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WHITEPAPER

# NAVIGATING PROCUREMENT IN 2027

How to anticipate market shifts, understand costs and make smarter decisions.



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WHITEPAPER

# NAVIGATING PROCUREMENT IN 2027

**How manufacturers can spot market shifts earlier, gain a clearer understanding of their material costs, and make better-informed procurement decisions with AI.**

## What to Expect in Procurement in 2027

2026 brought another set of challenges for procurement: Geopolitical tensions and new tariffs reshaped global trade flows, commodity and energy prices remained volatile, and expectations for supply chain transparency and risk visibility increased. At the same time, procurement teams came under growing pressure to make faster, better-informed decisions with limited resources. AI also moved higher up the agenda. Many companies, however, still need to build the reliable data foundation required to use it effectively.

This becomes particularly clear when reviewing supplier price increases. Suppliers usually know exactly how their prices are made up. Procurement teams at high-volume manufacturers, on the other hand, often see only the final price. Raw materials, energy, freight, labor, and tariffs fluctuate constantly, while agreed unit prices often remain unchanged for years. To assess price increase requests effectively in 2027, procurement needs a clear understanding of the costs behind its own parts. These and other developments will continue to shape procurement in 2027.

**This whitepaper explores five key trends that procurement organizations should keep a close eye on. It outlines practical approaches to strategy, cost analysis, and AI adoption and provides an illustrative roadmap for the next twelve months. It also shows how a spend and price intelligence solution can improve transparency and support better-informed procurement decisions.**

## Five trends shaping procurement in 2027

### 01 Uncertainty is here to stay.

Tariffs, export controls, and volatile commodity prices have become part of everyday business. At the same time, procurement teams have to decide faster while headcount and budgets keep shrinking.

## 02 Suppliers are pushing for higher prices.

Inflation, tariffs, and disrupted supply chains provide the justification. If you know the cost drivers behind your parts, you can challenge unjustified price increase requests and also see when costs fall and it pays to renegotiate.

## 03 Data is the deciding factor.

Fragmented ERP systems and inconsistent master data make analysis difficult. In a recent survey of European CPOs, data infrastructure and data quality came out as the biggest barrier to using AI in procurement.

## 04 AI strengthens procurement expertise.

It is taking on more and more of the analysis and groundwork behind decisions. In our view, fully autonomous decisions will remain limited to clearly defined use cases in 2027.

## 05 Metal imports are getting more expensive and more complex.

The new EU steel safeguard is already in force, and the cost impact of CBAM will build up gradually through 2034. For procurement, 2027 is mainly about data and documentation.



# 1. The New Normal: Making Faster Decisions Amid Uncertainty

In January 2026, the World Economic Forum named geoeconomic confrontation the top global risk of the year. The term refers to the use of economic levers such as tariffs and sanctions. Half of the more than 1,300 experts surveyed expect a turbulent or stormy two years ahead, up 14 percentage points from the previous year [1]. Geopolitical fragmentation, with its tariffs and trade policy volatility, also tops the list of the most important supply chain trends for 2027, ahead of agentic AI [2].

On top of that, suppliers are turning up the pressure. In our customer projects, we are currently seeing price increase requests in almost every category, justified by inflation, tariffs, and disrupted supply chains. Not all of them are backed by actual cost developments.

The pressure is not only coming from outside. Demands within procurement organizations are rising as well. The Hackett Group expects procurement workloads to grow by 8% while headcount and budgets decline [3]. The average procurement professional now manages around 50% more spend than five years ago [4].

Under these conditions, an annual pricing round is often no longer enough. When costs shift within a few weeks, procurement needs to see early on what that means for its own categories and parts. That takes time, which is usually in short supply. Teams can free up capacity by automating routine tasks, so that analyses no longer have to be built from scratch for every price review.

**What This Means for 2027**

Find out which analyses your team still prepares by hand before negotiations, and automate the recurring ones. Also move the price review for your A-parts (the high-value parts in your ABC analysis) from an annual to a quarterly cycle.

