



HUDICOR CPO SURVEY 2020 REPORT

IMPACT OF COVID-19 ON PROCUREMENT PRIORITIES

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EXECUTIVE SUMMARY

Impact of COVID-19 on procurement priorities

COVID-19 has created a new reality. With this survey, Hudicor assessed the expected impact of the pending crisis for companies focusing on procurement, (the function that manages the spend of companies), and investments. More than forty senior procurement executives, mainly (65%) from global companies participated, and of those, 82% believe procurement will gain importance.

Priorities:

After COVID-19 the new top priorities are:

1. Savings, spending and cost reduction, which saw an increase from before 30% to 65%
2. Risk management, including security of supply (increases from 15% to 50%)
3. Working capital (increases from 10% to 40%)
4. Supplier collaboration (increases from 10% to 35%)

Other dimensions that saw a slight increase in importance include:

- Digital transformation
- Sustainability
- Organization

One could say business is going back to basics wherein savings, security of supply, working capital reduction, and supplier collaboration historically were the core dimensions of procurement.



Investments:

Almost all companies expect a substantial reduction of investments for their company in 2020 compared to the original budgets. This, of course, will impact the supplying companies and therefore the overall economy:

- 30% of companies expect a reduction in investments of 0-20%
- 55% of companies expect a reduction between 40-80%
- 15% of companies expect a reduction of 80-100%

This is substantial and, if/when it materializes, could result in dire straits for a lot of subcontractors.



Local-for-local:

The crisis will also have an impact on the global supply chains. Although most expect logistical collaboration models such as JIT will be here to stay, 57% expect there will be a renewed and accelerated focus on local-for-local, which is local manufacturing for local B2B customers.



Virtual working:

A key game changer will be the increase of virtual working with the suppliers and within the company. The majority of companies (91%) expect an increase in virtual working. Employers that were hesitant about teleworking before the COVID-19 outbreak are beginning to realize this new way of working can actually be maintained in the post-COVID era. The same applies for supplier meetings.

INTRODUCTION

Welcome to the Hudicor CPO survey 2020.

The COVID-19 outbreak has a significant impact on the economy. It affects all industries and businesses from tourism to the supply chain of technology industries, and we do not know how the world after COVID-19 will look like.

This report provides a look into the thoughts of procurement leaders regarding the current COVID-19 crisis. It also offers insights into the main challenges procurement is faced with.

The survey touches upon key themes like investments, strategy, technology, supply chain and organization. However, we deem it equally important to discuss some of the drivers that will be crucial for procurement departments to survive the crisis and eventually grow stronger.

Those drivers include, among others, cost and efficiency, new ways of collaboration and digital procurement.

We would like to thank the many executives who have contributed to this survey and shared their insights. We look forward to continuing this journey together.



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IMPACT OF COVID 19 ON PROCUREMENT PRIORITIES

We asked procurement leaders about their priorities before and after the COVID-19 period.

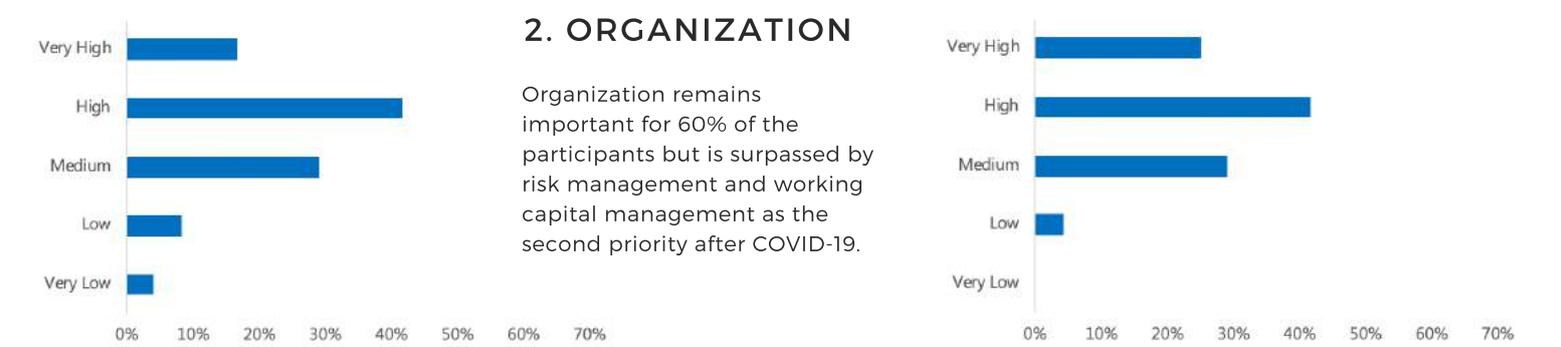
The Hudicor survey covered 8 dimensions that are crucial for the procurement function: 'Improving Savings and Cost Structure', 'Organization', 'Sustainability', 'Digital Transformation', 'Supplier Collaboration',

