

Predictive Procurement as a Scaling Strategy: Case Studies from Successful Enterprise Transformations



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2025 Tariffs | Managing for sustained disruption, volatility, scarcity and inflation conditions

April 2025

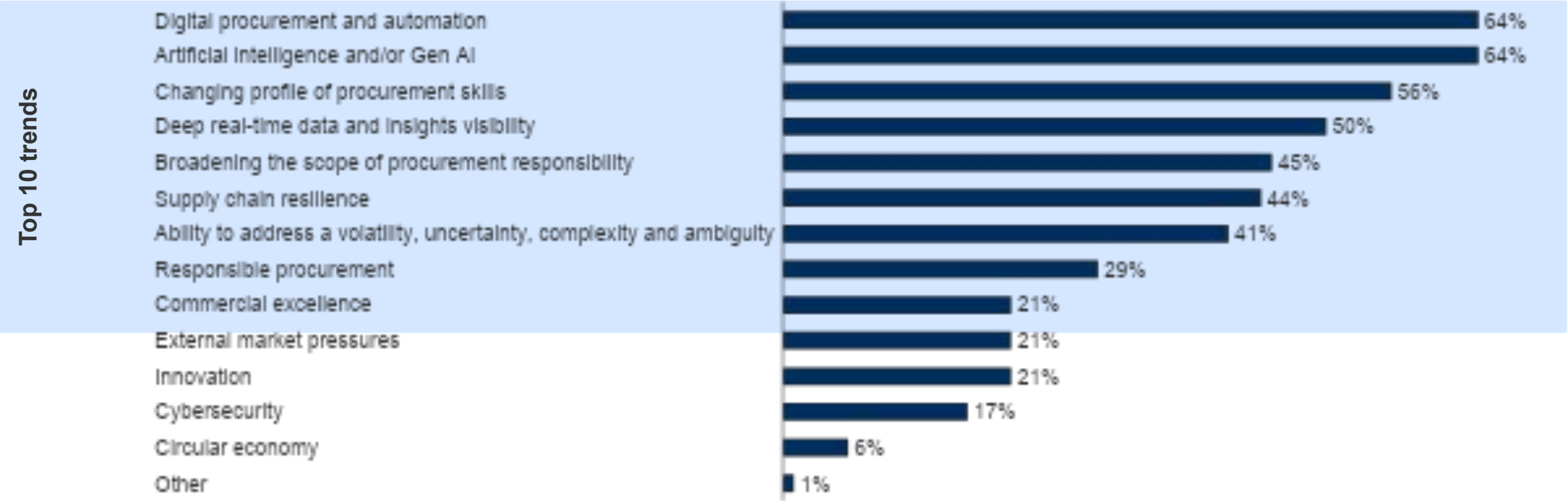
PROCUREMENT EXECUTIVE ADVISORY

Global Context & Trends
How to mitigate the risks?
Do we have bandwidth to mitigate the risk?
How do we future proof?

Procurement trends with a transformational impact...

The factors expected to drive the greatest transformational impact on the way procurement teams perform their jobs over the next five years are digital procurement and automation (64%), artificial intelligence and generative AI (64%), the changing profile of procurement skills (56%) and deep real-time data visibility (50%). AI and Gen AI are expected to deliver enhanced system functionality that will enable procurement organizations to super-power teams to deliver a broader value proposition.

PROCUREMENT TRENDS WITH A TRANSFORMATIONAL IMPACT



Q. Which key issues and challenges will have the greatest transformational impact on the way procurement performs its job over the next five years?
(Please select 5 trends.)

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

What is keeping CPOs up at night | 2025 top 10 priorities for procurement

1

IMPROVE SPEND COST REDUCTION

Reducing the cost of supplier spend remains a core priority. Spend cost reduction features as the primary objective for procurement organizations for the second year in a row, likely due to an uncertain economic outlook.

2

ENSURE SUPPLY CONTINUITY

Supply continuity has remained in second position for the second year in a row. Supply issues remain top of mind for many teams due to ongoing geopolitical disruption and expected shifts in trade relations as the US government transitions in 2025. Supply continuity is critical to protect revenue and profitability.

3

TRANSFORM THE OPERATING MODEL

Transforming the operating model (e.g., process, technology, people) has moved up from fifth place in 2024. As teams consider factors such as the need to simplify, increasing business expectations and potential generative AI impacts, the operating model should adapt to meet evolving requirements.

4

COMBAT INFLATIONARY PRICE INCREASES

Although rates of inflation have stabilized and eased in many cases, the economic outlook remains uncertain. Combatting inflationary price increases remains as a key priority. Teams need to use the capabilities developed in this area to manage price inflation closely with suppliers in 2024.

5

DIGITAL TRANSFORMATION AND MODERN LANDSCAPE

Digital transformation continues to be an essential enabler of procurement organizations' ability to do more with less through better intelligence and increased speed, customer-centricity and competitive advantage.

6

ACT AS A STRATEGIC ADVISOR TO THE BUSINESS

Expectations of procurement teams have increased as stakeholders seek support on areas such as supply risk management, digital transformation, and corporate environmental, social and governance (ESG) objectives. Having a "seat at the table" is a key enabler of effectiveness.

7

EMBED SUSTAINABILITY (E.G., ENVIRONMENT)

The expectations and demands of procurement's stakeholders (e.g., employees, customers, governments) regarding supplier sustainability (e.g., environment) has maintained this priority in procurement's top 10 for 2025, up from ninth place in 2024.

8

IMPROVE ANALYTICS' AND INSIGHTS' CAPABILITIES

Procurement recognizes that success requires a data and insight-driven approach. A critical enabler is providing reliable and forward-looking data and intelligence to end users, including capabilities such as cost modeling and projecting the impact of inflation.

9

ENHANCE SUPPLIER RELATIONSHIPS

Developing stronger relationships with suppliers is a key enabler of other important procurement priorities for 2025, such as improving spend cost reduction, ensuring supply continuity, combatting inflationary price increases and embedding sustainability.

10

STRENGTHEN THIRD-PARTY RISK MANAGEMENT VISIBILITY AND CAPABILITY

The focus on third-party risk management remains as procurement teams have struggled to have sufficient visibility to risk and capability to react quickly to the rapidly changing business environment over recent years.

