



Transforming Retail Procurement: Overcoming Challenges, Optimising Supplier Strategy & Delivering Sustainable Results.

A White Paper for Retail Procurement, Operations and Sustainability Leaders

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Transforming Retail Procurement: Overcoming Challenges, Optimising Supplier Strategy & Delivering Sustainable Results

Executive Summary

Retailers today are operating in the most complex procurement environment the sector has ever faced. Supply chain disruption, margin pressure, sustainability expectations and operational fragmentation all place new burdens on today's procurement teams. Traditional procurement models that are often reactive, fragmented and cost-focused, are no longer adequate in an environment defined by volatility, continuing legislative change and increasing customer scrutiny.

This white paper explores three connected areas of modern retail procurement focusing on identifying the structural patterns that repeatedly undermine cost control, resilience and sustainability execution.

Retail procurement challenges

Supply chain volatility, lack of spend visibility, fragmented supplier performance and rising compliance demands.

Retail procurement challenges

The real cost-risk dynamics behind single-source and multi-supplier models and how Retailers can choose the right strategy for each product category.

Retail procurement challenges

Why sustainability targets often fail at execution, and how procurement can become the engine that delivers measurable environmental progress.



Brand reputation, operational friction and eroding margins are the risks of not taking action.

Retailers who modernise procurement now will not only reduce cost while improving reliability but also accelerate progress towards achievable sustainability goals and build a more resilient supply chain.



Introduction

Retailers are operating in a procurement environment defined by volatility, complexity and unprecedented scrutiny.

Retail supply chains are under unprecedented strain. Global disruption has become a constant reality rather than an infrequent challenge. Retail margins continue to contract as prices fluctuate; shipping and distribution costs rise and consumer pressure for value increases as the cost of living continues to impact spending.

In parallel, Retailers face tightening regulatory frameworks, rising labour costs and the need to implement sustainability measures across their operations.

Procurement sits squarely at the centre of all these forces. It directly influences not just cost, but product availability, quality, operational efficiency and environmental impact.

Historically, procurement in many retail environments has been viewed as an administrative function: transactional, cost-focused and reactive. In today's landscape, this approach is no longer viable. Procurement must now act as a strategic business driver, bringing rigour to all sourcing and supplier-management processes.

This white paper outlines the critical challenges facing retail procurement, explores how supplier strategy influences cost and resilience, and provides a practical blueprint for integrating sustainability into the procurement process. It draws on real-world retailer challenges, market insights and practical guidance to support procurement and operational leaders in building a more robust, transparent and future-ready procurement function.



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1

Today's Retail Procurement Challenges

Retailers face several connected procurement issues that, if not addressed, can create substantial cost leakage, inefficiencies and operational uncertainty. These challenges are being amplified by heightened volatility across supply chains.

1.1 Supply chain volatility and vulnerability

Retail supply chains have become highly susceptible to global and regional disruptions such as:

- Transport and delivery delays
- Extreme weather events
- Labour shortages impacting manufacturing and distribution
- Inconsistent product quality

These challenges result in unpredictable lead times, fluctuating costs and the risk of stockouts during peak periods. Retail procurement teams must operate with far greater foresight than ever before.

1.2 Lack of spend visibility and maverick spend

A persistent challenge in retail environments is low visibility of spend across stores and on which products. This often leads to:

- Inconsistent and unexpected costs across the retail network
- Duplicate or unnecessary purchasing
- Uncontrolled ad hoc purchases
- Difficulty forecasting spend or understanding stock levels
- Inefficient reporting
- Surprise cost spikes
- Large administrative burden to manage

Maverick spending (where stores or departments order outside approved suppliers or products) is a major cause of cost leakage and product inconsistency. Industry benchmarks typically show Retailers lose 3 – 8% of controllable spend to maverick purchasing.

3-8% 

of controllable spend is lost by Retailers to maverick purchasing



Customer Spotlight

A national charity retailer was struggling with a multiple supplier procurement model which they felt was resource hungry and not sustainable. The busy head office team, as well the shop staff, were spending several hours each month involved in procurement.

Switching to a single supplier purchasing model meant the charity had greater control and visibility of what was being procured, mitigating all unnecessary spend.