'Social Responsibility', 'Risk Management' and 'Working Capital Management'.

As a main conclusion, we see a significantly increased focus on cash and cost savings, risk management, working capital management, and supplier collaboration. We assume these dimensions will dominate many CPO agendas after the crisis.

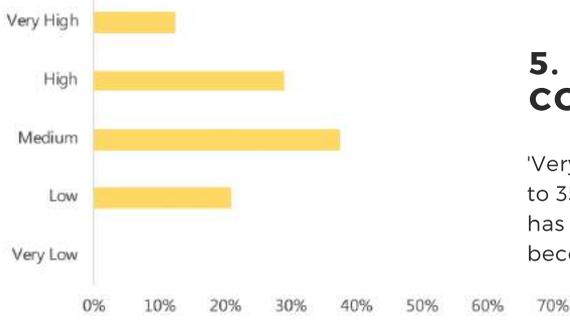
**BEFORE
COVID 19**

**AFTER
COVID 19**



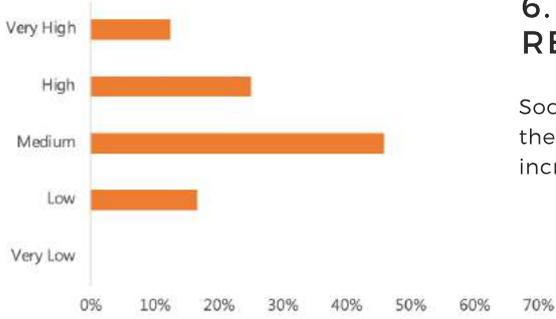
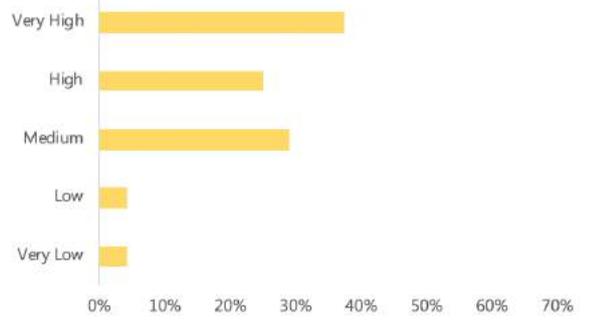
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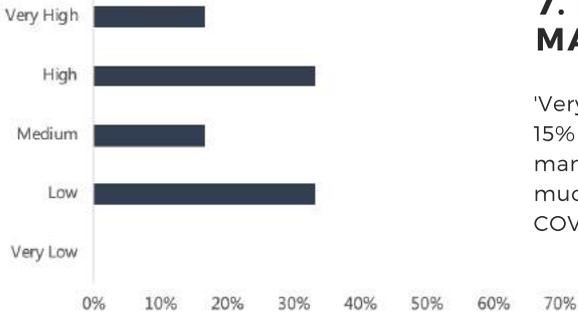
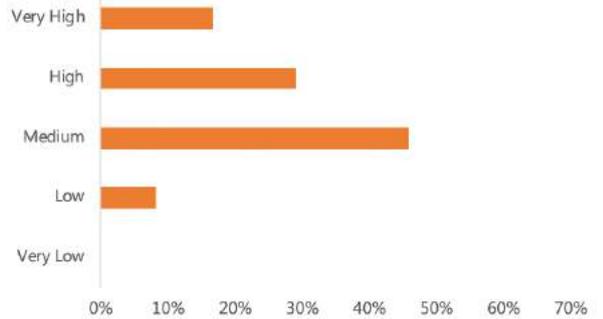
5. SUPPLIER COLLABORATION

'Very High' increased from 10% to 35%. Supplier collaboration has seen a move towards becoming a higher priority.