Q. Please select the top 10 procurement objectives for 2025. (Select up to 10.)

Q. Please rate the importance of the top 10 procurement objectives for 2025.

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

A three-step data-driven framework to manage in disruptive market conditions

3. ACTION: Taking preferred action

- **Contracts** – avoid tender, rollover existing contracts and pricing, are proposed supplier increases reasonable?
- **Negotiate** – buyers markets? strongly challenge increases with data? what can I get in return? e.g., rebates, service credits, service levels, promotions, investments, innovation and AI, allocated capacity, short vs long term trade-offs; contract clause modifications e.g., agile pricing clauses, clawback clauses, productivity clauses, payment terms
- **Develop capability** – upskill teams and invest in monitoring capabilities e.g., SRM, supply base diversification, market data and insights, monitoring and headwinds dashboards, advanced analytics on when to buy and/or hedge, etc



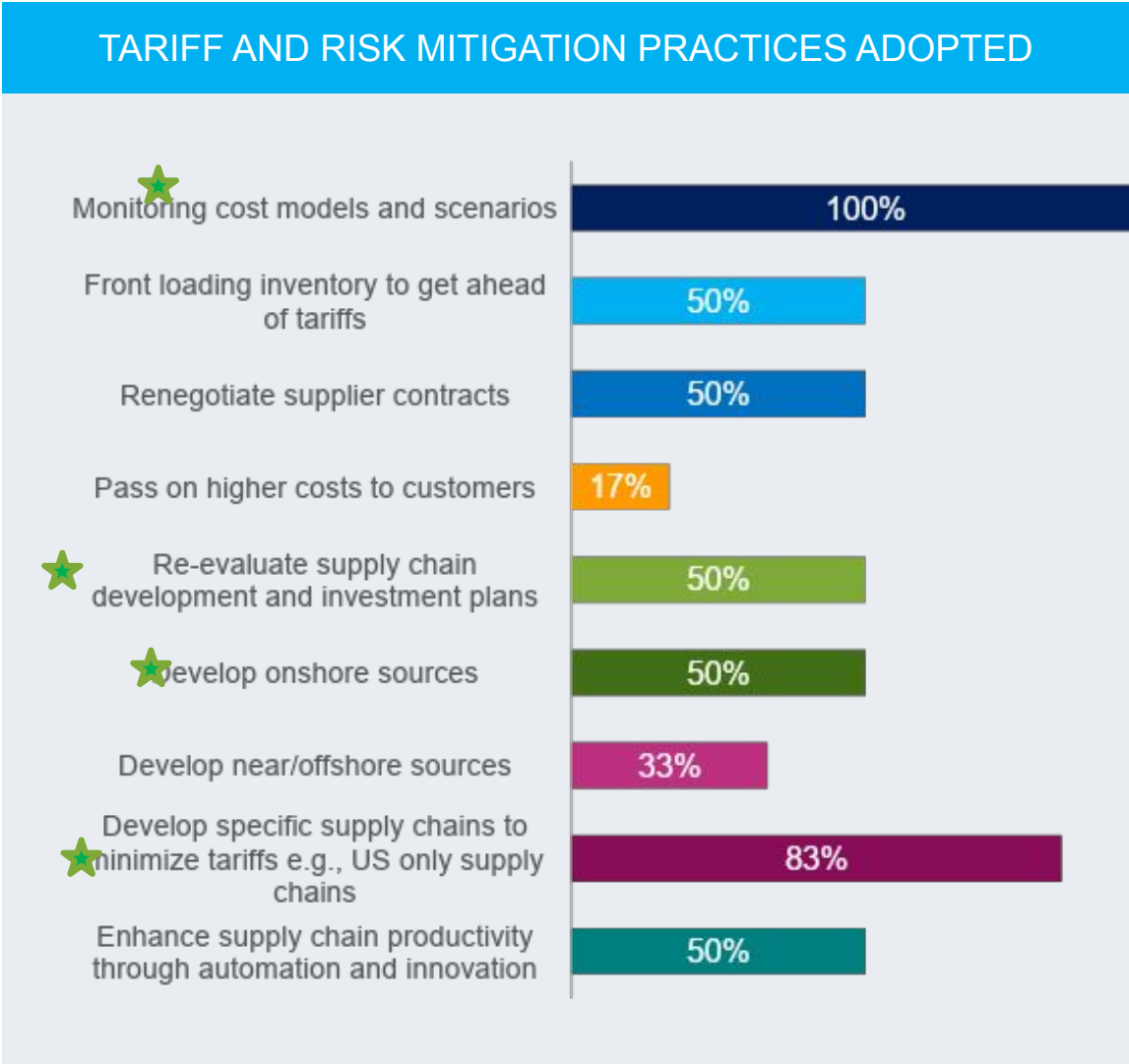
1. ACTION: Collect insights influencing demand and supply

- **Geo-political disruption** e.g., economic statecraft, tariffs, Middle East, Ukraine-Russia, China-Taiwan-USA-EU, multi-polar world, new regulations, innovation
- **Volatility and shortages** e.g., capacity restrictions, technical labour, commodities, raw materials, electricity and energy
- **Inflation and deflation** e.g., divergent growth outlook, sticky services prices, falling goods prices, softening demand

2. ACTION: Analyse and consider impacts

- Use cost models to confirm greatest impact areas e.g., labour, materials, commodities, logistics, AI and future trends
- Plan scenarios (1) demand/prices up (2) stagflation (3) demand/prices down

Cost Modeling and Reshoring Scenarios Modeling are the most popular tools for risk mitigation



Mapping out potential future scenarios is key to building out supply resiliency

Best case - US golden age (20%)

- Quick period of extreme volatility and uncertainty followed by resolution
- New economic resilience accord Bretton Woods v2
- US economy moves to reflect desired “golden age” strategy e.g., onshore, deregulation, lower taxes
- US trade surplus with China and EU eliminated
- Other countries, US trade barriers neutralized, push to buy more US goods. China rebalances.

Base case - China EU contraction (40%)

- Economies adjust to new reality, some uncertainty, global GDP growth reduced by 0.5%
- China-US relationship repeats 2018 volatility. China-US trade falls greatly.
- EU-US trade surplus rebalanced. Multi-nationals extend US footprints. Revenue and margins fall.
- China dumps excess supply on non-US markets. Price deflation, EU/China economic contraction.
- Challenges: goods & labour shortages, time to build, AI, energy, raw materials competition

