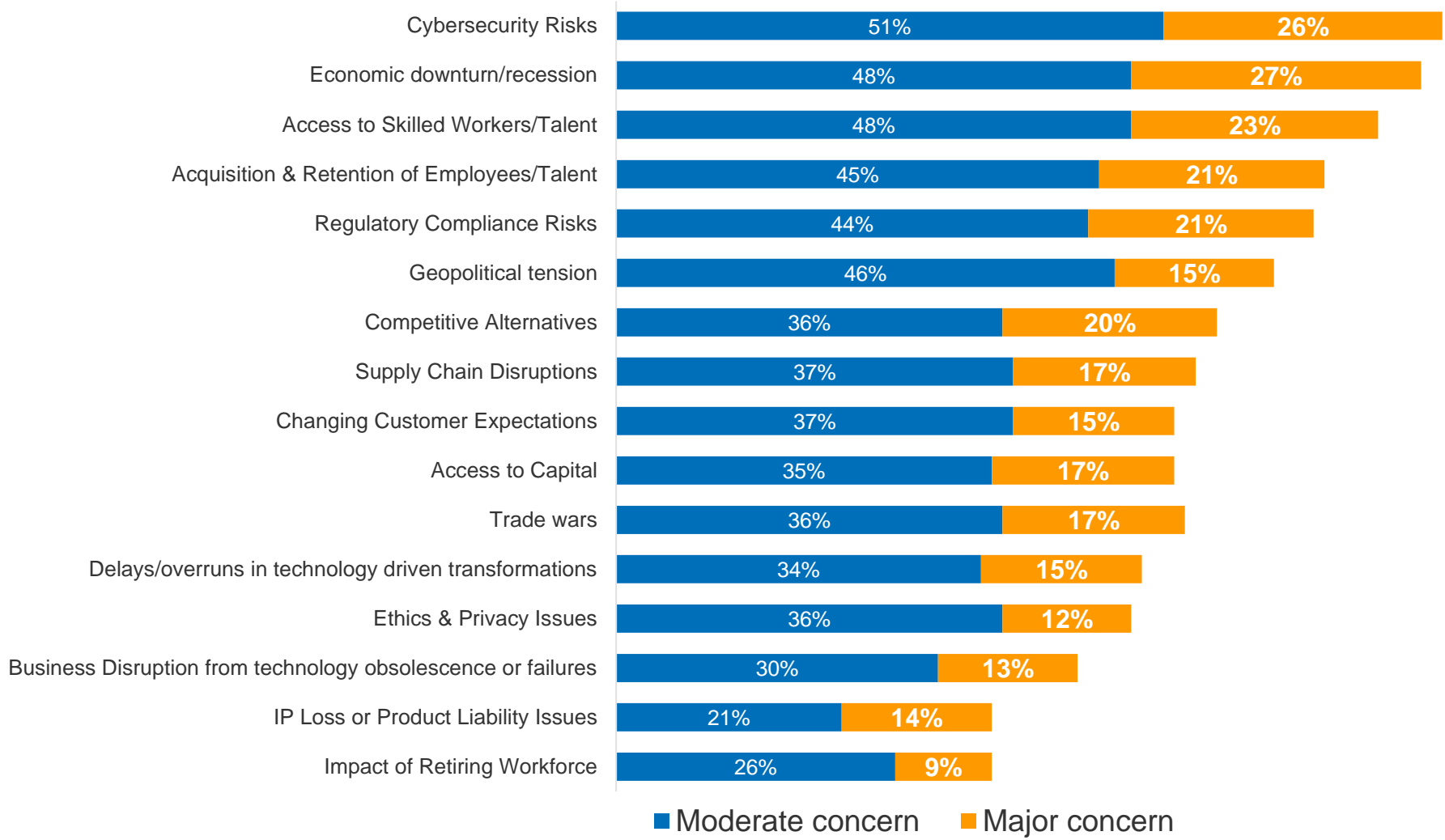
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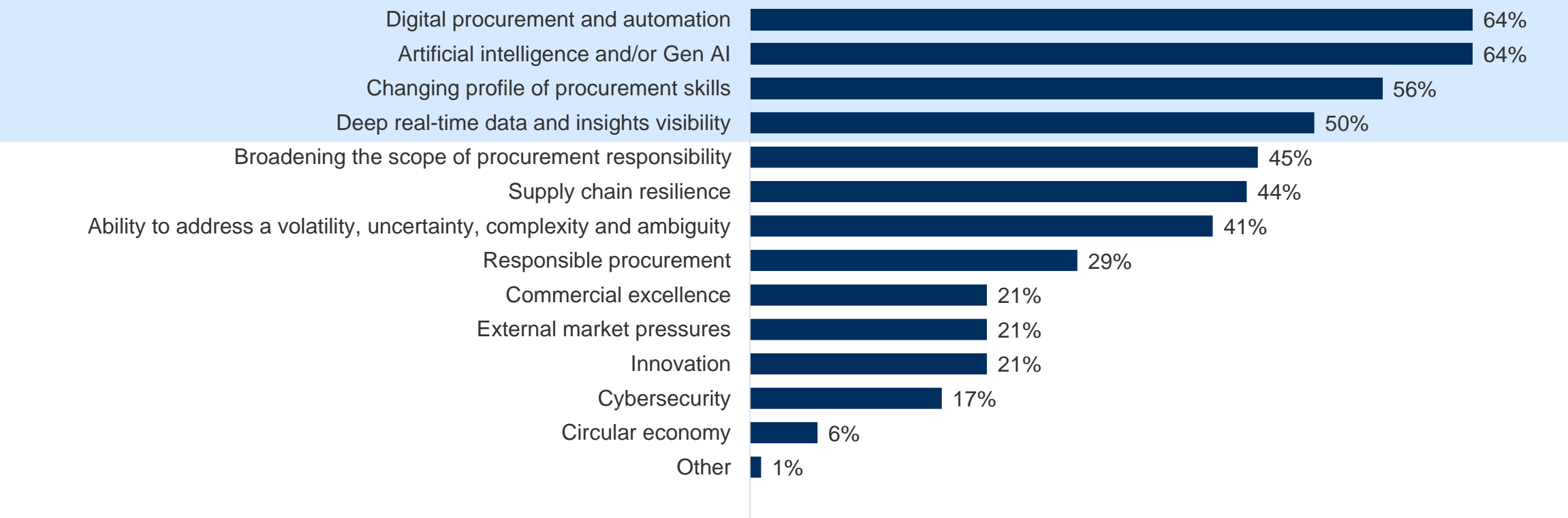
Setting the broader stage: The issues and risks to success in 2025