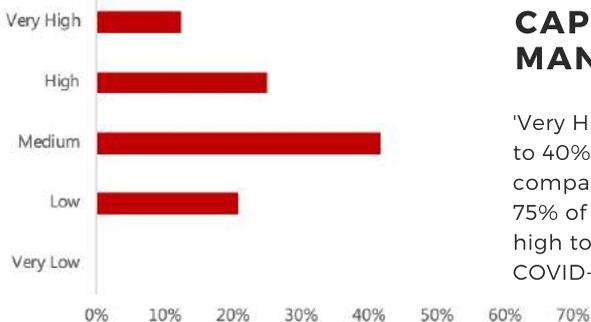
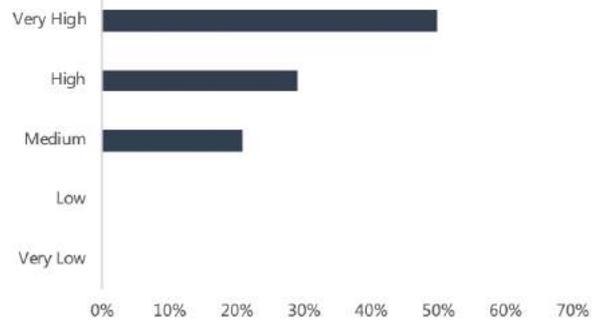
6. SOCIAL RESPONSIBILITY

Social responsibility remains on the agenda with a slight increase.



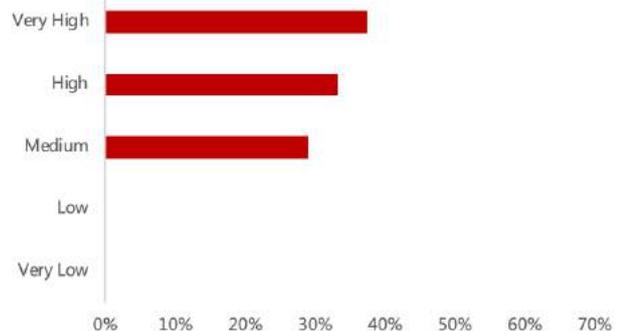
7. RISK MANAGEMENT

'Very High' increased from 15% to 50%. Risk management is prioritized much higher than before COVID-19.



8. WORKING CAPITAL MANAGEMENT

'Very High' increased from 15% to 40%. WCM is important for a company's cash management, 75% of the participants give it a high to very high priority after COVID-19.



COMPANY INVESTMENTS

Similar to the global financial crisis of 2008, investments are expected to be impacted by the COVID-19 crisis.

