

# Seven Strategies to Cut Costs, Reduce Risk, and Drive Margin Expansion



## A Playbook for CFOs in a Volatile Global Economy

The first half of 2025 has brought early signs of recovery, but also fresh challenges and complexity. While inflation is easing and global container rates are approaching pre-pandemic levels, CFOs still face a volatile environment shaped by persistent supply disruptions, shifting trade barriers, and rising compliance burdens.

Recent surveys confirm the picture: in supply-led sectors, inflation and raw material constraints remain the top risks; in service-led industries, digitalization and talent retention dominate. Across all sectors, procurement is under renewed scrutiny; not just as a cost centre, but as a lever for resilience, margin protection, and capital optimization.

Direct procurement, once viewed as a tactical function, now sits squarely within the CFO's mandate. It affects working capital, cost of goods sold, gross margin variability, and even enterprise value. As global sourcing grows more complex, finance leaders are stepping in, not just to contain costs, but to unlock value.

This playbook reframes seven core procurement challenges through a financial lens, translating them into strategic levers for EBITDA growth, cash flow improvement, and risk-adjusted ROI.



### 1. Strategic Risk Management: Balance Unit Cost with Continuity Value

Procurement strategies that chase the lowest unit cost now pose hidden liabilities. CFOs must support supplier rationalization without concentration risk—leveraging analytics to model the cost of disruptions and working capital lock-up.

**Financial Benefit:** Lower cost of risk, fewer emergency purchases, improved cash flow forecasting, better credit and insurance terms.



## 2. Deglobalization & Nearshoring: Optimize Total Landed Cost and Asset Utilization

As trade friction increases, nearshoring gains ground—but it comes with an upfront cost. Finance leaders should apply TCO models that factor in FX risk, logistics volatility, and asset productivity. High-ROI moves often involve selective reshoring, not wholesale relocation.

**Financial Benefit:** Improved cost control in COGS, CAPEX justification via long-term savings, reduced exposure to tariff and geopolitical shocks.



## 3. Cost Pressure & Pricing Models: Enable Real-Time Cost Mitigation Through Contract Flexibility

In an inflationary world, fixed-price contracts can destroy margin. CFOs should support procurement in shifting to indexed pricing, volume-based rebates, and supply flexibility—all tied to market data triggers.

**Financial Benefit:** Higher gross margin resilience, improved response to commodity price swings, and greater predictability in earnings guidance.



## 4. Tiered Supply Chain Visibility: Quantify Hidden Margin Erosion

Most financial leakage occurs beyond Tier 1—delays, shortages, and price hikes that don't show up until month-end. CFOs must ensure investment in tools that give visibility into upstream vulnerabilities.

**Financial Benefit:** Reduced write-downs, fewer missed SLAs, and accurate valuation of supplier liabilities and risk-adjusted inventory levels.



## 5. Timing & Agility: Convert Volatility into Working Capital Advantage

Timing matters. Dynamic sourcing—supported by AI—lets procurement capitalize on spot-buy windows, avoid peak surcharges, and rebalance inventory without bloating the balance sheet.

**Financial Benefit:** Improved inventory turns, leaner working capital, enhanced free cash flow from better buying decisions.



## 6. Data Consolidation & Financial Insights: Unlock Real-Time Spend Intelligence

Fragmented data delays action. By integrating procurement, ERP, ESG, and supplier systems, finance teams gain early warning signals, faster variance analysis, and better accrual forecasting.

**Financial Benefit:** Shorter close cycles, better working capital allocation, and more accurate quarterly guidance.



## 7. ESG & Supplier Risk: Protect Long-Term Value with Smart Compliance

Non-compliance in Europe can result in fines of up to €10M or 5% of turnover. But ESG isn't just about fines. It's also about capital access and valuation. Investors are pricing in ESG compliance; regulators are enforcing it. Procurement must manage supplier risk and traceability—not just cost.

**Financial Benefit:** Avoid penalties, win an ESG premium in investor ratings, achieve sustainable brand equity and the license to operate in key markets.

## CFO Checklist: Levers with Measurable ROI

- Use total-cost-of-ownership models to prioritize supply decisions that improve long-term cost structure.

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- Fund AI procurement tools where payback is <12 months via inventory and margin gains.

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- Consolidate spend data systems to support faster reporting and compliance readiness.

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- Map supplier risks to financial exposures, not just operational risk.

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- Back initiatives that smooth earnings volatility and boost capital efficiency.

## Conclusion: Direct Procurement as a Value Centre

2025 is the year procurement must become a financial lever. Not just for cost control, but for **EBITDA growth, cash flow, and enterprise risk reduction**. CFOs who embrace procurement transformation will see measurable ROI: better margins, stronger investor confidence, and greater agility in navigating global shocks.

JAGGAER's source-to-pay solutions and real-time supplier intelligence enable CFOs to turn volatility into advantage, and procurement into a performance multiplier.

The question is no longer whether to act. [It's how soon you can start.](#)





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