Cybersecurity, economic and talent challenges were top of mind as we were looking into 2025 back in the Fall, but today other challenges have rapidly taken our attention...namely, Trade Wars!



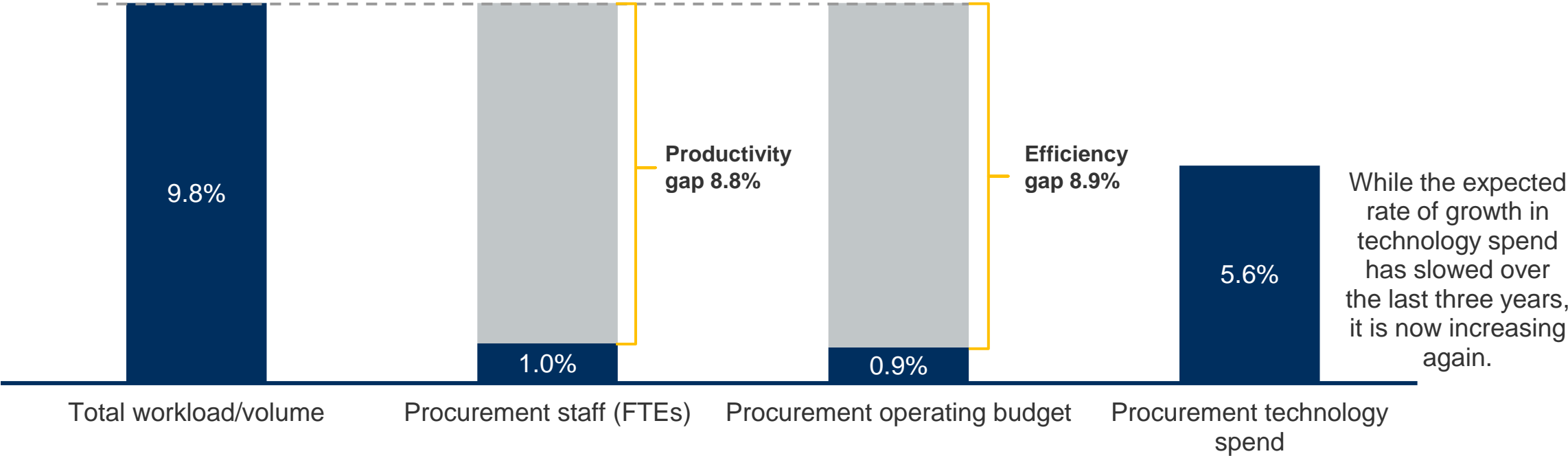
With that context, let's pivot to Procurement and consider the trends that leaders believe will have a transformational impact over the next 5 years...not surprisingly, AI