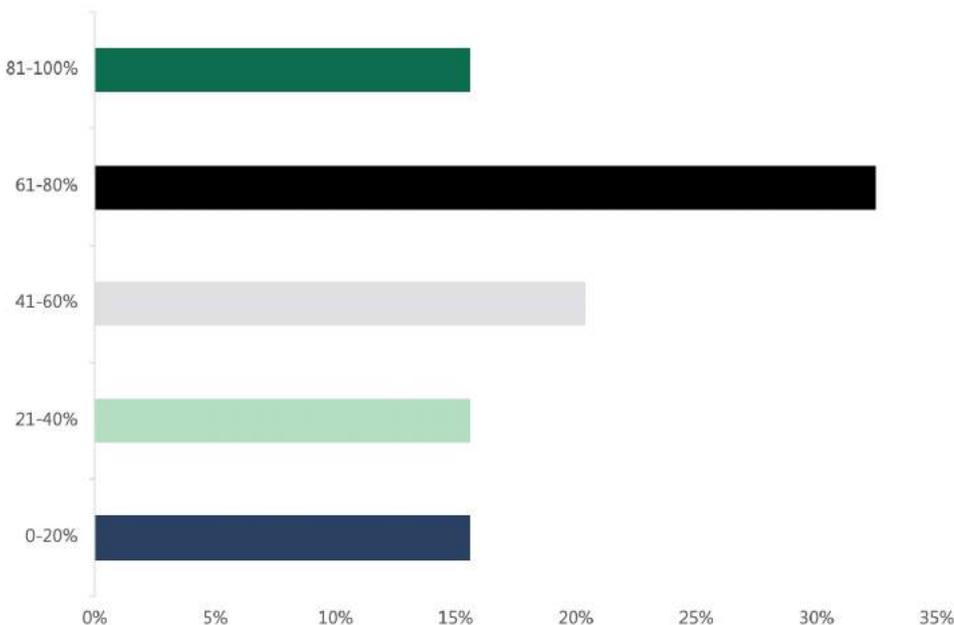
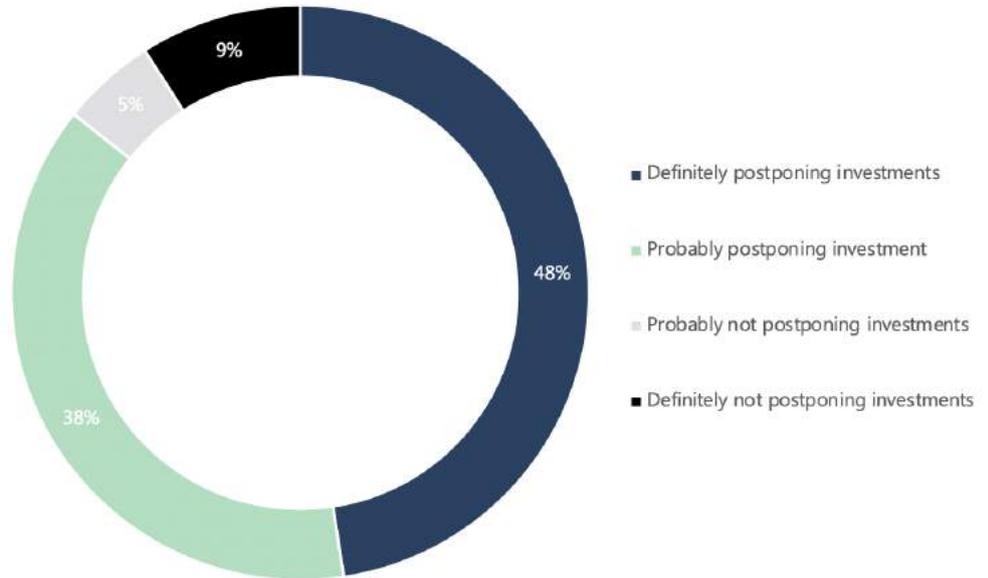
85% of CPOs expect companies will cut their overall 2020 investments with more than 20%, although the level of reduction differs significantly across companies.



POSTPONING INVESTMENTS

COVID-19 has introduced uncertainty in business. This has a significant effect on the investment behavior of companies.

More than 80% of CPOs expect investments will be postponed in their company due to the consequences of the pending crisis.



PERCENTAGE OF CUTTING

Caution is clearly prevailing. The largest segment of companies (33%) will be executing just 61-80% of their planned 2020 investments.

No companies are carrying out more investments than originally budgeted for 2020.