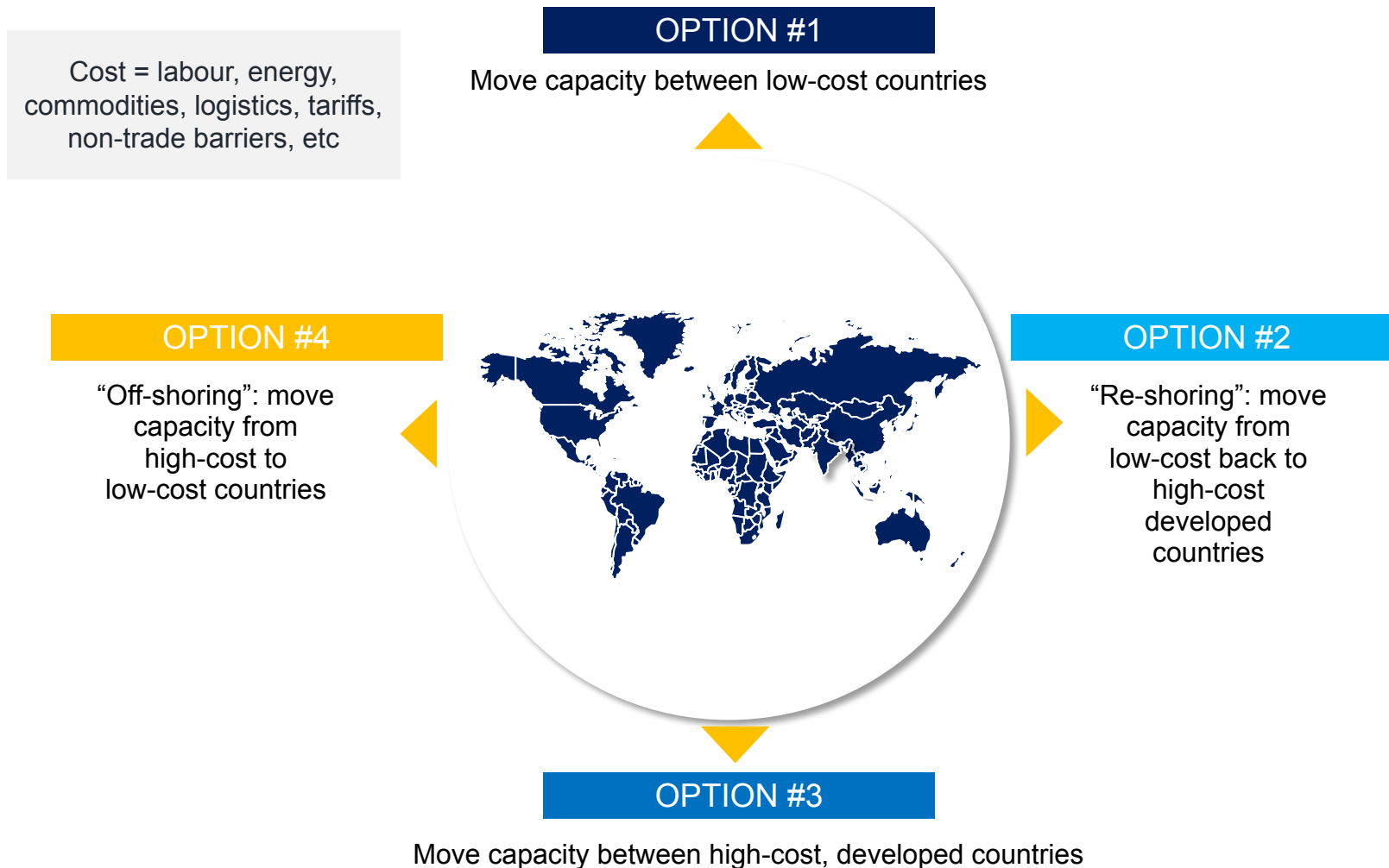
2nd worst case - global recession (30%)

- Global recession, deglobalisation at pace
- Polar alignment China vs US trade aligned zones
- Higher prices reduce demand, reducing prices and supply e.g., 5% global GDP contraction, 5% CPI deflation, fiscal stimulus and money printing

Worst case - China-US proxy war (10%)

- 2nd worst case with added deterioration in China-USA polarity, and relationships with allies
- Proxy war. Cyber attacks / industrial sabotage / local flashpoints / conflict e.g., Taiwan
- Commodity price volatility e.g., 2022 UKR-RUS war

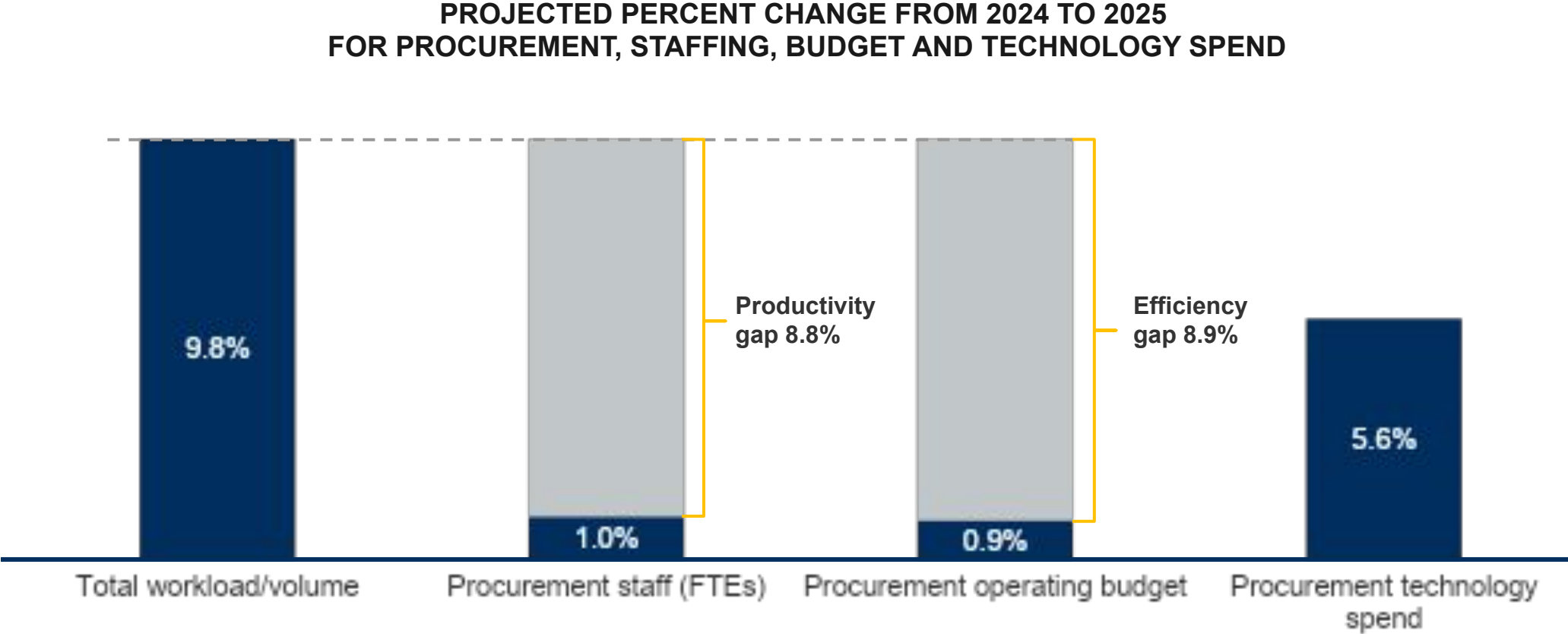
Many multinational companies have planned, or already taken, steps to reduce reliance on China or other offshore (non-US) locations



2024 Company Announcements

- **MOVING INTO CHINA** for sourcing or manufacturing
 - Include Airbus, BASF, BMW, GM, P&G, Siemens, Samsung, Tesla, VW.
- **MOVING OUT OF CHINA** for sourcing or manufacturing
 - Include 27 companies across various industry sectors. Split 65% electronics, 15% apparel, 15% automotive, 5% packaging.
 - Top destination countries include 33% India, 19% Vietnam, 11% Thailand, 11% Europe, 7% USA, others are split by Africa, Malaysia, Saudi, & Turkey.
 - Companies include Apple, BYD, Harley Davidson, HP, IBM, Lenovo, Nintendo, Nokia, Panasonic, Steve Madden, Xiaomi, etc.