PROCUREMENT TRENDS WITH A TRANSFORMATIONAL IMPACT



Some things don't change. Procurement's workload is predicted to increase once again, and that workload is not being absorbed by additional staff. Instead, we are increasingly turning to technology.

PROJECTED PERCENT CHANGE FROM 2024 TO 2025 FOR PROCUREMENT, STAFFING, BUDGET AND TECHNOLOGY SPEND



Cost not only remains the top priority for global procurement executives in 2025, its more elevated while other priorities highlight some interesting and disruptive trends

- 1** IMPROVE SPEND COST REDUCTION
- 2** ENSURE SUPPLY CONTINUITY
- 3** TRANSFORM THE OPERATING MODEL
- 4** COMBAT INFLATIONARY PRICE INCREASES
- 5** DIGITAL TRANSFORMATION AND MODERNIZE LANDSCAPE
- 6** ACT AS A STRATEGIC ADVISOR TO THE BUSINESS
- 7** EMBED SUSTAINABILITY (E.G., ENVIRONMENT)
- 8** IMPROVE ANALYTICS' AND INSIGHTS' CAPABILITIES
- 9** ENHANCE SUPPLIER RELATIONSHIPS
- 10** STRENGTHEN THIRD-PARTY RISK MANAGEMENT VISIBILITY AND CAPABILITY

Now, let's bring finance into the conversation and compare the top priorities...

- 1** Improve Spend Cost Reduction
- 2** Ensure Supply Continuity
- 3** Transform the Operating Model
- 4** Combat Inflationary Price Increases
- 5** Accelerate Digital Transformation and Modernize Technology Landscape
- 6** Act as a Strategic Advisor to the Business
- 7** Embed Sustainability (e.g., environment)
- 8** Improve Analytics' and Insights' Capabilities
- 9** Enhance Supplier Relationships
- 10** Strengthen Third-Party Risk Management Visibility and Capability

Procurement

...are we aligned?

- 1** Optimize Cash Flow Performance / Liquidity / Working Capital
- 2** Accelerate Digital Transformation and Modernize Technology Landscape
- 3** Actively Support Profitability Improvement Goals
- 4** Implement Cost Optimization/Reduction Actions
- 5** Improve Data (timeliness, completeness, reliability) and Analysis Capabilities
- 6** Enhance Business Partnering Capabilities
- 7** Improve Readiness for New Regulatory Requirements including ESG Reporting
- 8** Undertake Mergers, Acquisitions and Divestitures
- 9** Strengthen Financial Controls Environment
- 10** Deliver Reliable Budgeting and Forecasting

Finance

Yes!! and much more that we may realize...

