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# Understanding the procurement landscape

## A 2022 Outlook

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# Introduction

In 2021, supply chains across the world experienced a series of challenges that led to developing pressures at numerous stages within the logistical process. As many of these challenges are expected to remain a factor deep into 2022, procurement and engineering stakeholders should endeavor to understand the situation moving forwards as best as possible.

This report will provide a 2022 outlook covering global supply chains and material sourcing. Drawing on data, trends and market research from the past year provided by Innovate UK, this document will support procurement managers and suppliers and inform planning for the year ahead.

# A reflection on 2021

Last year, the industry experienced a number of concerns for the state of material procurement. The emergence of COVID-19 was a significant contributing factor as the pressures of unpredictable – and in some cases unprecedented – COVID restrictions affected overseas trade.

Not all of the challenges experienced in 2021 were tied to the pandemic. Unforeseen events, such as the blockage of the Suez Canal, added pressure to an already difficult situation.

Key challenges from 2021 include:

### Material shortages

The price of iron ore, and therefore steel, has risen significantly since 2020 after the resumption of trade following local and national lockdowns escalated demand for raw materials and manufacturing activity. Furthermore, it is predicted that stainless steel will become more commonly used in building construction due to its lifespan and recyclability, thus the balance of supply versus demand will not see prices fall any time soon.

### Consumer demand surge

Seasonal demand further exacerbated the already pressured supply chain, with periods like Christmas causing greater logistical delays beyond even their normal impact. The surge in demand for materials caused a consequent requirement for extensive logistics and fulfilment, which delayed supply channels and affected activity across numerous sectors.

### Soaring container prices and shipping costs

As the costs for shipping containers continue to rise, larger companies are more able to cope, while intercontinental shipping is becoming prohibitively expensive for smaller businesses. Since Brexit, it has become more expensive to ship products to UK ports as a result of additional fees and changes in legislation.

### Port congestion

In 2021, there were more container ships stuck outside ports than ever before, which can be at least partially attributed to the pandemic. This jam of ships caused delays in deliveries which had a knock-on effect that increased costs for suppliers and buyers alike.

### Truck driver shortages

Once cargo is unloaded at ports, trucks are the most common route to take goods inland to their specific destinations. Recent driver shortages in the UK have contributed greatly to the current congestion in the system as idle cargo is waiting longer at ports before it is transported onward.

### Warehouse capacity

If there is no space for cargo at warehouses, then this only adds to the circulation issues in procurement. Since the beginning of the pandemic, added demand for e-commerce and online shopping has created added reliance on warehouses to hold goods, making them even more congested.

# Looking ahead

There are clear challenges regarding congestion at various points in the current procurement cycle and not enough immediate capacity to ease it. For the cycle to run smoothly, congestion will have to be reduced in as many areas as possible, allowing for quicker movement of products. Many of these challenges are anticipated to continue into 2022, and some of which can only truly be addressed at a higher level, such as legislation to better support UK-based truck drivers.

In the early weeks of 2022, it is apparent that Omicron and potential future COVID variants are causing further uncertainty globally. Many nations are taking precautionary legislative action to prevent a repeat of the disruption to the industry that occurred at the height of the pandemic in 2020 and in large parts of 2021.

