

Operations Practice

Procurement's sustainable (r)evolution

The procurement function regularly reinvents itself to find new sources of value. Is circularity the next opportunity on the horizon?



New opportunities are coming for organizations to use procurement to gain a competitive edge and drive sustainability impact through innovation and strategic partnerships. However, the complexities of global supply chains and rapidly changing market conditions can make it hard to capture the available value.

In this episode of *McKinsey Talks Operations*, [Mauro Erriquez](#), McKinsey senior partner, and [Dominique Lebigot](#), chief purchasing officer (CPO) of LVMH Wines and Spirits, discuss how procurement can drive competitive advantage through innovation and strategic partnerships. They explore challenges such as managing global supply chains and adapting to market shifts, focusing on circular economy practices and the role of AI. Host Daphne Luchtenberg is also joined by [Marc Sommerer](#), McKinsey partner, to further explore these themes and their impact on procurement. How can procurement teams balance innovation and sustainability with the demands of [complex and volatile supply chains](#)?

The following conversation has been edited for length and clarity.

Daphne Luchtenberg: The evolutionary—and perhaps even revolutionary—role of procurement in today’s organizations makes it central to driving business strategy and capturing value. More than overseeing administrative tasks, such as issuing RFPs [request for proposal], comparing offers, and matching invoices for goods and services received, a strategic procurement operation helps companies optimize product design and material sourcing decisions, improve their sustainability footprint—reaping all the benefits from a circular economy—and anticipate and manage through volatility.

This future is exactly what we’re going to be focusing on today. First, we’ll hear from McKinsey senior partner Mauro Erriquez in conversation with Dominique Lebigot, CPO of LVMH Wines and Spirits. Then I’ll be joined by McKinsey partner Marc Sommerer to dive into some elements of the discussion more deeply.

Mauro Erriquez: Dominique, it’s amazing that we have an opportunity to talk about the future of procurement.

Dominique Lebigot: I started my career in procurement. And I’m still here 30 years later. I’ve been in many different industries in many different countries but always in managing and driving procurement organizations.

Mauro Erriquez: Many of my clients are saying they’ve never seen a period as challenging as the last two years. Do you agree?

Dominique Lebigot: Yes, with the COVID-19 pandemic, we have gone through something that nobody has experienced before. Does it mean that the world is much more difficult and complex today? I’m not sure.

Procurement is a function that reinvents itself every ten years. Every ten years, the complexity and challenges are different. We are just at the start of a new term and reinvention of procurement, but it's not more complex than the reinventions of the past 50 years.

Mauro Erriquez: What are the priorities for you, your organization, and your peers?

Dominique Lebigot: First, to not miss the [next evolution of procurement](#). If you miss that change, then you're going to lose yourself and your organization. So, the first priority for all CPOs, including myself, is to make sure that we are aware of what's going to happen in the next ten years and that we prepare ourselves and our organizations. My organization is already working on some very disruptive concepts that are going to be part of the agenda of all procurement organizations in the future.

Mauro Erriquez: Can you elaborate on these disruptive topics?

Dominique Lebigot: Some of them focus on how procurement can impact the business and growth of the company tomorrow even more than yesterday. In the beginning, we talked about procurement as a function that is dispensable—a company can survive without a structural procurement organization. In 2010, we jumped into corporate social responsibility and other sustainability-focused strategies. Now, in 2020 and up to 2030, we are jumping into the next generation of procurement, which is clearly about impacting business growth, sales, and revenue generation, and I think we should all be very optimistic about what lies ahead.

For now, it's additional work. So, how are we going to cope with the fact that today we are already overloaded? Then you have the impact of what's going to happen very soon—artificial intelligence. AI is going to bring new capacities and new cognitive software that will have to very quickly automate transactions. That's important to bear in mind because it is the same change as when we separated procurement and the cost of goods. Tomorrow, we are going to automate transactions in procurement.

Now, what does "transactions" mean? One example is managing tenders. I'm not sure if tomorrow buyers will continue to manage tenders. You will have automatic tendering systems, and they will talk robot to robot between suppliers, and it will work very well. I'm not sure if tomorrow buyers will still negotiate prices. Buyers are not going to spend 80 percent of their time managing tenders and negotiating prices. They will be spending their time managing ecosystems of suppliers. It's going to require a lot of time to manage revenue generation and create a circular economy. But these are the challenges that lie ahead of procurement, and they are much more impactful for the business and ten times more interesting than negotiating prices.