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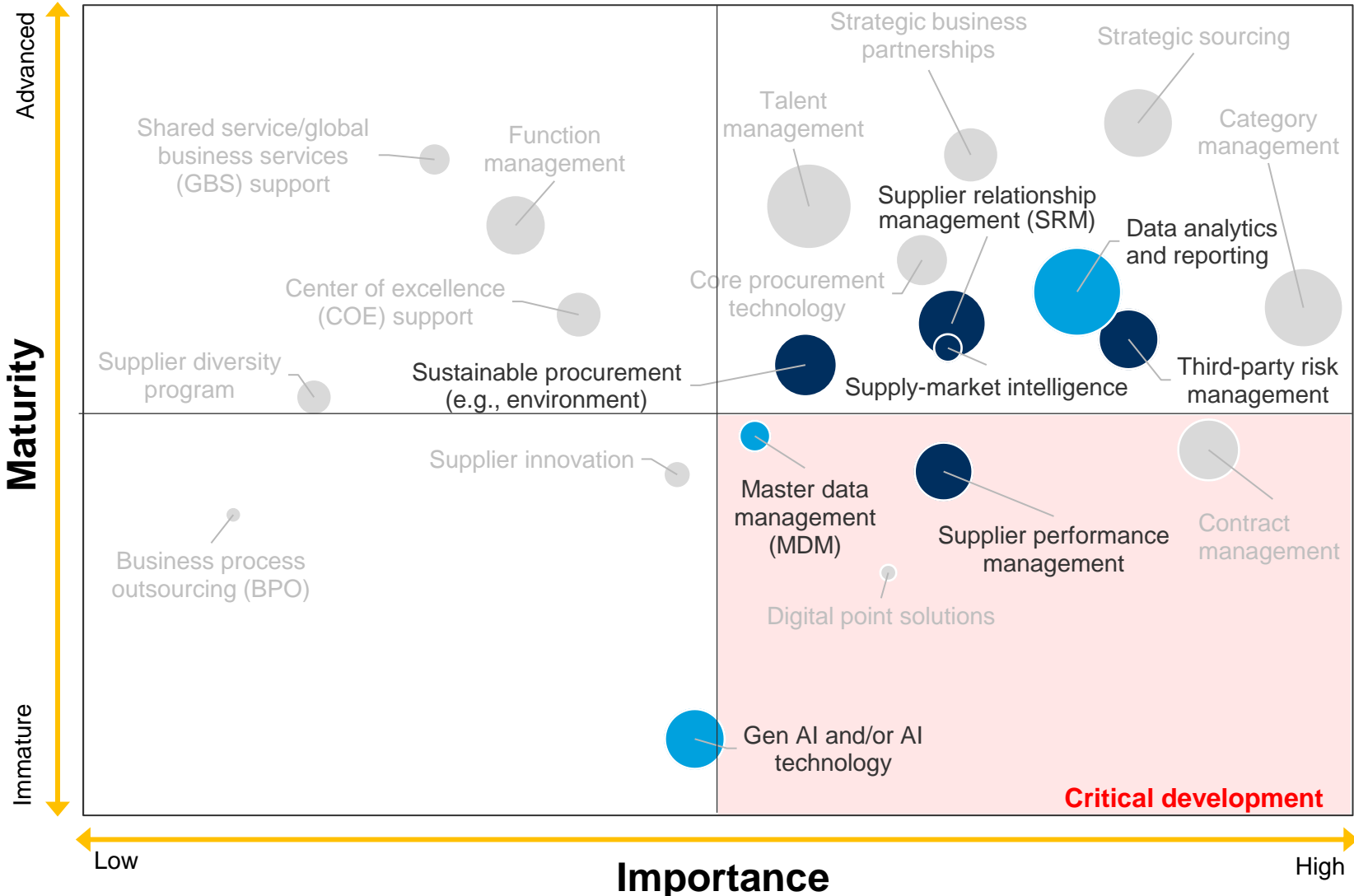
Finance

Let's take a moment to reflect on the trends in procurement priorities over the years. While some priorities stay consistent, others emerge in support of the broader economic and social environment

2021		2022		2023		2024		2025	
1	Improve spend cost reduction	1	Reduce risk to ensure supply continuity	1	Ensure supply continuity	1	Improve spend cost reduction	1	Improve spend cost reduction
2	Reduce risk to ensure supply continuity	2	Improve spend cost reduction	2	Combat inflationary price increases	2	Ensure supply continuity	2	Ensure supply continuity
3	Act as a strategic business advisor	3	Act as a strategic business advisor	3	Improve spend cost reduction	3	Combat inflationary price increases	3	Transform the operating model
4	Accelerate procurement digital transformation	4	Corporate sustainability	4	Pursue digital transformation and modernize landscape	4	Act as a strategic business advisor	4	Combat inflationary price increases
5	Improve procurement agility	5	Accelerate procurement digital transformation	5	Improve analytics' and insights' capabilities	5	Transform the operating model	5	Pursue digital transformation and modernize landscape