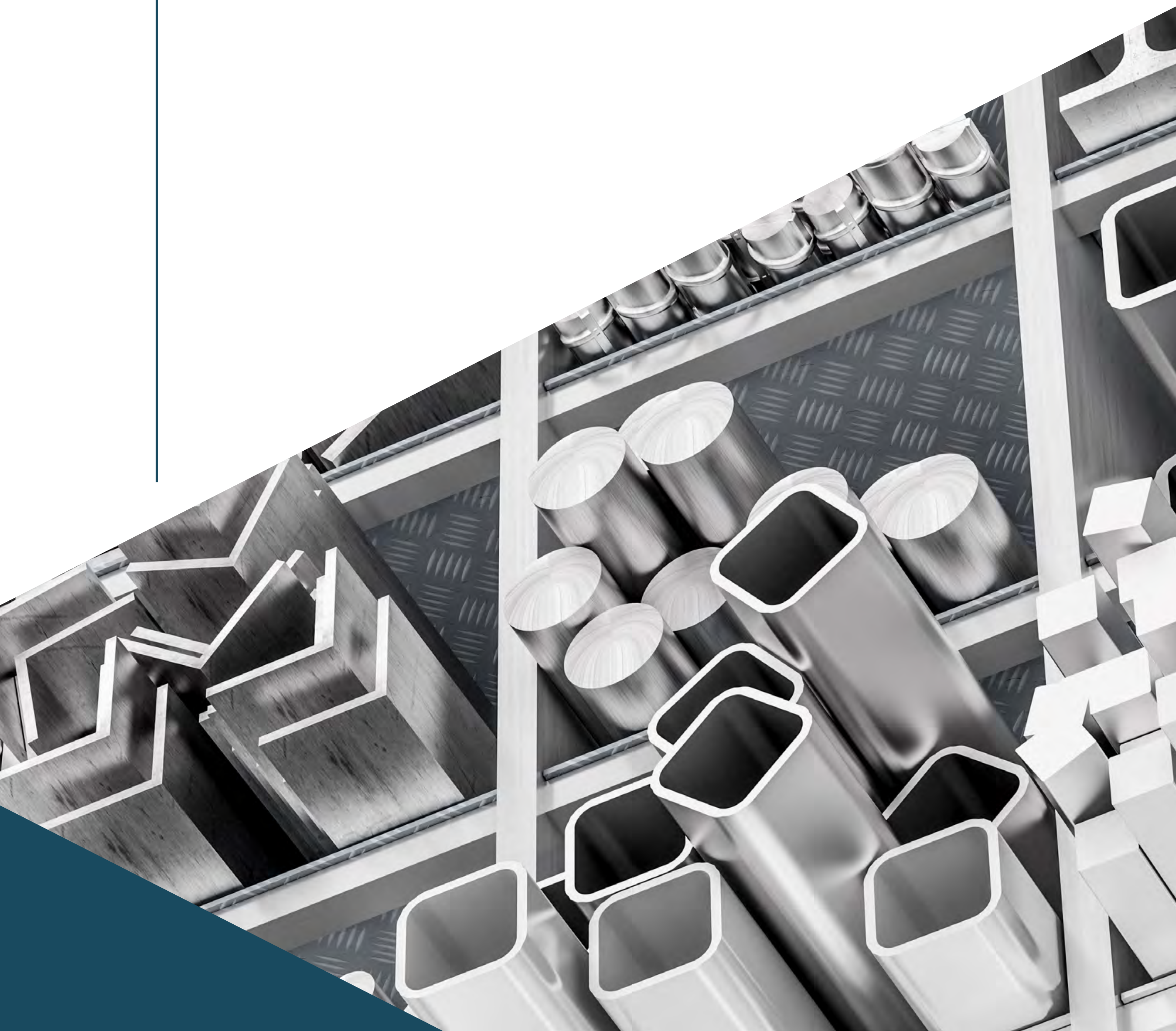
Furthermore, recent research also highlighted a few areas in which certain materials may see increased demand due to newfound uses. Further interest in materials such as nylon and stainless steel is only likely to raise the reliance on current logistical routes.

New logistical options, such as drone deliveries, are still in development periods, and therefore are not readily-available solutions to these challenges. In the short-term, the industry cannot deviate far from the logistical solutions currently in place. There are, however, some innovations that can make an impact in the year ahead…

# Procurement in 2022

As a result of the current climate and the problems engineering businesses are facing in procurement, it becomes apparent that change is needed sooner rather than later to keep products and materials moving appropriately. Innovation and change in the industry is a way for businesses, especially smaller ones, to realistically navigate procurement amid a difficult landscape.

Procurement managers and suppliers alike will need to be agile in this challenging climate and must be open to embracing new technologies and opportunities. New online procurement methods are readily available and are offering immediate value by offering insights, comparisons and even automation. By adopting innovative solutions, engineering businesses can combat the ongoing difficulties in procurement by saving time and capacity when sourcing materials.



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