Procurement bandwidth is already stretched thin.... Prior to Tariffs, Hackett research indicated that Procurement teams were under-resourced, under-skilled, and under-invested for the requirements put forth by the business

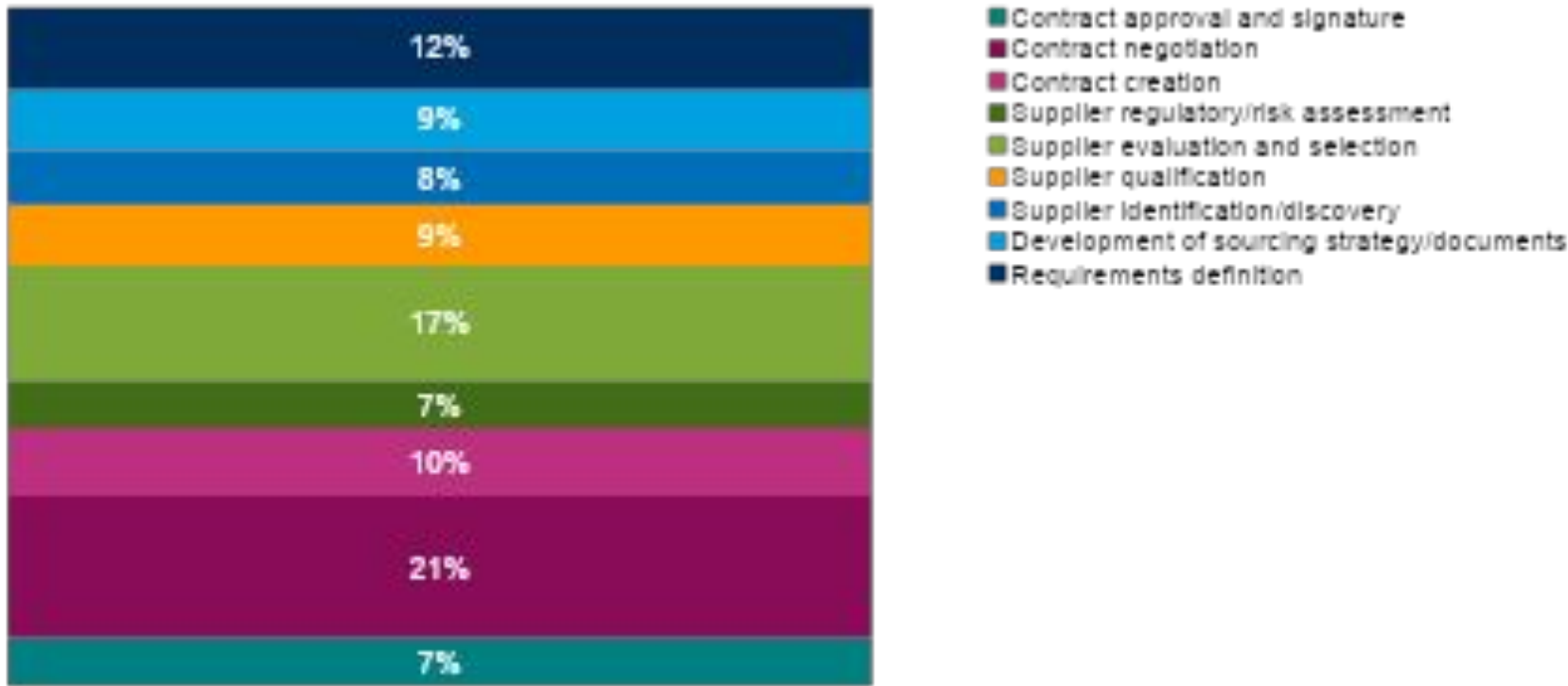


Q. What is the estimated expected percentage change in workload, staffing levels, operating budget and technology spend in the procurement function in 2025 compared to 2024?

Source: The Hackett Group 2025 Procurement Agenda and Key Issues Study

Where does procurement spend most of their time?

DISTRIBUTION OF TIME SPENT BY SOURCING SUBPROCESS

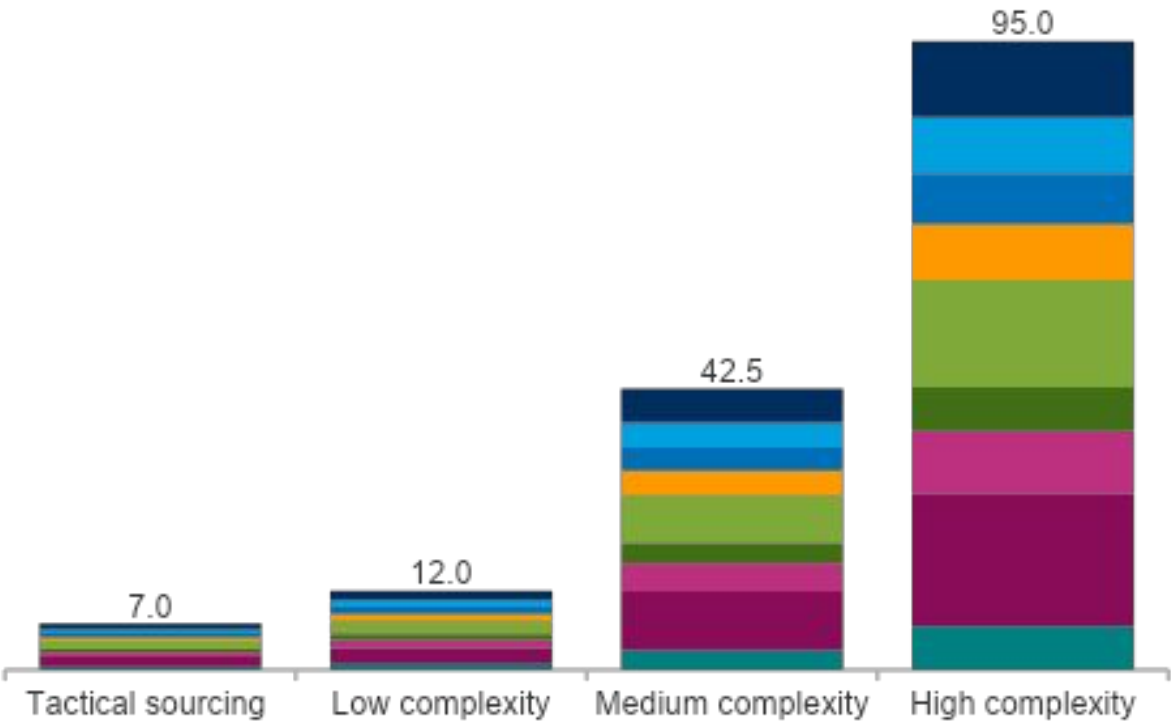


Q. What percentage of the overall sourcing time is spent on each of the individual sourcing subprocesses?

Source: The Hackett Group 2024 Spend Orchestration Study

Sourcing cycle time by complexity level ...it takes Procurement anywhere between 7 to 95 days to run a sourcing event depending on complexity

CYCLE TIME BY COMPLEXITY LEVEL (BUSINESS DAYS)