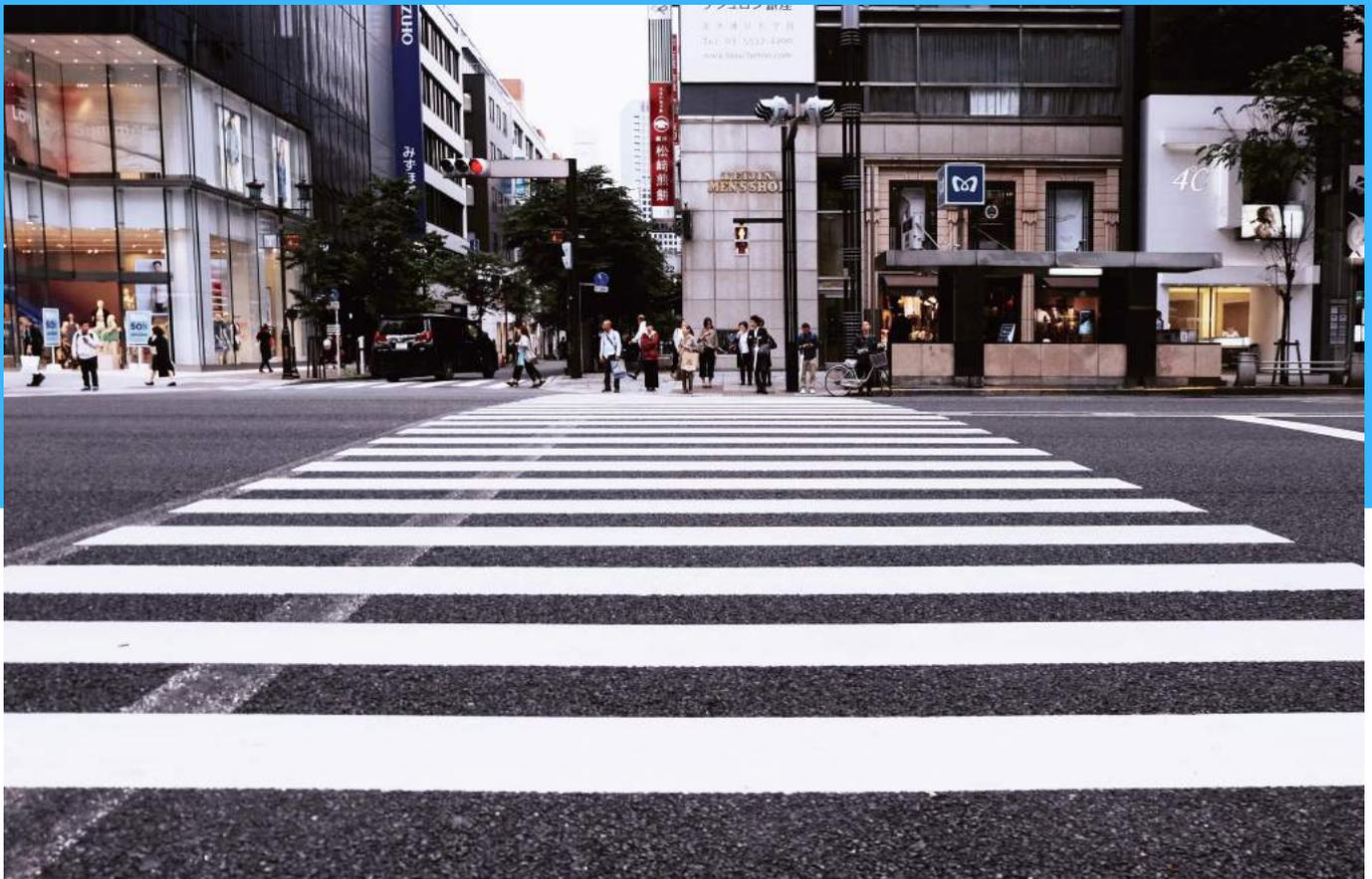
SUPPLY CHAIN

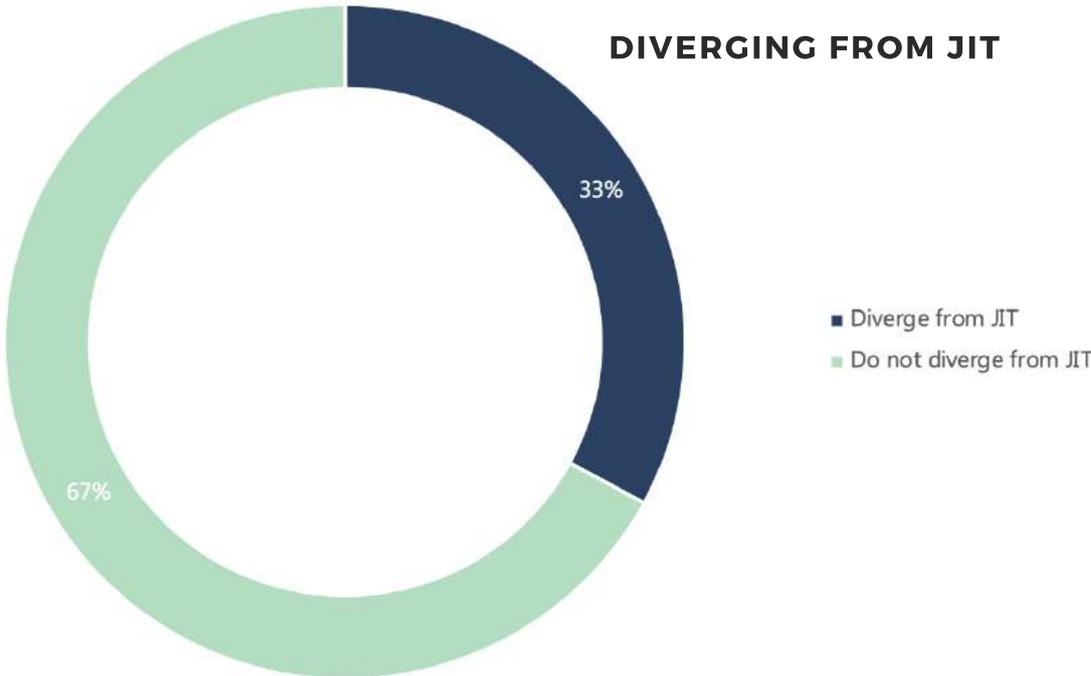
There is a trend across all industries to question the status quo. Companies are analyzing their present supply chain and way of working to understand how to become stronger and more resilient.

Deglobalization is on the agenda of many companies. Almost 60% of the participants believe local-for-local manufacturing will gain importance.

This means there will be a need to identify near shore suppliers for certain commodities, review changes in logistical flows, and to potentially develop new manufacturing capabilities.

JIT logistics continues to be the preferred method of inventory control.





The supply methodology of JIT (just-in-time) logistics has led to several issues (e.g. problems in the electronics supply chain originating in China were created by all companies putting their eggs in one basket) in the beginning of the COVID 19 crisis. However, 67% of CPOs that use JIT are confident that it will remain the most prevalent way of inventory control in the aftermath.

57%

of CPOs think there will be a trend of deglobalizing the supply chain to make it more resilient for future events.

