Procurement Strategy: Planning and Implementing Procurement Systematically

The procurement strategy is the long-term roadmap by which a company procures: which goods and services from which suppliers, on which terms and through which processes. It is derived from corporate and production objectives and connects tactical measures such as price enquiries or tenders with overarching goals such as supply security and cost reduction. For technical buyers and manufacturing suppliers, it is the central steering instrument for keeping supply chains plannable, competitive and low-risk.

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Key facts at a glance

01 The procurement strategy describes long-term objectives and heuristics of procurement; the tendering strategy is a component of it for specific awards.

02 Proven tools include ABC analysis, the Kraljic portfolio, supplier shortlists and savings targets spanning financial years.

03 Typical objective dimensions are cost, supply security, quality, sustainability and the innovative strength of the supply base.

04 In practice, companies often work with a savings pipeline that tracks potentials from idea to realisation.

05 Metrics such as on-time delivery, data quality score and Scope 1 emissions of suppliers make the strategy measurable.

06 Strategies are typically reviewed annually and adjusted in the event of supply crises, price pressure or product changes.

Definition: Procurement Strategy

The procurement strategy defines how a company intends to align its procurement in the long term in order to achieve cost, supply security, quality and sustainability objectives. It is thus the strategic level

above operational processes such as ordering, delivery tracking or invoice verification.

Distinction from Tactics and Operations

Strategic decisions concern supplier portfolios, make-or-buy, regions and contract models; typical horizons are one to five years. Tactical measures include a tendering strategy for a specific category or a supplier shortlist for an upcoming award. Operational work is the day-to-day handling: order processing, quick-process price enquiries for short-term needs or ongoing tracking of open orders.

Derivation from the Corporate Strategy

A robust procurement strategy follows the corporate strategy: with a premium positioning, quality and technology partnerships take centre stage; with cost leadership, gaining cost advantages through competition and standardisation. Suppliers to the automotive or mechanical engineering industries additionally align with the requirements of their OEM customers, for example regarding disclosure obligations or supply chain due diligence.

Methods and Approach for Developing a Procurement Strategy

In practice, a multi-stage approach has become established: structure demand and spend, analyse the supply base, assess potentials and derive concrete measures and heuristics per category.

ABC Analysis and Kraljic Portfolio

ABC analysis sorts materials by spend volume and shows that typically around 80 per cent of procurement volume is concentrated on 20 per cent of items. In the Kraljic portfolio, categories are classified by profit impact and supply risk; classic heuristics follow from this: secure strategic items through partnerships, optimise leverage items through competition and tenders, hold redundant sources for bottleneck items and procure standard items with process efficiency.

Supplier Portfolio and Supplier Shortlist

For each strategic category, procurement defines criteria such as capacity, quality, on-time delivery, price level, sustainability and financial stability. From this a supplier shortlist of qualified vendors emerges, used for tenders, framework agreements and development projects. A deliberate dual sourcing ratio per critical item increases resilience and keeps alternatives active.

Tendering Strategy and Bid Evaluation

The tendering strategy defines when RFIs, RFQs or structured awards are used, which suppliers are invited and according to which rules bids are evaluated. Bid evaluation stages enable a transparent, fair assessment: alongside price, factors such as lead time, quality, sustainability data and service levels are included with defined weightings. The result is a documented, audit-proof award process.

Key KPIs for Steering the Procurement Strategy

Without robust metrics, a procurement strategy remains a paper exercise. Relevant here are both cost KPIs and performance, data and sustainability metrics, which are reviewed regularly and prepared for management reporting.

Cost and Savings Metrics

Core figures are savings, effects from negotiations and conversion volumes, which are frequently managed via a savings pipeline. In it, every potential is tracked from idea through validation to realisation. Complementary metrics such as supplier price deviation or purchase price development show the effectiveness of the negotiation and award strategy.

Supplier and Process Metrics

Supplier on-time delivery is one of the most informative metrics for supply security and directly affects inventories and production planning. The data quality score shows how completely and currently master data, certificates and sustainability information of suppliers are maintained – a foundation for data control in procurement. Process metrics such as lead times of purchase requisitions or the share of automated orders measure the effect of process optimisation in procurement.

Risk and Sustainability Metrics

Risk indicators capture single-sourcing ratios, regional concentration and financial figures of critical suppliers. For sustainability reporting, Scope 1 emissions in the supply chain, recycled content share in materials and the recyclability of packaging are gaining importance – especially for suppliers who are asked by customers for ESG data.

Risks and Controls in Strategic Procurement

Every procurement strategy carries risks: dependencies, price volatility, quality problems and process errors. Effective controls combine contractual safeguards with operational verification mechanisms.

Supplier Risks and Safeguards

High dependence on individual suppliers or regions is a central risk; for critical items, alternative sourcing as a documented second-source strategy is recommended. Contractually, instruments such as a parent company guarantee with group suppliers or defined binding periods in contracts and framework agreements can create planning certainty.

Supplier Assessment and Quality

Before award and at regular intervals, procurement audits suppliers against defined criteria; a structured audit checklist ensures that quality, processes, occupational safety and sustainability are assessed comparably. Complaint rates and 5-why analyses in the event of significant deviations ensure continuous improvement of the supply base.

Compliance and Process Controls

Award decisions must be documented in a traceable manner; in public contexts, award files form the basis for review proceedings, while in the private sector they serve internal audit purposes. Financially, automatic account assignment and invoice verification ensure the agreement of order, goods receipt and invoice. Flexible payment models such as dynamic early-payment discounts can additionally utilise liquidity but require clear internal rules.

Current Developments: Resilience, Sustainability and Digitalisation

Three topics are currently shaping the further development of procurement strategies: more resilient supply chains, measurable sustainability and increasing digitalisation of procurement processes.