We all know the business stakes of global warming and CO₂ reduction, and we cannot ignore it any longer. We know that we can create value in those areas as well, through not only

customers and sales but also the image that we can create for the company. Tomorrow, the major change for buyers in procurement is that we are going to start [relocalizing](#) most of our sources. We are going to reduce international sourcing year on year, avoiding, more and more, the international movement of goods and travel and the generation of carbon footprints.

If we do relocalize and reshore our sourcing in the local economy—and we will—this will be more expensive. We know that labor costs are higher, and regulations are getting more restrictive and demanding. The only way for us to create these two realities—reducing carbon footprints and generating profit—is to organize the [circular economy](#). In the past 200 years, the economy has been built linearly. You extract material, you transform it, you manufacture a product, you sell it, you consume it, and then, it's garbage. We have been so poor at managing the garbage and ignoring that fact for so many years.

Today, we know that we can no longer live with that linear economic concept. We have to put our collective intelligence into organizing the circular economy—selling services and functions, not products, and then recycling, reusing, and reintroducing those products. It's the only way to optimize and get a return on investment for manufactured products as soon as possible—limit extraction, and then reduce the overall cost.

Mauro Erriquez: But that will mean, in turn, our buyer of the future will discuss—and I am not using the word “negotiate” on purpose—with the customer how we can bring their product or garbage back to our production and procurement.

Dominique Lebigot: Yeah, it can be in procurement. But if we don't talk directly to customers—although maybe we will—at the end of the day, we need to keep that in mind. It's part of our focus. Tomorrow, if we want to be successful at organizing the circular economy and succeeding in reducing carbon footprints and managing costs, we will need more leadership skills. So, buyers tomorrow will have to be more influential in their ecosystems. These superheroes will influence and drive change in their ecosystems and will need more leadership skills to do so.

Mauro Erriquez: On the topic of relocation, we have different views. We agree that for some categories, what you said would be true. But there are others where global flows will probably come from different places. For example, [if you take green hydrogen](#), for which renewable power sources like solar are extremely important, the Middle East will probably play a very important role from a cost perspective. How can procurement find and create alliances with suppliers—and industries—to drive this development? As you mentioned, you need to build the circularity, the ecosystem. It doesn't feel like a negotiation in an RFQ [request for quotation] but rather like business development.

Dominique Lebigot: That goes far beyond managing tenders and negotiating prices. Still, we will continue to manage some very critical and complex standards for strategic tenders. We will

continue to be involved in setting prices—and I use that word intentionally, “setting” rather than “negotiating”—but the majority of our time and resources will be spent on managing ecosystems, generating revenue, building a circular economy, and all those more impactful activities. All of that is definitely far removed from negotiating prices and managing tenders. We won’t stop focusing on cost, but it will just be an element within the entire prism. Circularity clearly means that we will have to change the mindsets of buyers as well as vendors.

Mauro Erriquez: Tell me more. Why the vendor?

Dominique Lebigot: Today, most vendors supply goods and services, and then we buy those goods and services. During this transaction, there is a transfer of property—that’s part of the linear economy. In a circular economy, vendors will have to stop selling products but start selling services and functions.

I’ll give you an illustrative example. Some lighting companies that produce LED lights have been selling LEDs to their customers for years. And tomorrow, or even today, they have stopped selling LEDs—now they are selling lumens. They are selling intensity of light. So, they decide how many LEDs a company needs for the intensity of light they require.

Now, they don’t sell the LED; they just lease it. At the end of the life cycle, if the LED is no longer functioning properly, instead of going to the garbage, where nobody knows how to deal with it, it goes back into the production cycle. And who can better recycle and reuse the elements or even the LED itself than the company that has designed, produced, and manufactured it? More and more, vendors will have to sell services rather than products, and this switch of property will be reduced significantly. The future doesn’t belong to goods; it belongs to leasing.

Mauro Erriquez: So, I’m not selling you packaging anymore. I’m leasing you the packaging, but please give it back to me.

Dominique Lebigot: Absolutely. Don’t send me bottles anymore; I don’t want them. Send me a receptacle to carry my liquid. And once it is consumed at the consumer level, it has to be re-collected. That’s part of the circular-economy challenge. We will have to create new jobs—how to collect, how to wash, how to recycle—that don’t exist today because the collective intelligence was not behind the circular economy. But once you add into this virtuous cycle, it’s going to create a lot of employment. So, it will help to reduce overall labor costs.

