

IndustryWeek

The Need for Speed: The State of Manufacturing Procurement

State of the Market Report

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Key findings

Discrete manufacturers and suppliers overwhelmingly want to streamline sourcing, quoting, and procurement. However, a lack of visibility – and disconnected systems and processes – are the key challenges to increasing the speed and accuracy of procurement operations. Here's a top-line overview of today's procurement hurdles and how the industry sees opportunities to meet today's business demands.



Acceleration is essential:

96% are working to speed up this process within the next 1-2 years

69% say it currently takes 3-10 weeks

46% want to reduce that timeframe to less than one week

Sourcing/procurement challenges persist:

66% have trouble finding specific expertise internally

64% have challenges gaining visibility into logistics and production timelines

63% don't have visibility into cost structure and capabilities

63% lack internal resources

Ad hoc sourcing and procurement are pervasive:

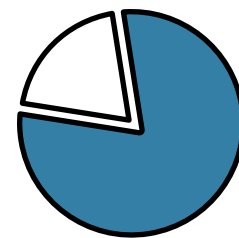
70% use email for collaboration

52% use spreadsheets

52% use off-the-shelf software or an online service

33% use a tech solution that was built in-house

Sustainable sourcing is a priority:



80% say it is having a significant or important impact on their day-to-day sourcing directives

There are opportunities to improve manufacturer-supplier collaboration:



Data standardization: More than 70% agree this is the most important issue



Regular should cost analysis: Nearly 60% say this is very important (including 71% of manufacturers)



Zero RFQ/direct-to-purchase order: More than 60% of manufacturers and suppliers rank this as very important



EXECUTIVE SUMMARY

The pandemic, international conflicts, shortages in supplies/materials, and the demand for skilled workers require manufacturers to pivot rapidly on any given day.

Faced with these market challenges, manufacturing brands and suppliers want to heighten their abilities to collaborate and accelerate the sourcing and procurement process. However, it seems many organizations are held back because relevant data is spread across disconnected system silos – such as email and spreadsheets – or in the hands of a few internal experts.

These issues slow the request for quote (RFQ) process, especially when bid packages should include complex design specifications. They limit transparency and the ability to adjust to extenuating factors. This slow, opaque process often fosters a lack of trust around costing and margins, which hurts collaboration and causes further delays.

The good news is that manufacturers and suppliers both want to expedite sourcing and procurement, increase visibility into the process, and ultimately improve trusted partnerships. Survey respondents said the best ways to achieve these goals are through greater visibility, collaboration during the quoting and design processes, and self-service quoting capabilities.

This report delves into recent research conducted by *IndustryWeek* to better understand the state of collaboration in complex manufacturing. The survey uncovered priorities, challenges, and strategies that OEMs and suppliers are seeking to improve the sourcing and procurement process.

About the research

In partnership with XXXXX, *IndustryWeek* fielded an online survey in late July 2022 that generated 345 responses from original equipment manufacturers (OEMs) and suppliers in Asia (including Australia), Europe, and North America. Seventy-nine percent of the OEMs and the suppliers surveyed are considered upper management with C-level titles, as well as vice president, director, or manager. Participants represented consumer/electronics, industrial equipment, automotive/transportation, and aerospace/defense manufacturing. Only professionals working at companies with annual revenues of \$100 million or more were qualified to participate in the survey.

THE STATE OF THE SOURCING AND PROCUREMENT PROCESS

Sourcing and procurement workflows have accelerated over the years thanks to technology. However, they still don't move at the pace that competitive businesses require. Only 4% of organizations have said it takes up to one week for the average sourcing and procurement process — from initial specifications delivery to quote acceptance. The majority place the timeframe at a month or more:

- 40% said 3-5 weeks
- 29% cited 6-10 weeks
- 20% reported only 1-2 weeks

Respondents reported similar timeframes to quote for standard versus complex requirements. For example, 55% say it takes up to two weeks to quote for standard parts, and 48% cited that length for complex parts.

As you might expect, when internal expertise is necessary — such as greenfield costing and design/manufacturing guidance — quoting takes longer. Nearly half of respondents say these processes take between six and 15 weeks. Also, there is little surprise that many organizations (52%) say that quoting for complex parts and assemblies takes at least six weeks.

Quoting speed versus accuracy

But the accuracy of quotes typically varies significantly by level of complexity. Standard parts quoted often have a higher degree of quality and assured delivery than RFQs with added complexity. Many suppliers face pressure to respond to bids quickly to maintain customer satisfaction and gain new orders — despite often not having all the necessary bid information or project visibility required to provide an accurate quote.

Advantages of acceleration

Overwhelmingly, manufacturers and suppliers want to accelerate sourcing and procurement. Seven percent would like to adopt immediate quoting (zero RFQ capabilities). And 79% say it would be ideal to complete the process between 24 hours to two weeks.

Globally, customer satisfaction is the greatest benefit of accelerating the quoting process. Demand remains strong, yet speed is a challenge due to supply-chain constraints, according to [Bloomberg](#), so the manufacturing industry is trying to gain ground where it can.

There are slight differences between manufacturers and suppliers. For example, while OEMs rank customer satisfaction as the top priority, suppliers place equal importance on satisfying customers and gaining supply-chain resiliency.