Our priorities continue to drive our investments in capability improvement and much progress has been made

PROCUREMENT IMPROVEMENT INITIATIVES

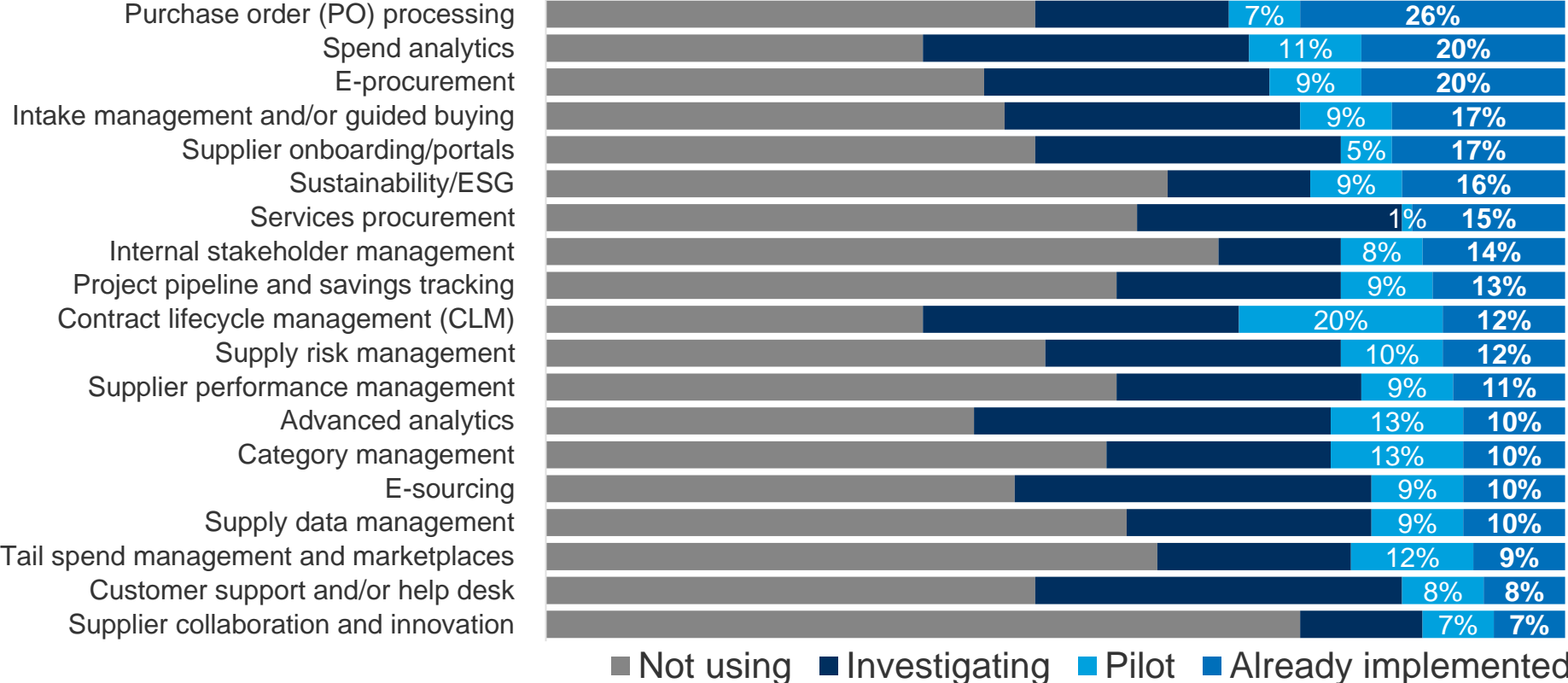


TOP 10 INITIATIVES

- 1 **Data analytics and reporting**
- 2 Talent management
- 3 Category management
- 4 Strategic sourcing
- 5 **Supplier relationship management (SRM)**
- 6 Contract management
- 7 **Third-party risk management**
- 8 **Generative AI and/or AI technology**
- 9 Sustainable procurement
- 10 **Supplier performance management**