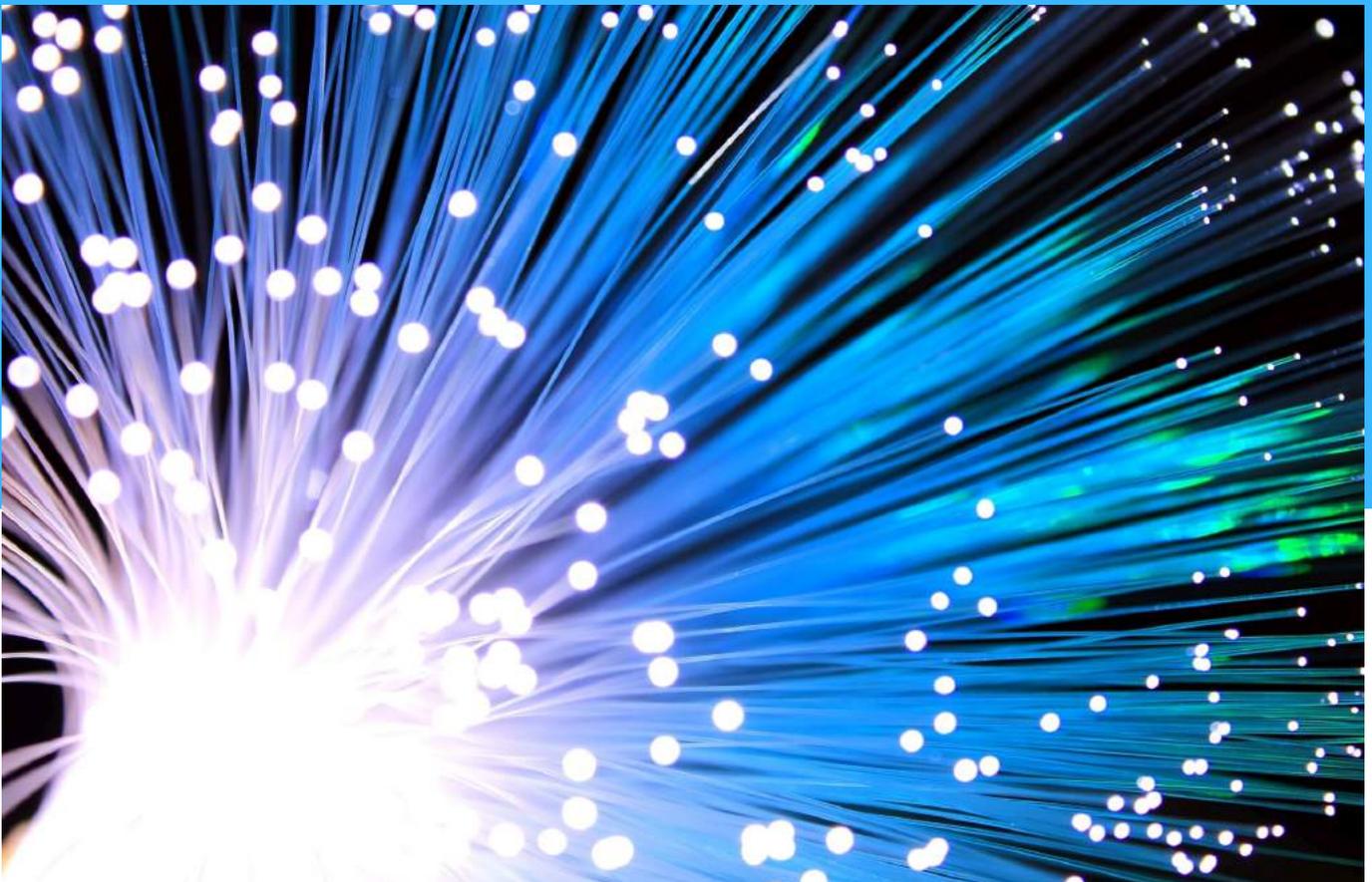
PROCUREMENT & ORGANIZATION

COVID-19 is an opportunity for procurement to become even more relevant as it directly impacts savings.

Digital transformation of the procurement function is a trending topic that will gain importance as it

drives new ways of working and efficiency in the organization.

Virtual collaboration will become more common. This will have a serious impact on the organizational structure and the required capabilities in companies.



82%

of CPOs believe the procurement function will gain importance due to COVID-19.

40%

of CPOs are convinced investments in digital transformation of the procurement will increase over the next years due to COVID-19.

91%

of CPOs forecast that we will experience a rise in virtual working both within the company as well as between the company and the suppliers.



ABOUT THE SURVEY

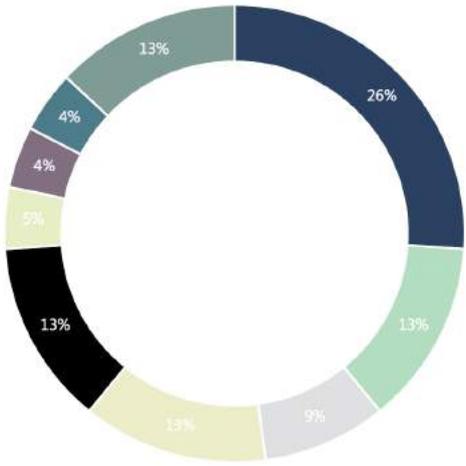
This report is based on a survey completed by 40+ CPOs, senior procurement directors and leaders.

The participants are active in 12 different industries, ranging from Fast Moving Consumer Goods (FMCG) to the Life Sciences Industry and Manufacturing.

Just over 30% of the companies that participated are active in distinct geographical areas like Belgium or The Netherlands. Others are active in larger geographies, such as Europe. Most companies (65%) that participated have global activities.

These companies vary in size, both in terms of yearly spend and in terms of number of staff.

We see similar replies and common views on what to focus on in the future to become more resilient, regardless of the industries and sectors the participants are operating in.