Resilience Instead of Pure Cost Pressure

Following supply shortages in many industries, factors such as multi-sourcing capability, regionalisation, short transport routes and reliable on-time delivery have moved into focus alongside price. In practice, this leads companies to deliberately pay risk premiums or build in redundancies and to use inventory strategies – such as consignment stock at the supplier – purposefully for supply security.

Sustainability as a Strategic Field

Sustainability requirements are increasingly becoming contractual and reportable: customers demand information on Scope 1 emissions, recycled content share and packaging properties. For procurement, this means anchoring sustainability criteria in tenders, bid evaluation stages and supplier audits – for example through requirements on packaging reduction or the recyclability of packaging.

Digitalisation and Data Quality

Digital platforms, structured tendering tools and AI support shorten award processes and improve the data basis. At the same time, expectations for data control are rising: anyone making strategic decisions on the basis of spend, supplier and sustainability data needs consistent, high-quality master data and clear governance.

Implementing a Procurement Strategy Successfully

The analysis culminates in implementation: category-specific strategies are anchored with clear measures, responsibilities and target pictures and reviewed regularly in the review process.

Roadmap and Savings Pipeline

The implementation-ready strategy is translated into an annual roadmap: which categories are examined when, which tenders run when, which framework agreements are negotiated? The savings

pipeline connects these measures with the objectives of the financial year and makes procurement's contribution to the company result transparent.

Anchoring in the Process and Review

For the strategy to take effect, it must work in day-to-day processes: in enquiry templates, evaluation logic and contract standards. A half-yearly to annual review checks whether assumptions still hold – supply crises, raw material price movements or product changes frequently require adjustments. Interactions with interfaces such as packaging reduction or module standardisation are considered in the design.

Risks and Controls in Implementation

Implementation itself can also fail: lack of consistency, shifting priorities or unclear responsibilities. Clear governance, visible management commitment and a measurable target agreement for procurement help. In practice, quarterly strategy reviews have proven effective, in which progress, deviations and new risks are assessed. It is also important to qualify changes to the supply base – such as building up alternative sourcing – in a structured way rather than setting them up at short notice.

Typical Implementation Mistakes

Common mistakes are too many simultaneous initiatives, lack of involvement of the user departments and a strategy that is not linked to the operational reality of ordering processes and systems. Pure cost thinking without consideration of risk and quality also leads to higher costs in the long term. The remedy is prioritisation on a few, measurable initiatives with clear owners.

Typical metrics

Metric	Typical value
Supplier on-time delivery	typically > 95% *Core metric for supply security; interpret by industry and item.*
Single-source ratio (critical items)	target frequently < 10–20% *Measure of dependency risk in the supply base.*
Savings pipeline realisation rate	in practice often 60–80% *Share of identified savings that actually materialise.*
Data quality score	target typically > 90% *Completeness and currency of supplier and material master data.*

Practical example

A medium-sized mechanical engineering company with around 60 per cent purchased content found that 15 per cent of critical components were single-sourced and that the on-time delivery of key suppliers fluctuated. Procurement developed a procurement strategy with category segmentation, new evaluation logic and a clear supplier roadmap.

- Kraljic portfolio across all categories; critical A-items were prioritised.
- Build-up of a supplier shortlist with qualified second sources for the top 20 criticality items, supplemented by documented alternative sourcing.
- Introduction of bid evaluation stages with weighted criteria (price, on-time delivery, quality, sustainability) for all awards above a defined volume.
- Monthly reporting of on-time delivery, savings pipeline and data quality score to executive management and production management.

Conclusion

The procurement strategy is the connecting element between corporate objectives and day-to-day procurement activity. It determines which suppliers, contract models and processes shape a company – and thereby costs, supply security and competitiveness. Success requires that strategic analysis, measurable KPIs and consistent implementation work together. Regular reviews keep the strategy adaptable to changed market and risk conditions. Those who steer procurement strategically transform the purchasing function from an order office into a value driver.

Frequently asked questions

? What goes into a procurement strategy?

Typical components include spend analysis, category portfolio, supplier strategies, award and negotiation approaches, risk and sustainability objectives, as well as KPIs and an implementation roadmap. Organisational and process questions such as approval workflows or tendering rules also belong in it. The strategy should be formulated specifically and measurably for each category.

? How do you develop a procurement strategy step by step?

First, demand and spend are structured and categories are defined. This is followed by assessment using ABC analysis and the Kraljic portfolio, then the derivation of measures per category – for example tenders, dual sourcing or framework agreements. Finally, objectives, KPIs and a review cycle are defined.

? What is the difference between a procurement strategy and a tendering strategy?

The procurement strategy is the overarching, long-term direction of the entire procurement function. The tendering strategy is one aspect of it and governs how specific awards are prepared, which suppliers are invited and how bids are evaluated. Both levels should build logically on each other.

? Which KPIs are measured in strategic procurement?

Key metrics include savings and the savings pipeline, supplier on-time delivery, the single-source ratio, data quality score, process lead times and sustainability metrics such as Scope 1 emissions in the supply chain. The selection should be guided by strategic objectives, not by data availability.

? How often should a procurement strategy be reviewed?

In practice, an annual fundamental review has become established, supplemented by half-yearly or quarterly progress reviews of the measures. In the event of supply crises, significant price movements or product changes, an extraordinary adjustment is sensible. It is important that changes are documented and communicated.

? What is the Kraljic matrix in procurement?

The Kraljic matrix is a portfolio tool that classifies categories by profit impact and supply risk into four quadrants: strategic, leverage, bottleneck and non-critical items. Each quadrant suggests typical strategies, ranging from partnerships to process automation. It is a proven starting point for developing a procurement strategy.

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