Without clear data on purchasing behaviour, procurement teams cannot leverage economies of scale or negotiate stronger contracts. This lack of visibility makes it difficult to identify purchasing inefficiencies and fully understand the true total cost of ownership across products, suppliers and the wider supply chain.

1.3 Supplier performance and reliability challenges

Supplier variability is one of the most critical but often hidden drivers of cost and operational risk. Inconsistent supplier performance shows in:

- Quality variations
- Missed, partial and disruptive deliveries
- Non-compliance with product specifications or sustainability expectations

When Retailers operate across multiple store locations and supplier relationships, these inconsistencies become amplified. Poor supplier reliability ultimately drives higher operational costs.

1.4 Compliance, governance and growing complexity

Retailers are balancing complex layers of compliance:

- Packaging legislation (EPR, plastic taxes, recycling targets)
- Sustainability and ESG reporting requirements
- Ethical sourcing pressures
- Health and safety and product compliance
- Internal brand and quality standards

Procurement teams are increasingly expected to be both operational and regulatory experts.

As the landscape becomes more complex, Retailers require stronger governance, clearer frameworks and tools that offer better visibility and control.

2

Supplier Strategy: Single vs Multi-Supplier Procurement

Supplier model selection is one of the most significant strategic decisions in retail procurement and often one of the most misunderstood.

Many Retailers assume multi-supplier models increase resilience and reduce dependency. Others believe single sourcing guarantees better pricing, reliability and consistency. In reality, both models have strengths and risks, and it depends on the success in finding and collaborating with the right supplier or provider.

2.1 Benefits of supplier consolidation (single-sourcing)

A carefully executed single-supplier approach can provide substantial strategic advantages:

- Improved pricing
- Preferential terms
- Centralised quality control
- Consistent product quality across stores
- Reduced administrative overhead
- Fewer invoices
- Simplified ordering
- A standardised procurement process
- Stronger strategic partnership

Retailers build deeper, more collaborative relationships with key suppliers leading to improved innovation, service levels and joint problem-solving.

2.2 Benefits of a multi-supplier model

A multi-supplier structure offers:

- Risk diversification
- Access to specialist products

2.3 The hidden costs of a multi-supplier model

Although multi-supplier approaches often appear resilient, they frequently introduce inefficiencies that impact margins and obscure total system cost, even where headline pricing seems competitive.

- Lower volumes per supplier reduce negotiating power and lead to higher prices.
- Increased administrative overload

McKinsey notes that companies increasing supplier base often face higher SKU costs and significantly higher procurement overheads due to contract management and coordination workload by as much as 5 –10% (McKinsey & Company, 2024).

Every additional supplier results in more:

- Contracts
- Payments to process
- Deliveries
- Quality checks and audits
- Relationship management time
- Inconsistent product quality
- Unknown environmental impact
- Back-of-house disruption

Typically, a multi-supplier purchasing strategy is known to reduce visibility on spend, performance, compliance and sustainability metrics.

QIMA's who are world leaders in Test and Inspect product auditing, found that in their global supplier compliance survey that only about 15% of procurement teams in multi-supplier relationships had visibility beyond their tier-1 suppliers meaning the value chain becomes largely opaque creating a blind spot on compliance and environmental practices and consequently traceability.

2.4 The risk of over-consolidation

Conversely, over-consolidation introduces different risks:

- Dependency on a single point of failure
- Potential complacency or slowed innovation

Ultimately, it comes down to a number of factors such as product categories, the resources available and the critical nature of products being supplied. Operational consumables, such as till rolls and toilet rolls, which can be sourced from any number of suppliers – and are well suited to a single source purchasing environment.

Choosing a supplier partner who is a trusted across multiple product categories will mitigate concerns around risk.

Customer Spotlight



The leading UK supplier of electrical goods completely eradicated their issue of inconsistent packaging procurement by consolidating their buying to one supplier and using their centralised ordering platform across all their outlets.