# 2. Understanding What a Part Should Cost: From Market Indices to Negotiations

### Where the Gap Opens Up

In high-volume production, the price of a part is often negotiated at the start of production and then remains unchanged for years. The underlying cost drivers, however, continue to fluctuate throughout that time.

Aluminum, copper, plastics, electricity, freight, and labor can get significantly more expensive, but they can also come back down. While rising costs often lead to price increases, falling costs are not automatically passed on to the buyer. Over time, the originally agreed unit price can drift further and further away from the actual cost trend.

To identify these gaps, procurement first needs to understand how the actual purchase price is structured. ERP data provides a valuable starting point, as it captures a company's actual purchase prices. However, it does not reveal whether these prices still reflect current cost developments. To assess this, procurement needs to compare purchase prices with changes in the underlying cost drivers and relevant market indices. For the most important parts, a simplified cost model is often enough.

It covers the main components, such as material, energy, labor, and freight, plus a share for overhead and margin. There is plenty of room to make better use of existing data here, as an estimate by McKinsey shows: procurement functions use less than 20% of the data available to them for their decisions [5].

Alongside the classic cost drivers, tariffs can also move prices. A survey of companies shows how big the effect can be: 82% were affected by new tariffs, and 39% reported higher supplier and material costs as a result. On a weighted average, companies passed 45% of their tariff-related cost increases on to their customers. In the automotive and chemical industries, the share was more than 60% [6]. The survey shows that tariffs, too, can be behind a price increase. What matters for procurement is understanding how much tariffs actually affect costs and whether the resulting price increase request is justified.




Source: Ivoflow market data – Aluminum Price Index

## Assessing and Challenging Supplier Price Increases

A simplified example shows how market data can be used in practice. A supplier announces an 8% price increase for an aluminum die-cast part. Procurement breaks the part price down into its main cost components and compares each one with how the relevant index has moved over the past twelve months.

| Cost component | Share of price | Index change | Impact on price |
|---|---|---|---|
| **Aluminum** | 45% | +4% | +1.8% |
| **Energy** | 10% | –6% | –0.6% |
| **Labor** | 20% | +4% | +0.8% |
| **Freight** | 5% | +2% | +0.1% |
| **Overhead and margin** | 20% | 0% | 0% |
| **Total** | **100%** | | **+2.1%** |

Simplified example based on assumed cost shares and index changes. It assumes that cost changes are passed on proportionally and does not reflect an actual supplier cost calculation.

Based on the indices, costs have gone up by around 2%. That does not automatically mean a price increase of exactly that size would be appropriate. Inventory, hedging, scrap, or a change in alloy can all affect the supplier's actual calculation. But the gap between the calculated figure and the 8% requested gives procurement a concrete starting point for the negotiation. Buyers can ask targeted questions about each cost component and back up their position with market data.

The same approach also works in the long run with suppliers. Price adjustment clauses tie individual cost components to an index and create a transparent basis for future adjustments. They should work both ways: if the relevant indices fall, the corresponding share of the price should come down as well.

Timing matters just as much. When commodity prices drop, tariffs are reduced or removed, or freight markets recover, suppliers rarely pass that on unprompted. If you track the cost drivers of your parts continuously, you see these shifts early and can renegotiate while the window is open. The same works in reverse: if you see price increases coming, you can secure volumes before the supplier announces them.

For a single part, this calculation is quick to set up in a spreadsheet. With thousands of production parts, several plants, and changing suppliers, it turns into an ongoing project that day-to-day operations can hardly keep up with. That is why reviews often focus on A-parts. For B- and C-parts, which are rarely checked individually, deviations can quietly add up.

### How Ivoflow Supports

Ivoflow links ERP prices and bills of materials with more than 200 market indices, including over 150 commodity indices, as well as data on energy, freight, labor, tariffs, and exchange rates. This makes the calculation from the example possible across the entire parts portfolio of every plant, B- and C-parts included. For every gap between price and market, the platform calculates the savings potential, explains which cost drivers have changed, and suggests anchor points for the negotiation. Buyers use this to challenge unjustified price increase requests and turn that potential into real savings at the negotiating table.