Mauro Erriquez: Let’s go back to the topic of cost savings. If we stick to the example of bottles, then maybe it’s better to make the bottle with thicker walls, more robust. It’s going to cost you more, but then you’ll get it back, and it’s actually going to cost you far, far less.

Dominique Lebigot: Tomorrow, the R&D departments of companies will try to find technical solutions to make the life cycle of the product much longer than what it is today. Today, if you can just create vertical solutions for products, that's great. Tomorrow, given the fact that the supplier will keep ownership of those goods, the longer those goods remain in the cycle, the better it is for them.

Mauro Erriquez: Since circularity has a huge positive impact on decarbonization, is that one of the ways to make decarbonization more affordable?

Dominique Lebigot: Yes, because products stop traveling. You extract fewer resources, create new jobs, facilitate the local economy, and reduce the overall deficit of some countries. This is a virtuous cycle. And, of course, one of the advantages is the reduced carbon footprint.

Mauro Erriquez: And there you see that procurement will play a crucial role in orchestrating the circular economy.

Dominique Lebigot: Who can organize the circular economy better than procurement? Who can organize collective intelligence between suppliers better than procurement? Procurement buyers are on the front line of organizing this collective intelligence between vendors while understanding and monitoring [supplier ecosystems](#).

Mauro Erriquez: Is it maybe too much to ask of our superheroes in procurement?

Dominique Lebigot: If you ask that the day after tomorrow, yes. It's going to take ten years. I have no idea how fast the change will happen. Maybe because of AI, this will come very, very fast—or it could take years. In my organization, we have already started to work on revenue generation, and we are measuring the number of additional sales we can create. We are already working on supplier ecosystem management. We created a specific training module where, for a few days, all our buyers in the procurement community will go through how to understand and describe a supplier ecosystem. What are the key players? What is the problem to resolve? How can I make them work with each other rather than compete? How can I track progress, and how can I create value ahead of that? So, those are new skills: influencing skills, leadership skills.

Mauro Erriquez: You mentioned many other priorities: AI, creating an ecosystem, volatility management, and circularity. Should your CPO peers drive all of these in parallel or choose one and then move on to the next later?

Dominique Lebigot: In parallel, because depending on the environment, culture, and business model of the company, you will not be able to drive these different pieces of the puzzle at the same time. Some actions, such as revenue generation, will work very well for B2C businesses because you can recruit new consumers, and ecosystem management is already working well.

Mauro Erriquez: Dominique, you shared quite a lot of ideas for the future of this profession. Do you have a wish for the future?

Dominique Lebigot: I wish I could see what the next generation will be like in 2040. It's going to be amazing as well.

Mauro Erriquez: This is the time for procurement. 2030 is around the corner. Let's think beyond that.

Daphne Luchtenberg: Such rich content there, and I could easily spend another whole episode digging into these topics. I'm delighted to be joined now by Marc Sommerer, a partner based in McKinsey's Munich office and a coauthor of the upcoming book, *Reimagining Procurement*, which will be available for preorder in early 2025. Marc, I'd love to hear your reactions to this conversation. Let's go back to the beginning of Dominique's comments about how procurement evolves every ten years.

Marc Sommerer: When I listened in, I started thinking about the changes that I've experienced with my clients over the years. I think there is some truth to the ten-year rhythm, though I expect that this timeline might shrink in the future, and evolutions might become even more frequent.

Think of what we've experienced since 2020. Procurement had to develop solutions and approaches on the fly, first managing crises and supply chain disruptions in 2020 and 2021, then fighting off inflation. This was something completely new to procurement because the previous five years were fairly stable sailing, with commodity markets more or less in line. In 2022, we dealt with increasing macroeconomic uncertainty and related questions on resilience, all while businesses needed support on savings to be able to meet their targets.

When I look into the future, I'm pretty sure this pace of change will continue or even accelerate. For example, my most mature clients are already working on topics like fully autonomous buying through bots, something that Dominique mentioned he's already doing at LVMH—not just as a pilot but in full scaling mode. They're also closely aligning between procurement and sales to not only reduce cost but also manage and increase margins. Companies that I would consider current leaders have already invested significantly in creating digital models of their supply chains to enable management of cost and CO₂ at the same time.

Daphne Luchtenberg: I want to dig in a little bit on that. We heard Dominique speak about the role of procurement in enabling an organization's sustainability goals, particularly in pulling product design together with these ideas of a circular economy. Are you seeing clients start to bring those two elements together, and how are they going about it?