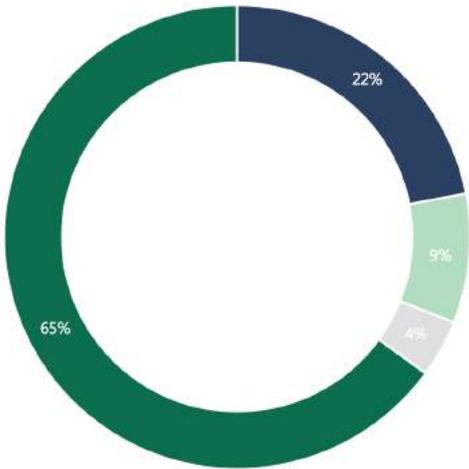
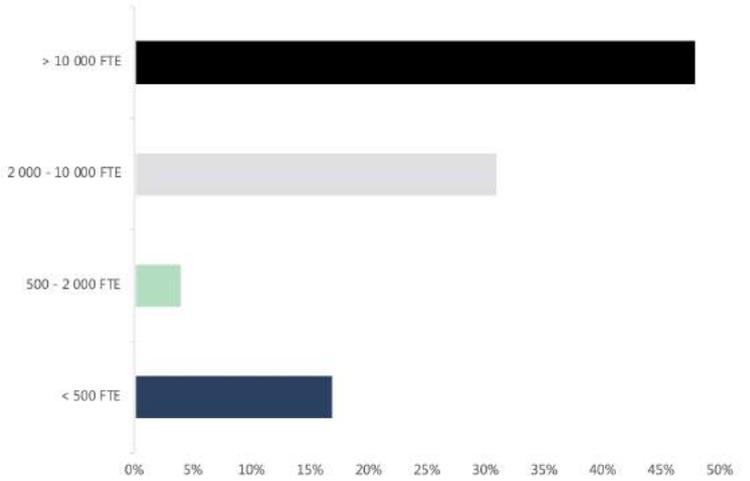
- Energy & Utilities
- E-commerce & Telecom
- Construction
- Chemical
- FMCG & Agriculture
- Life Sciences
- Manufacturing
- Pulp & Paper
- Other

INDUSTRY STATS

The survey includes procurement leaders from 12 industries and sectors.

FTE STATS

80% of the participating companies have over 2000 FTEs.



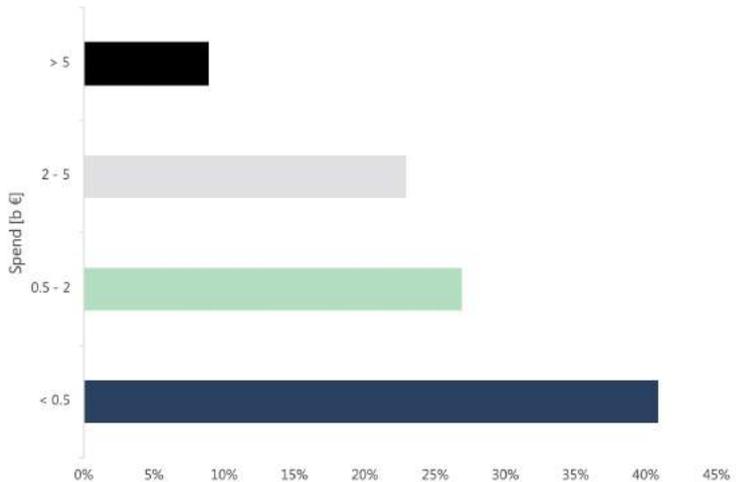
- Belgium
- The Netherlands
- Europe
- World

GEOGRAPHY STATS

65% of the participating companies have worldwide activities.

SPEND STATS

60% of the participating companies represent a spend of more than € 500m, up to € 20b.



ACKNOWLEDGEMENTS

About Hudicor

Hudicor is a boutique strategic consulting company that provides strategy consulting, sourcing and procurement, M&A, digital transformation and risk management related services across various industries and multiple countries.

Hudicor stands for delivering and implementing sustainable value for clients by leveraging our distinct

experience and capabilities, ensuring they receive the essential knowledge and tools to tackle their pressing challenges.

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