## Planning Ahead

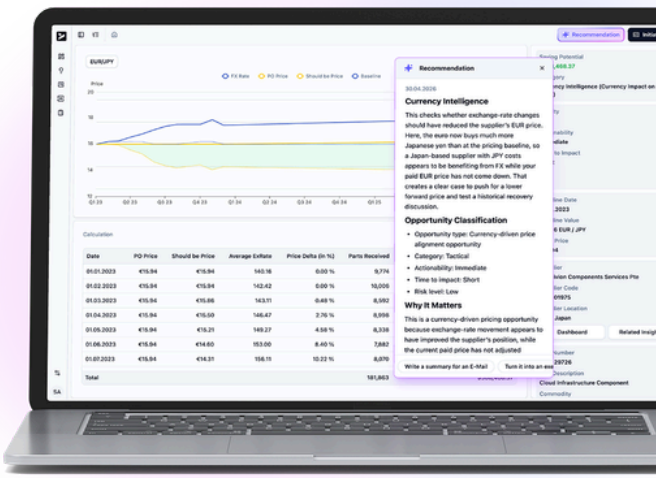
Looking at past cost trends helps you judge whether a price is still fair. For budget planning and category strategy, however, it is just as important to keep an eye on where markets might be heading.

Because commodity prices are hard to predict precisely, it makes sense to work with scenarios. A best case, a base case, and a worst case show how different price developments could affect material costs. With that in hand, procurement can better judge when to lock in volumes for the long term and when it pays to stay flexible.

These assessments should also feed into category strategy. If the strategy is drawn up once a year and then barely touched, it risks reacting too late to market changes. A regular review, for example once a quarter, helps keep the strategy in line with how costs are actually developing.

## From Savings Potential to Cost Reduction

Whether a negotiation paid off only becomes clear in the result. That is why procurement should keep three stages apart: the identified savings potential, the realized savings, and their financial impact. The potential provides the basis for the negotiation. A saving only counts as realized once the new price has been agreed and is actually being invoiced. Otherwise, gaps between the negotiated and the paid price easily go unnoticed. As soon as the lower prices flow through to the P&L, they reduce material costs and improve EBITDA as a cost reduction. Teams that track this chain together with finance can prove what procurement contributes.



### What This Means for 2027

Identify the ten categories with the biggest impact on your material costs and link their key cost drivers to the right market indices. Set thresholds for each category above which price increase requests are reviewed systematically. For expiring contracts, consider price adjustment clauses that also kick in when indices fall. Watch the indices for your most important categories on the way down, too, and renegotiate as soon as costs drop noticeably. Plan your 2027 material budget using several scenarios and track savings all the way to the actual purchase price.



## 3. From Data to AI-Supported Decisions

### Better Decisions Start with Reliable Data

Everything described in chapter 2 depends on a clean data foundation, and that is exactly where many companies fall short. In the GEP European CPO Report 2026, 77% of the European CPOs surveyed named weak data infrastructure and poor data quality as a barrier to AI adoption, more often than any other obstacle. Sixty percent lack a clear AI roadmap, and 48% struggle to prove the business value [7].

In day-to-day procurement, this has real consequences. If the same supplier appears under different names in several ERP systems, price differences between plants can easily go unnoticed. Without HS codes, it is hard to calculate how tariffs affect your own parts. And without a link to market indices, there is no basis for challenging price increase requests.

Larger manufacturers in particular often run several ERP systems, sometimes as many as seven. Before this data is fit for analytics and AI, spend data as well as supplier and material master data have to be consolidated across all systems, cleaned up, and linked to external market data. It also has to be clear who maintains the data.




## What AI Can Do with the Right Data Foundation

With a reliable data foundation in place, AI can take over many of the tasks that eat up time today, such as preparing data, comparing prices, spotting deviations, and preparing negotiations. According to The Hackett Group, AI made it into procurement's top three priorities for the first time in 2026, and 80% see it as the trend with the biggest impact over the next five years. While 43% are actively driving adoption, only 12% use it at scale [8]. Where AI is already in use, 76% of organizations report improvements of at least 25% in key metrics. So far, it is mostly used in contract management, price comparisons, and spend analytics [3].