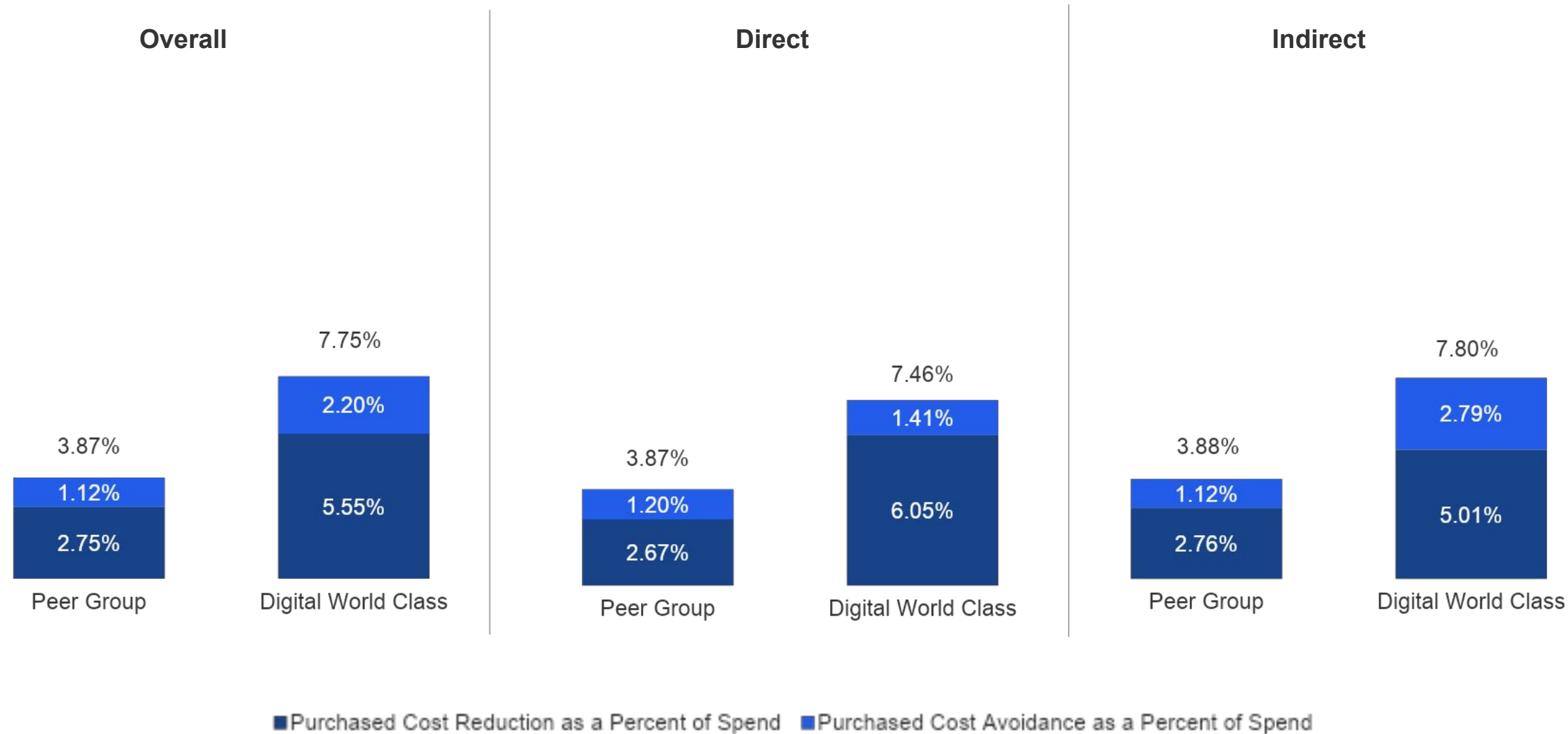


High-complexity event	% of time	Cycle time (business days)
Requirements definition	12%	11.4
Development of sourcing strategy/documents	9%	8.6
Supplier identification/discovery	8%	7.6
Supplier qualification	9%	8.6
Supplier evaluation and selection	17%	16.2
Supplier regulatory/risk assessment	7%	6.7
Contract creation	10%	9.5
Contract negotiation	21%	20.0
Contract approval and signature	7%	6.7

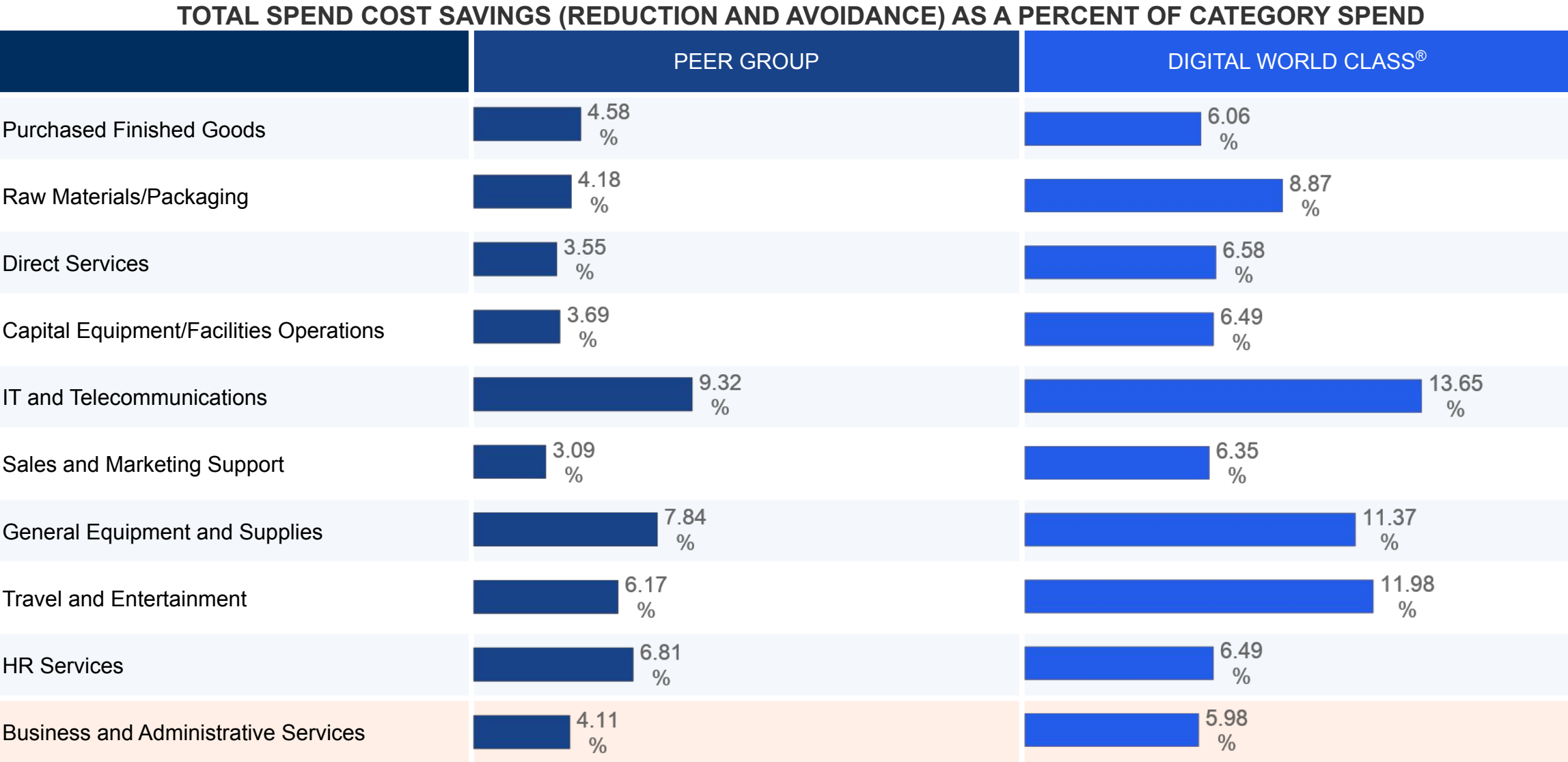
Q. On average, how many business days do you estimate it takes to source for each level of complexity?
Q. What percentage of the overall sourcing time is spent on each of the individual sourcing subprocesses?