Marc Sommerer: Yes, I do. Let me share two concrete examples from my recent client work. The first is related to my work with companies in the energy and materials space. We were able to address the sustainability challenge and reduce costs at the same time. So, these two topics

can actually go hand in hand. In this case, we investigated and implemented the application of solvent-free adhesives. Procurement came up with this idea, pitched it to technology and sales, and eventually it was implemented. Solvent-free adhesives have several benefits. They're safer in production because solvents are very flammable. They are much cheaper, as solvents are an expensive input material, and they reduce greenhouse gas emissions by 70 percent while offering other benefits like a more stable production process.

Based on this input, we identified capable suppliers, went through lab and production testing, and eventually implemented the new recipe in the product. In the end, this turned out to increase sales, as competitors didn't offer similar solvent-free products. This emphasizes an important point that Dominique made on how procurement can contribute to company sales. I believe that going forward, this will become even more important, as examples like this have the potential to become a real competitive advantage.

Another example comes from one of my chemicals clients. In that industry, decarbonization of supply chains is a priority topic. In light of that, an important first step is to understand where emissions actually occur and how they can be addressed in the different value chains. So, with that client, we created a digital [value chain twin](#) and mapped out emissions along the entire upstream value chain from the purchased material to the feedstock for roughly 80 percent of the materials they purchased. Based on this transparency, we prioritized materials with CO₂ reduction that would have the greatest short-term impact because often I see clients get lost in the details of the hundreds of materials they need to look at. Then we looked at three main angles. First, process and reaction specifics, such as raw material inputs and alternative primary energy consumption by source; second, supplier specifics; and third, geography and asset specifics. Having this transparency available in a digital tool at the click of a button was an absolute game changer. We could then go material by material and identify CO₂ abatement levers. To Dominique's point on localization of supply chains, this was definitely one of the key levers to look at in addition to green energy.

Daphne Luchtenberg: Marc, let's do a little more future gazing. You talked earlier about the infusion and introduction of generative AI [gen AI] and bots to help accelerate typical procurement functions. Let's have a look at some of the changes we're seeing around the corner for the procurement function overall. How do you see it expanding its remit to deliver an overall organizational strategy?

Marc Sommerer: We touched on many of those points during today's discussion, and Mauro and Dominique covered this very well already. Generally, I see three main areas where procurement will change dramatically.

First, procurement needs to step up from just purchasing goods and services to becoming a function of real end-to-end value entrepreneurs. In procurement, we need to go beyond pure buying and managing suppliers to thinking through upstream value chains in a different way. Are

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there acquisition targets that will bring a competitive advantage five years from now? Are there scarce and rare materials that need to be locked in today to make sure we have future supply? A real end-to-end value entrepreneur also looks beyond pure cost savings and tackles the company margin. Therefore, margin management and collaboration with sales will be a much more important topic to avoid leakage and keep margins in the company. This seems like something that Dominique is already doing at scale at LVMH.

Second, procurement needs to start opening up new venues for value creation. We expect markets to remain highly volatile, and many of the lower-hanging fruits have been picked. So, the question is, what is next in terms of value creation? We do see topics such as autonomous bot-based buying and the application of gen AI at scale, where AI actually identifies improvement potentials and then the bot directly implements them. Again, the key here is to go beyond pilots and showcases and really scale up to unleash the full impact potential.

Third, companies need to build their procurement operating model of the future. Historically, procurement talent has been hard to come by. In times of unfavorable demographics, gaining, developing, and retaining talent will become key. In addition, procurement will most likely need to evolve from a pure setup by category with a center of excellence on the side to a much more flexible and agile model with pools of people that excel in solving complex problems beyond day-to-day work. So, I'm pretty sure the role of the buyer will also evolve significantly over the next couple of years.

Daphne Luchtenberg: We really are reimagining procurement, bringing entrepreneurial mindsets into the function, and making the role so much more exciting and impactful, right?

Marc Sommerer: Absolutely. And we'll be diving into and discussing many of these thoughts and practical examples, including sharing what companies across different industries have done to cope with these challenges and reimagine their procurement, in our upcoming book, *Reimagining Procurement*.

Dominique Lebigot is the chief purchasing officer of LVMH Wines and Spirits. **Marc Sommerer** is a partner in McKinsey's Munich office, and **Mauro Erriquez** is a senior partner in the Frankfurt office. **Daphne Luchtenberg** is a director of communications in the London office.

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