McKinsey sees an efficiency potential of 25 to 40% for procurement functions from AI agents [4]. In a pilot project at a chemical company, the efficiency of procurement staff rose by 20 to 30% [5].

For procurement organizations, this mainly means less time spent on analysis and more time for the actual negotiations.

1 **Automate routine work.**
Data preparation, classification, and bid comparisons are increasingly automated. This takes pressure off day-to-day operations.

2 **Support pricing decisions.**
AI spots price deviations, helps get to the root causes, and prepares negotiations. This is where we see the biggest lever for margins in 2027.

3 **Make autonomous decisions.**
We expect AI agents that place orders or negotiate on their own to be limited to narrow areas in 2027, such as tail spend with clear budget limits.

CPOs themselves draw a line here, too. Sixty-one percent want to keep risk decisions in human hands, and 57% say the same about supplier relationships [7]. A language model alone is not enough for sound pricing decisions anyway. It needs access to harmonized procurement data, market benchmarks, and procurement know-how, and every recommendation has to be traceable back to its data source.

**What This Means for 2027**

Consolidate spend and supplier master data from all ERP systems before you scale up AI projects. Pick one or two level-two use cases whose impact on savings can be measured, and decide who reviews and approves the recommendations. Also put in writing which decisions AI may prepare and which stay with procurement.

## 4. Other Key Developments Affecting Procurement in 2027

Beyond commodities, energy, and labor, two additional developments will shape procurement in 2027: risks deep in the supply chain and new EU rules for metal imports. Both call for the same thing, namely more transparency into suppliers, countries of origin, and the real cost structure.

Most companies have a good overview of their direct suppliers. According to McKinsey, 95% have visibility into tier 1, but only 42% into tier 2 or beyond [6]. As a result, dependencies on sub-suppliers, for example for critical raw materials, often only come to light once shortages occur. Unknown dependencies also weaken your negotiating position, because there are no alternatives when a supplier raises the price.

### What the Next Few Years Will Bring

For steel and aluminum, regulatory costs come on top. Since July 2026, the EU has cut tariff-free quotas for steel imports by around 47% compared with the 2024 reference system, and volumes outside the quotas face a 50% duty [9]. CBAM also makes $CO_2$ part of the import price. It covers imports of iron, steel, aluminum, and a few other goods, including screws, nuts, and other articles of steel and aluminum. Importers bringing in no more than 50 metric tons of these goods per year in total are exempt (this exemption does not apply to electricity and hydrogen). If the threshold is exceeded, the obligations apply to all CBAM imports for that year [10]. The first certificates can be purchased from February 2027, and the first surrender is due by September 30, 2027 [11, 12]. Companies that buy

through EU traders usually do not have to file declarations themselves, but will most likely feel the costs through the price.

Because tariff rates can now change at short notice, the unit price alone says little about which offer is actually the cheapest. Only the total landed cost, made up of product price, freight, and duties, makes suppliers from different regions comparable and provides a solid basis for decisions to shift volumes.

The direct cost impact of CBAM may still be limited for many goods in 2027, because EU producers continue to receive free emission allowances and importers have to surrender correspondingly fewer certificates. How large it turns out to be depends on origin and emissions intensity, though. And this free allocation is being phased out step by step: by 5% in 2027, by 48.5% in 2030, and completely by 2034 [13]*. The impact of $CO_2$ costs on purchase prices is therefore expected to become significantly more noticeable from 2030 onward. At the same time, the range of goods covered could grow. The Commission has proposed including further downstream products from 2028 [10] and is assessing by mid-2027 whether to extend the steel safeguard to further steel-containing products [9]. There will also be requests for supplier emissions data under the CSRD, which applies from fiscal year 2027 to companies with more than 1,000 employees and more than €450 million in net turnover. The exact start depends on national transposition [14].

Companies that collect HS codes, proof of origin, and emissions data from their metal suppliers today can already factor these costs into tenders and negotiations before they hit their margins.