Source: The Hackett Group 2024 Spend Orchestration Study

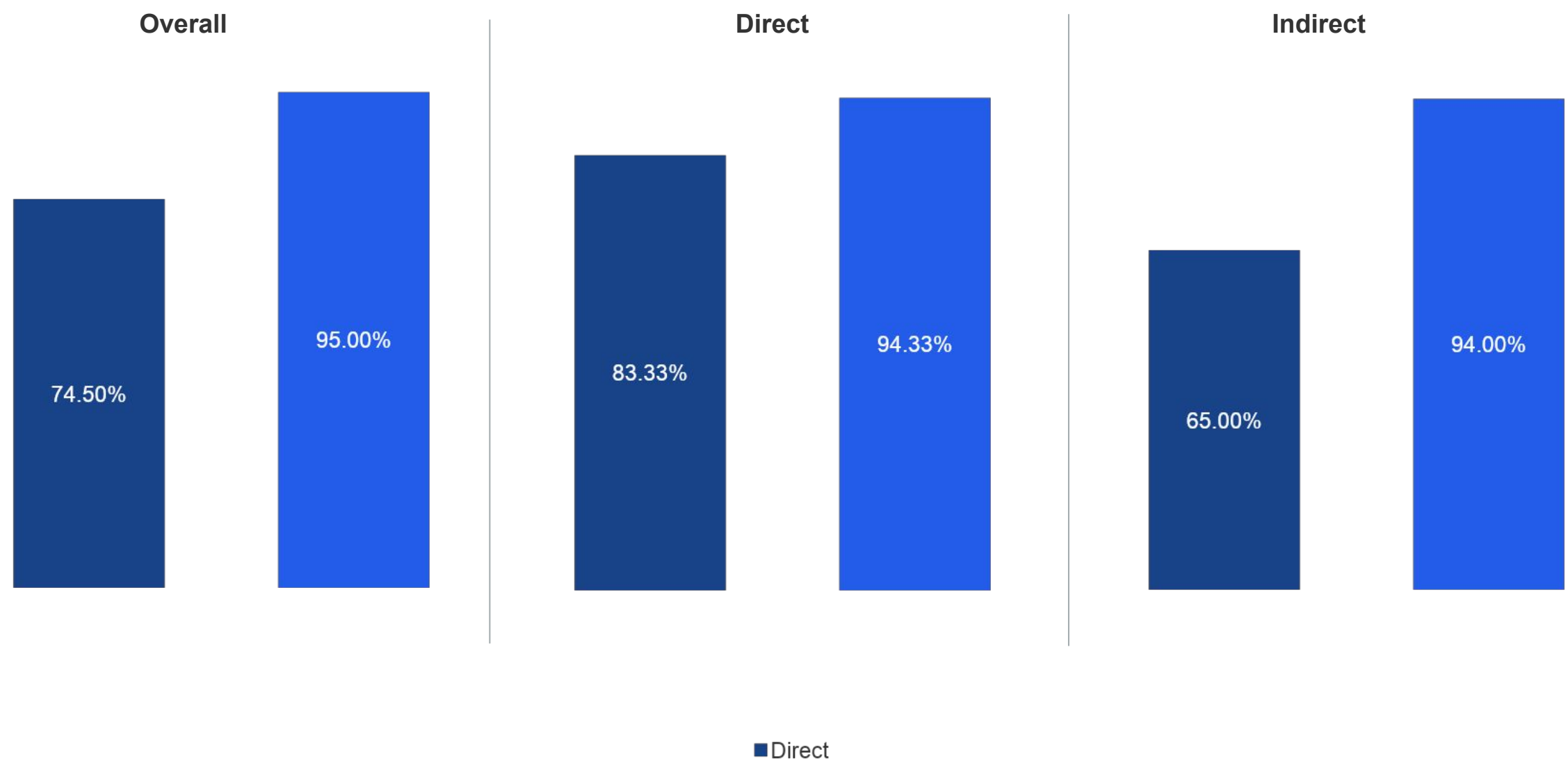
We are seeing marginal cost savings numbers from the traditional sourcing approaches



We are seeing higher savings from Digital World Class companies... but that's a hand full of companies that have such high success rates



Most organizations are sourcing over 70% of spend to only drive incremental value ...this is not sustainable ...



How do we Future Proof?



World Class Defined and Enabled

www.thehackettgroup.com

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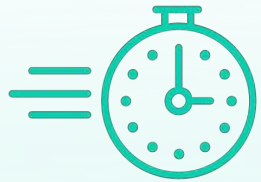




Jim Cuff

Director of Indirect Procurement
Crown Cork & Seal

Crown Cork & Seal Uses Arkestro To Scale Procurement as a Force Multiplier Across Spend



2 weeks avg cycle

75% faster cycles
Renewals done in *minutes*



25%

Average savings boost
per \$1M spend



5x Productivity

We can run 5x events
without adding headcount





Edmund Zagorin
Founder & CSO
Arkestro

Arkestro leadership combines Ariba's founders with AI and procurement domain experts for a world class team

Backed by
world class
investors



Jeff Immelt
(former CEO of GE)
Board Member



Cindy Padnos
(Founder Illuminate Ventures)
Board Member

Trusted by
leading
enterprises



Rob DeSantis
CEO & Co-Founder
Board Member
(Co-founder Ariba)



Edmund Zagorin
CSO & Co-Founder
Board Member

Analysts Know We're Game Changing

Gartner

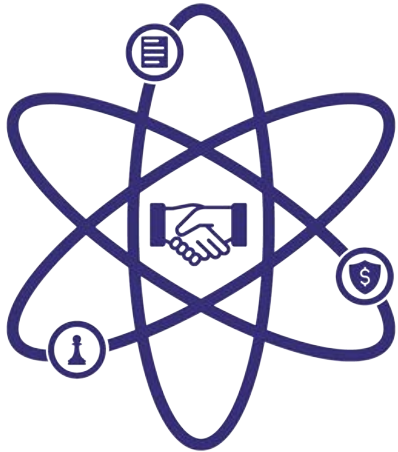
**COOL
VENDOR**



**VALUE
LEADER**

Our Proprietary Technology: The Three Sciences of Predictive Procurement

Negotiation Science



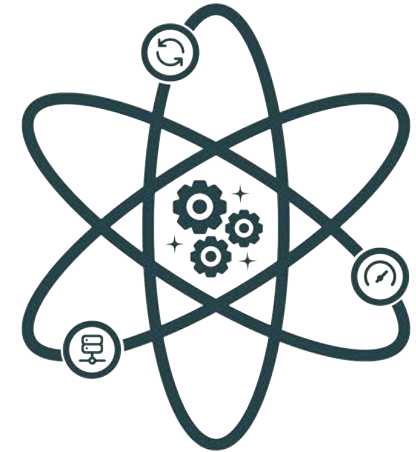
Fact-based benchmarks
that secure the best pricing
and terms.