Single Supplier vs Multi-Supplier Procurement

Operational Area	Single Supplier Model	Multi Supplier Model	Impact
Pricing consistency	High	Low	Harder cost control
Negotiation Power	Strong	Weak	Higher SKU costs
Admin overhead	Low – 1 invoice, 1 contract	High – multiple invoices, contracts	5-10% resource drain
Delivery frequency	Consolidated, predictable	Frequent, inconstant	Increased store disruption
Product Quality Variance	Low and standardised	High	Disruption, returns and customer experience
Sustainability Reporting	Centralised, transparent	Fragmented and unclear	Poor ESG traceability

3

Why Retail Sustainability Targets Fail and How to Fix Them

Retailers invest heavily in sustainability programmes, yet many fail to meet targets. The issue is rarely around a lack of intent. More often, sustainability objectives exist in parallel to procurement decision-making rather than being embedded within it.

3.1 The ambition – execution gap

Boards set public sustainability commitments such as packaging reduction, carbon footprint targets, or waste minimisation but these goals often sit apart from the daily realities of procurement, operations and supplier management.

This disconnect results in:

- Targets without operational plans
- Supplier requirements that lack measurable criteria
- Goals that look good on paper but cannot be executed

3.2 Fragmented ownership and conflicting KPIs

- Sustainability teams focus on environmental outcomes
- Procurement teams focus on cost savings
- Operations focus on speed and availability

Without aligned KPIs, sustainable decision-making becomes inconsistent easily deprioritised, or overridden by short-term operational pressures.

3.3 Supplier misalignment

Many suppliers do not have:

- The systems to track sustainability metrics
- The capability to understand or see the opportunities in the new packaging standards
- Incentives to improve environmental performance

Without aligned expectations and measurement, sustainability becomes aspirational rather than operational.

3.4 Why procurement is the key to sustainability success

Procurement is in a position to make the final decision for the retailer on:

- Material specifications
- Supplier selection
- Contract terms
- Price negotiations
- Packaging and logistics decisions

Every sustainability outcome is either enabled or constrained at the point of sourcing. Embedding sustainability into procurement transforms targets into actionable steps.



3.5 How to embed sustainability into procurement

Effective procurement-led sustainability includes sustainability scorecards such as:

- Packaging footprint and recyclability
- Recycled content
- Material origin
- Carbon footprint of supply
- Transport impact
- Supplier KPIs
- Sustainability deliverables built into contracts
- Operational integration



Agreed product ordering lists at store level can reflect sustainable options where possible, empowering procurement and store teams to recognise and prioritise sustainable choices.

Sustainability audits consistently find 20–30% packaging waste reductions through procurement-led optimisation initiatives.

WRAP (Worldwide Responsible Accredited Production) Certification Body sees the opportunity to embed the principles of sustainability within procurement activities and that it's considered at the earliest stages of the buying process.

4

A Unified Procurement Framework for Retail

To solve challenges, optimise supplier strategy and deliver sustainability results, Retailers need a unified procurement model. The following five-step framework integrates cost, performance, resilience and environmental goals into a single operational approach.

Step 1 Procurement Health Check

- Analyse spend visibility
- Assess maverick spend and leakage
- Map supplier performance
- Review ordering patterns
- Conduct a sustainability baseline assessment

Step 2 Supplier Strategy Optimisation

- Categorise products
- Identify consolidation opportunities
- Set standards for quality, service and sustainability

Step 3 Embed Sustainability into Procurement

- Integrate sustainability scoring into tenders
- Standardise environmental requirements
- Mandate reporting from suppliers
- Build sustainability into category reviews
- Reward high-performing suppliers assessment

Step 4 Operational Enablement

- Adopt procurement technology that improves visibility
- Implement real-time dashboards
- Streamline ordering and approvals
- Strengthen store-level compliance
- Provide store teams with clearer product guidance

Step 5 Continuous Improvement

- Quarterly supplier performance reviews
- Annual procurement strategy resets
- Sustainability progress tracking
- Supply chain stress-testing

Conclusion

Procurement is now one of the most powerful, and most under-examined, levers in retail performance. It influences cost, resilience, sustainability and customer experience. Retailers who elevate procurement from a transactional function to a strategic capability unlock substantial value and future-proof their operations.

Including sustainability at the start of the procurement process as a KPI guarantees a better outcome for targets and pledges.

Retailers that adopt a unified procurement approach gain more than efficiency: they regain control, clarity and credibility across cost, operations and sustainability

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