### How Ivoflow Supports

Ivoflow treats import duties as part of the total landed cost. Based on the product price, freight costs, and the applied duty rate, the platform calculates the duty burden and the resulting total landed cost. This makes it possible to compare offers from different suppliers and sourcing alternatives on a like-for-like cost basis. Through partners, $CO_2$ data on products and supplier risk information can also be integrated. This brings cost and risk signals together in one place, so procurement can see early on whether a price increase request is explained by tariffs or $CO_2$ costs.

* Legal status as of November 2026. In July 2026, the Commission proposed stretching the phase-out to 2038. The proposal has not yet been adopted.

**What This Means for 2027**

Use your HS codes to check whether you imported more than 50 metric tons of CBAM goods in 2026, including screws and other steel and aluminum articles. Ask your metal suppliers for emissions data and proof of origin. For your five most critical raw materials, map out which countries and which tier-2 suppliers they come from. And compare the total landed cost of alternative suppliers and regions for your key categories, so you can react quickly when tariffs change.

## 5. A Roadmap for 2027

The measures from the previous chapters can be put into practice in three phases over twelve months. Each phase ends with a concrete result that shows whether you are on track.

### Months 1 to 3: Establish transparency.

The first step is to consolidate spend and supplier master data from all ERP systems. Procurement then identifies the ten categories with the biggest impact on material costs and links their key cost drivers to the right market indices. In parallel, HS codes are used to check whether CBAM applies, and the necessary emissions data is requested from metal suppliers. Result: spend, suppliers, and cost drivers for the ten most important categories are transparent, and CBAM exposure is clear. Measured by: share of the ten categories linked to market indices.

### Months 4 to 9: Improve negotiations and pilot AI.

Price increase requests above the defined thresholds are systematically checked against index trends. Price adjustment clauses are agreed for expiring contracts. The material budget is planned using several scenarios. At the same time, procurement launches one or two pilot projects with AI applications for negotiation prep, with clear rules from day one on who reviews and approves the recommendations.

Result: documented price reviews, evaluated AI pilots, and measurable time and cost savings. Measured by: number of price increase requests reviewed systematically, number of pilots evaluated, and time saved on negotiation prep.

### Months 10 to 12: Embed in daily operations.

Successful pilots move into regular operations. Savings are tracked all the way to the price actually paid, and category strategies are reviewed quarterly against current market data. Result: established monitoring, realized savings that can be traced to the price paid, and clear responsibilities. Measured by: share of negotiated savings reflected in the price paid.

1

**MONTHS 1 TO 3**

### Establish transparency

- Transparent spend, suppliers, and cost drivers for the top 10 categories
- CBAM exposure is clear

2

**MONTHS 4 TO 9**

### Improve negotiations and pilot AI

- Documented price reviews
- Evaluated AI pilots
- Measurable time and cost savings

3

**MONTHS 10 TO 12**

### Embed in daily operations

- Established monitoring
- Savings traced to the price paid
- Clear responsibilities

## Conclusion

2027 is likely to be just as uncertain as 2026. Tariffs, commodity prices, and new EU rules will keep material costs moving, while procurement teams are more likely to shrink than grow. Companies that spot market changes early and can judge what they mean for their own parts will have the advantage.

That takes three things: a reliable data foundation, a constant eye on the markets, and the ability to turn both into concrete decisions.

AI can take a lot of work off your plate. Ultimately, success still depends on a procurement team that knows its data and how to use it. If you understand your costs before the supplier calls, you can challenge unjustified price increase requests, seize the right moment to renegotiate, and achieve savings that show up as cost reductions on the bottom line.

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# Unlock Your savings potential.

**About Ivoflow – a Jaggaer Company**

Ivoflow is an AI-powered Spend & Price Intelligence platform for manufacturing companies. It combines internal procurement data with external market intelligence to help procurement teams identify price developments, make informed decisions and unlock savings opportunities.

Since 2026, Ivoflow has been part of Jaggaer, a platform that helps organizations manage the entire procurement lifecycle, from supplier selection to invoice payment.

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