Supplier Science



AI-powered supplier
recommendation and
dynamic engagement.

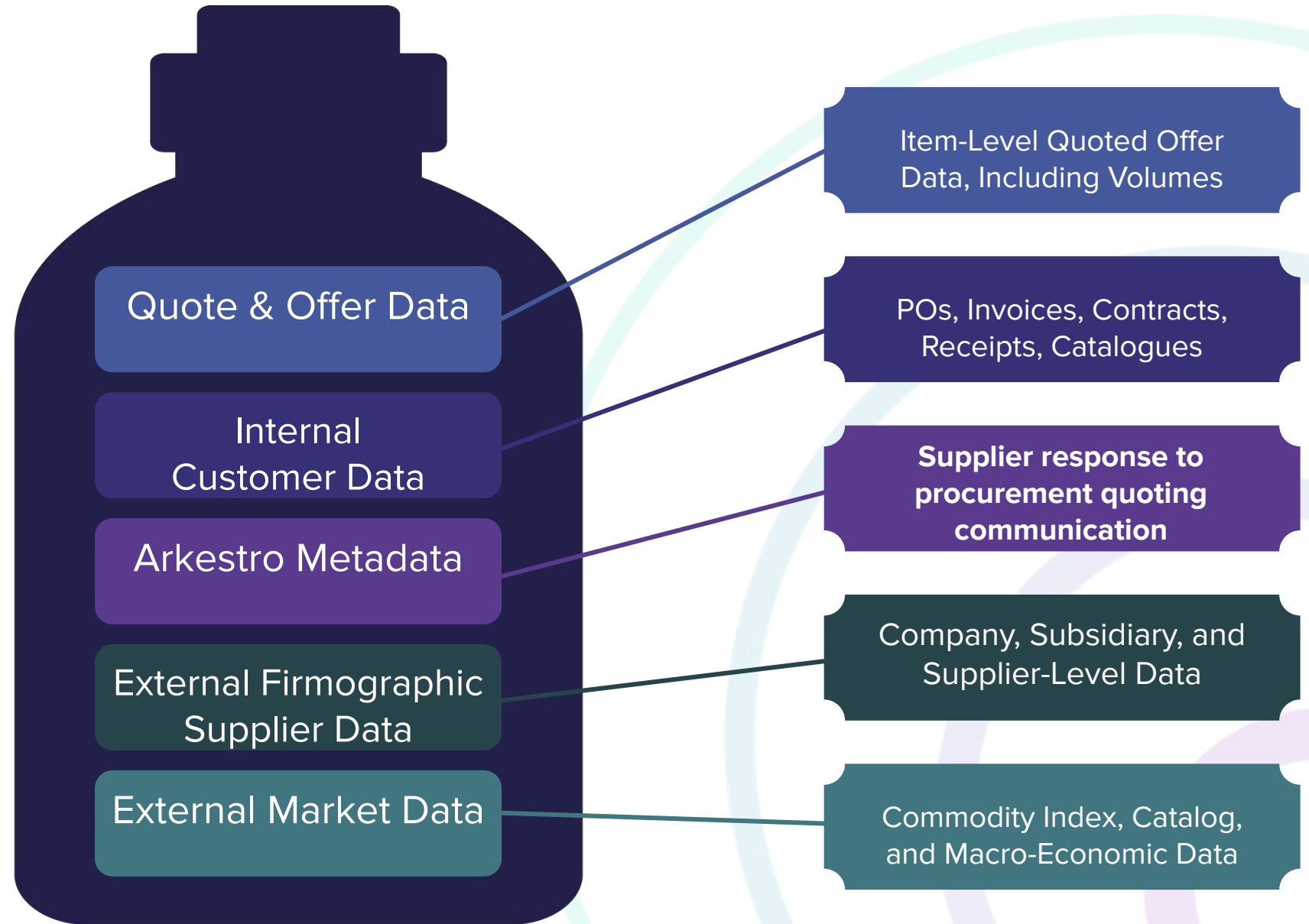
Process Science



Automated workflows that
increase efficiencies and live in
your suppliers' inboxes to
accelerate procurement cycles.

1. US20190244268A1 - Electronic Third-party Negotiation Automation System and Tool - Zagorin, et al.
2. US20230289873A1 - Generation and Real-time Ranking of Customized Quotes - Zagorin, et al.
3. US11915300B1 - Omnichannel Procurement Orchestration System for Generating Personalized Recommendations - Zagorin, Leiken

Our Unique Dataset Enables Real-Time Quote Benchmarking



Experts agree: naming your price creates leverage in procurement negotiations

...in control conditions whoever, the buyer or seller, made the first offer in a single issue, distributive negotiation, determined the final selling price, with higher final prices when a seller made the first offer than when a buyer made the first offer. In these conditions,

over half of the variance in outcomes of simulated price negotiations between experienced managers could be explained by first offers

(Galinsky & Mussweiler, 2001; see also Kray et al., 2001 and Van Poucke & Buelens, 2002 for similar findings).

Lewicki, Roy J., Barry, Bruce, Saunders, David M.
“Essentials of Negotiation”, McGraw-Hill, 2007