While we are still early in the deployment of Gen AI, we are witnessing some significant adopters and one's that are rapidly realizing business enabled value

STATUS FOR APPLYING GENERATIVE AI TECHNOLOGIES



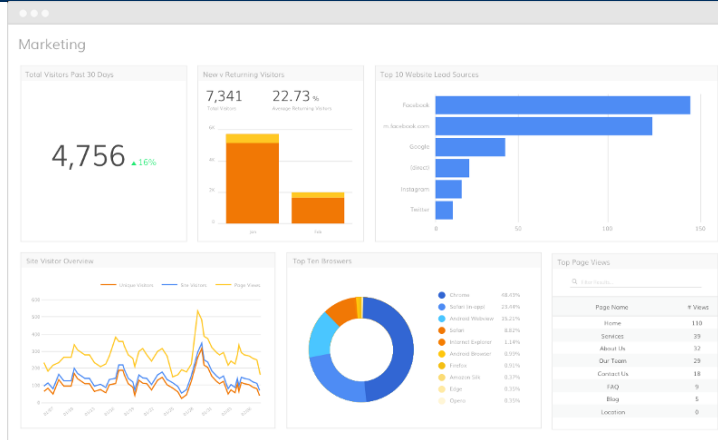
Status definitions:

- **Investigating:** Currently exploring or researching the application of generative AI for this activity.
- **Pilot:** There is an ongoing pilot project testing the application of generative AI for this activity.
- **Already implemented:** Generative AI has already been implemented for this activity.

Understanding the analytics continuum

1 DESCRIPTIVE ANALYTICS

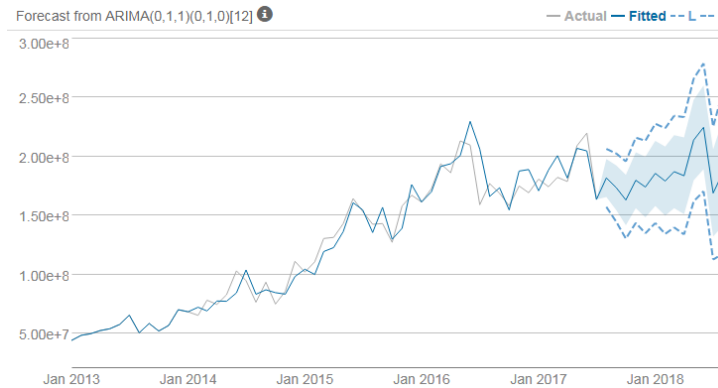
- Shows data as it is to present facts and real data about the past
- Uses no assumptions, extrapolations or derived measures



What happened?

3 PREDICTIVE ANALYTICS

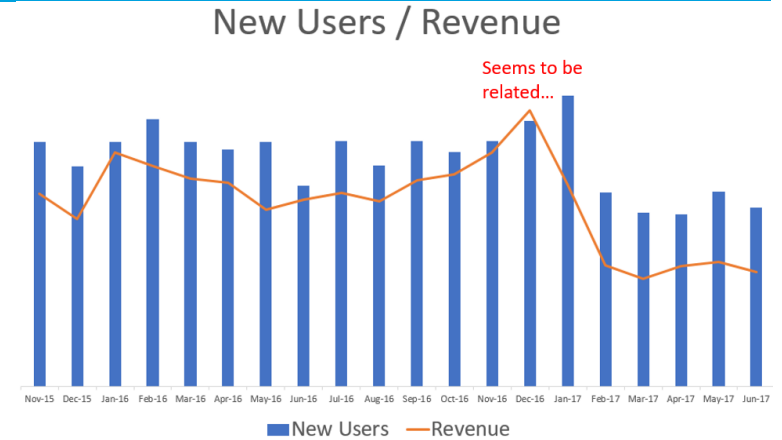
- Predicts future values using historical data
- Uses trends (e.g., time series) or drivers and relationships (e.g., attribute learning)



What will happen?

2 DIAGNOSTIC ANALYTICS

- Defines relationships between data, outcomes and drivers
- Often leverages external data to enrich insights



Why did it happen?

4 PRESCRIPTIVE ANALYTICS

- Suggests an action, or improve the outcome, in the future
- Automates decisions via simulation and/or optimization

Frequently bought together

Apple Lightning to 3.5 mm Headphone Jack Adapter
★★★★☆ 2,467
\$8.99 ✓prime

Ailun Screen Protector Compatible with iPhone 8 Plus 7 Plus,[5.5inch] [3Pack],2.5D Edge...
★★★★☆ 13,055
\$5.89 ✓prime

Apple AirPods
★★★★★ 2,438
\$147.00 ✓prime

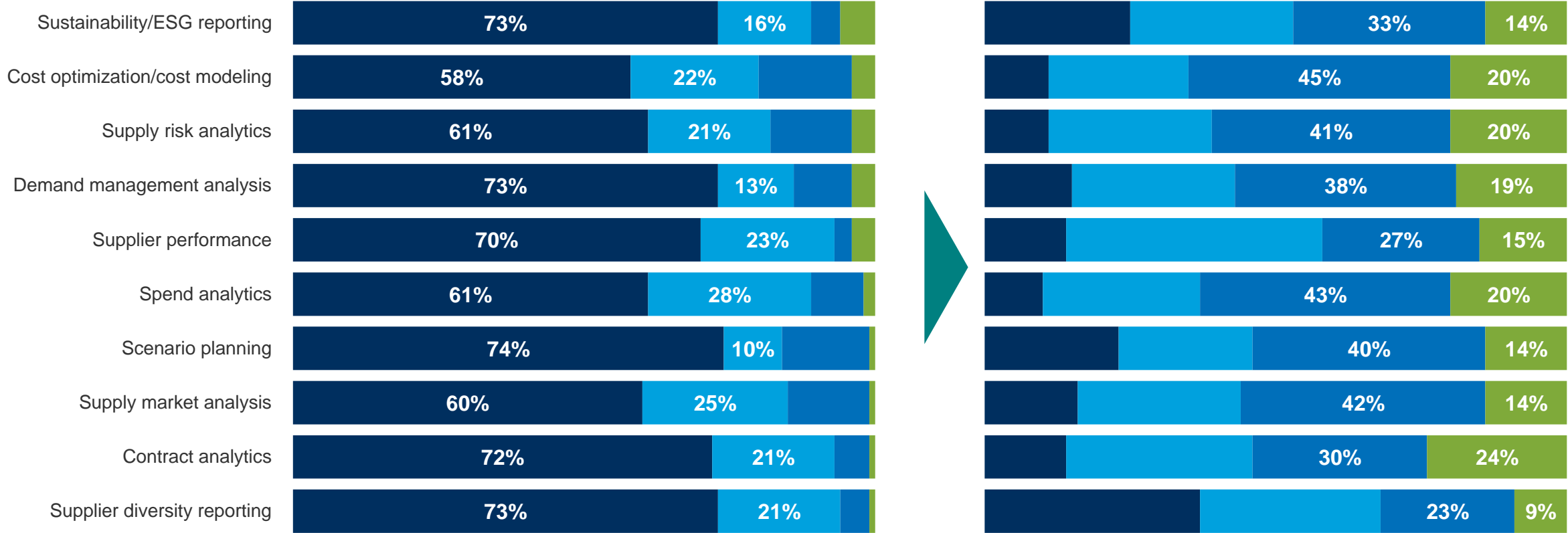
How do we make it happen?

An awareness of the importance and desire to improve capabilities in analytics is reflected as we look out 3 years. This is critical to building a more intelligent supply management capability.

ANALYTICS CAPABILITY LEVELS

Current

Future



1. Descriptive 2. Diagnostic 3. Predictive 4. Prescriptive

Some guidance for looking ahead

As you chart the course for your team's success in 2025, ensure that you are giving full consideration to the following...

- Use digitalization to automate as much as possible. This is not new, but ever more important.
- Purposefully architect your technology landscape. AI (full and semi-autonomous) will dominate.
- Orient your procurement operating model to meet the needs of all stakeholders. Alignment is critical to enabling business objectives and with a preferred experience.
- Invest in proactively managing talent and upskilling the procurement team to effectively participate in the rapidly unfolding and disruptive AI environment.

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