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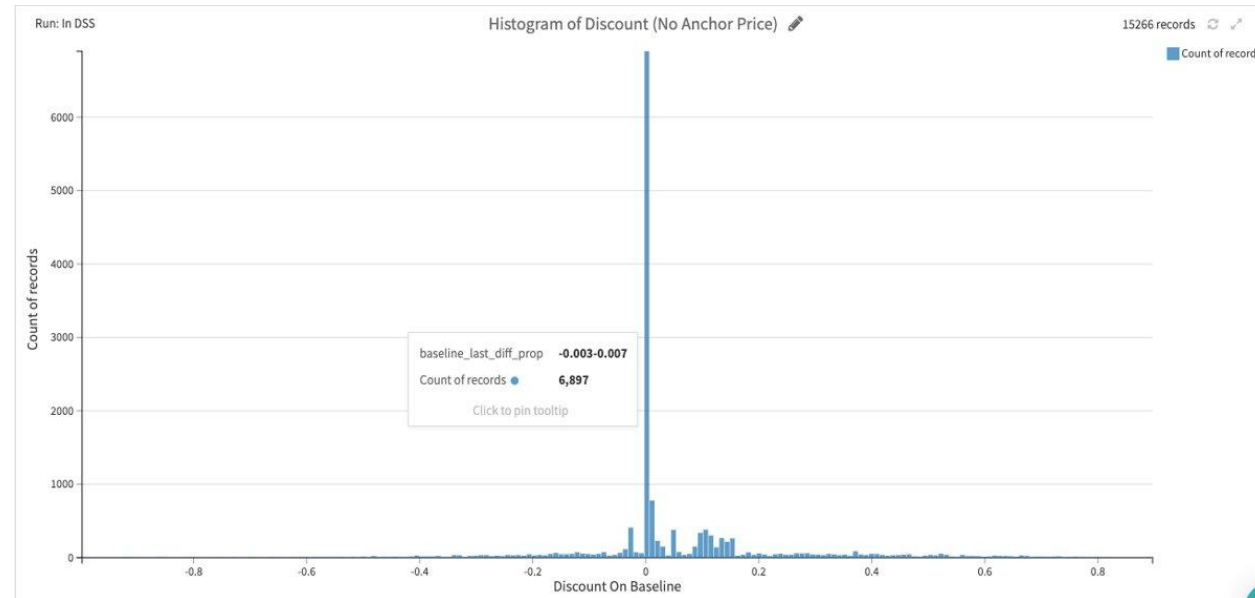
Lewicki, Roy J., Barry, Bruce, Saunders, David M.
“Essentials of Negotiation”, McGraw-Hill, 2007



Validating the Efficacy of Suggested Offers Using A/B Test

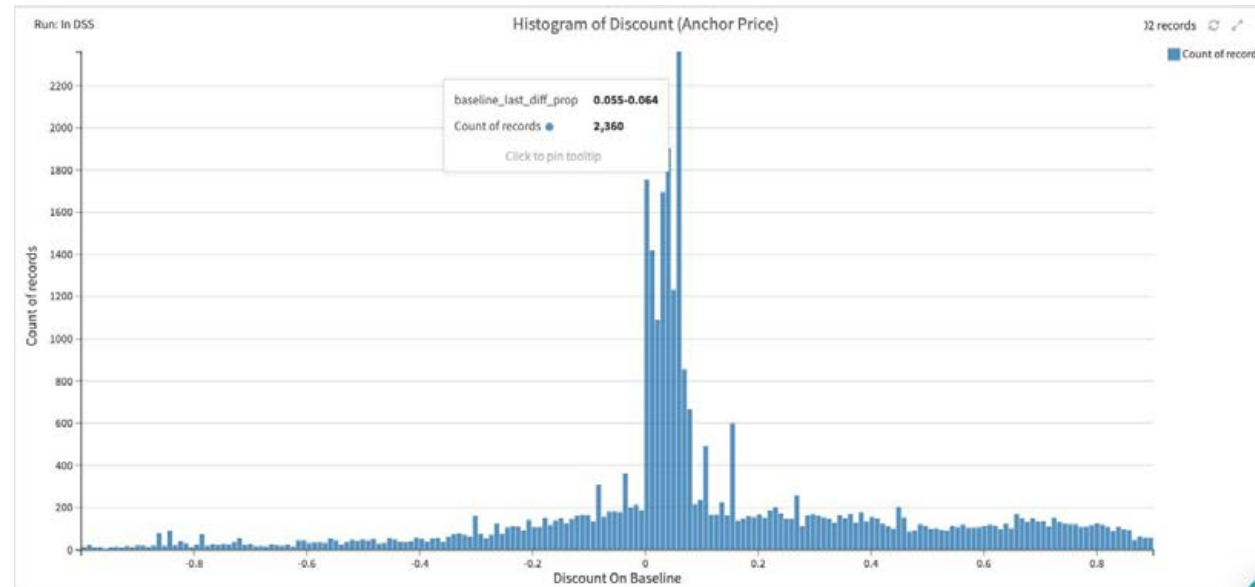
Without AI-Suggested Price

4.81% Savings



With AI-Suggested Price

10.94% Savings



Alternative Incumbents: Arkestro Enables The 5 Most Effective Tariff Adaptation Strategies

Strategy	Approach
Identifying Incumbent Alternative Suppliers	Using AI to identify suppliers you are already doing business with but for different items to create Plan B and C
Pivoting Demand via Re-Sourcing Events	Using AI to generate Suggested Offer an Instant Counter Offer Events to Multi Source or Pivot Demand
Pivoting Spot Demand via Spot Buying Events	Using AI to generate Suggested Offer an Instant Counter Offer Events to Multi Source or Pivot Demand
Rightsizing Incoterms using Targeted Events	Re-negotiating INCOTerms for Delivered Costs at the Item Level for complex Bill of Materials
Re-Thinking Rate Management For Inbound Freight & Logistics using Events	Moving to faster agile rate management cycles to decrease reliance on volatile spot market



Supply Chain Management | **How Global Companies Use AI to Prevent Supply Chain Disruptions**

Supply Chain Management

How Global Companies Use AI to Prevent Supply Chain Disruptions

by Remko Van Hoek and Mary Lacity

November 21, 2023





“Subsidiaries of Koch Industries, one of America’s largest privately-held conglomerates are leveraging an AI tool designed by Arkestro to optimize its supplier base. Unlike traditional procurement methods that rely on managing suppliers based on high-level purchasing categories and aggregate spend, this AI tool delves into granular data, right down to the stock-keeping unit (SKU). It generates supply options, often among existing suppliers, thereby reducing the need for drawn-out requests for quotes. ... This mutually beneficial approach saves suppliers between 60% and 90% of the time typically spent on completing an RFQ.”



Arkestro Opportunity Intelligence results from a multi-factor discovery process that goes beyond cost reduction, needed for effective strategic sourcing for direct and indirect spend

Item Recommendation Deep Dive

S/W- V70Q38AA WB INT SPRAY-COT02306Z



Other Actions

Total Spend

\$10M (USD)

Item Potential Savings

\$472K (USD)

Confidence Score

99.5 / 100

Rate this Recommendation



What Happened?

Summary: The item S/W- V70Q38AA WB INT SPRAY-COT02306Z belongs to the COATING, D&I, B&B, DRD FOOD category. The total spend in the last 12 months is **\$10M** USD. And the total identified savings opportunity is **\$472K** USD.

Scores: This segment has a net score of 99.5 with the following top 3 reason codes: Highest Item Level Savings Opportunity (\$ 471,961), Highest Item Spend (\$ 10,080,082) and High Items in the same Pool (29).

Based on your month-level purchasing patterns, it is time to replenish this item. In the last 24 months, you have bought in 19 distinct month(s) with an average cadence of 1 months. The latest purchase month was 0.9 months ago. We predict that the upcoming purchase event will occur in the subsequent next 6 months with a purchase probability of 99.9(on a scale of 0 to 100) and a quantity range of 4,052 to 102,504 GAL.

List of common suppliers: PPG Industries, Actega North America, Sherwin Williams

This segment has a total potential savings opportunity of **\$472K** USD in the last 12 months over a spend of **\$10M** USD for a savings percentage of 4.7%.

Our Recommendation: Conduct a procurement event to confirm quoted pricing with **Incumbent Alternative Suppliers**.





Ben Leiken
CTO
Arkestro

