Optimize Sourcing with Keelvar and SAP Ariba

The ability to source goods and services efficiently is a critical success factor for almost every business.

Growing competition, supply-chain pressures, price volatility and the demands of digitalization mean enterprises need flexible sourcing that delivers best price, while building strong supplier relationships and fulfilling environmental and social responsibility commitments.

These requirements apply across the sourcing spectrum from strategic to tactical and tail spend. Categories such as logistics, packaging and MRO take up a growing proportion of turnover for many businesses, and sourcing savings can deliver a direct improvement in market value.

A March 2023 **McKinsey** report proposes a ten-point resilience toolbox for procurement leaders to counter price volatility, inflation risks and shortages. Optimizing end to end sourcing operations and adopting a coordinated, holistic approach are important elements of this toolbox.

Keelvar with SAP Ariba can transform the sourcing function, delivering the optimization, coordination and automation businesses need to maximize value, protect against volatility and build more resilient supply chains.

In a world where many organizations still rely on spreadsheets to manage complex sourcing events, this eBook introduces Keelvar with SAP Ariba as the expanded toolset sourcing needs to realize the benefits, seize the opportunities and meet the challenges, recognizing that "a carpenter needs more than one tool."

Optimized sourcing delivers substantial business value

While cost-effective sourcing of materials, goods and services has always been a key component of running a successful enterprise, it has become more important as business models have evolved.

The strategy of sourcing non-core business elements flexibly to reduce fixed costs and gain economies of scale has been well established since the 1980s.

In areas such as the airline sector, technology has been a key enabler for the growth of the virtual enterprise, where most functions are outsourced.

eCommerce has fueled the trend towards more external sourcing, with vertical integration of production, marketing, sales and distribution within a single organization being superseded by digital-driven, agile, flexible B2B integrations across the value chain.

This growth means sourcing takes up an increasing proportion of corporate expenditure. Procurement services provider **Proxima Group** reports that Fortune 500 companies' average external supplier costs account for 75% of spend.

With these levels of expenditure, action to increase sourcing efficiency can directly increase the market value of the enterprise. Keelvar research suggests that average spend on transportation logistics has grown from 2-3% of turnover before the COVID pandemic to 6-7% in 2023. A $10 billion turnover company that saves 10% of its annual logistics spend through optimized sourcing could therefore realize a $70 million yearly benefit.

Optimizing sourcing can deliver major, measurable business value, but what are the specific opportunities and challenges that should shape and drive today's sourcing approach?

Opportunities and challenges for sourcing optimization

As businesses grow and diversify, sourcing becomes more complex. This creates opportunities and challenges for sourcing optimization.

The street-corner lemonade seller may optimize their sourcing simply by dealing with the citrus farmer who offers the best price, quality and reliability.

Optimizing sourcing in a multinational enterprise is vastly more complex. This creates challenges, but most importantly, it offers opportunities to deliver exponentially greater value to the business.
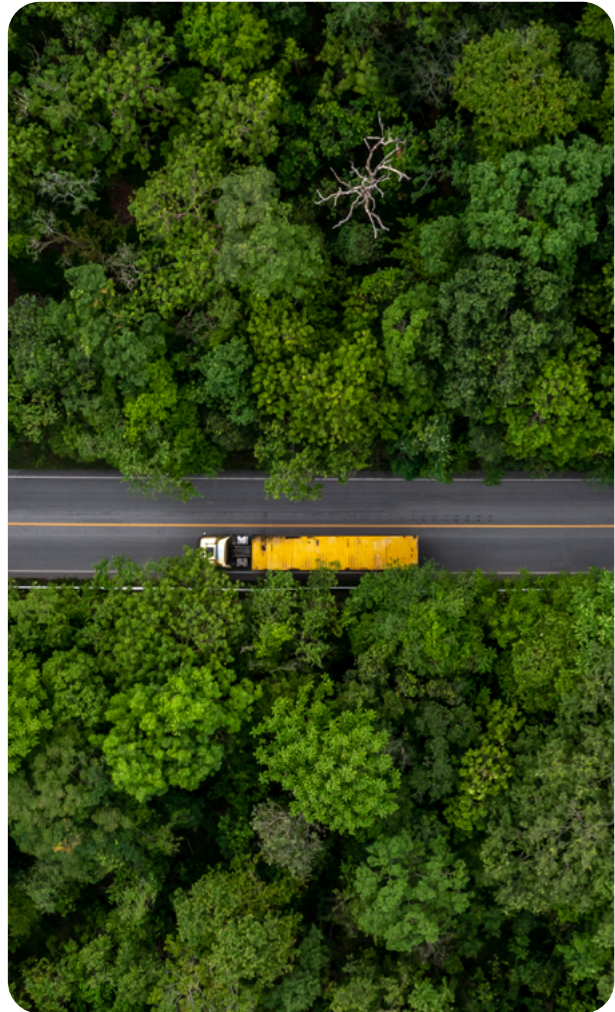
Here are seven key opportunities and challenges for sourcing today

1. Aggregation

Aggregating events and deals across regions and functions creates value by leveraging economies of scale, harnessing volume discounts and optimizing the supplier pool.

The challenge for large, multinational, multi-functional enterprises is to manage the complex and diverse information flows this involves.

2. Building productive supplier relationships

Building stronger, more productive supplier relationships, with greater transparency and shared understanding of factors like supplier capacity, reduces risk and drives value.

3. Improving stakeholder engagement

Engaging stakeholders throughout the sourcing event cycle, from scoping, through running, analyzing and awarding, maximizes value by minimizing the risk of a deal failing to deliver what stakeholders need. Capturing and tracking requirements, and clear and timely communication and data exchange throughout the cycle, assure effective end-to-end stakeholder engagement.

4. Delivering across balanced goals – financial, environmental and social

Many enterprises are looking to demonstrate their commitment to meeting their environmental and social responsibilities as well as their financial goals. Building deals that deliver the optimum balance between these three objectives helps deliver this commitment, enhancing brand value and reducing supplier risk.

5. Optimizing tactical and tail spend

Tactical and tail spend – high-volume, low-value and ad-hod purchasing - is generally reckoned to represent roughly 80% of enterprise sourcing activity yet only 20% of sourcing spend. Even so, this 20% can still represent a significant proportion of revenue, so there is still value in optimizing it. Often the biggest challenge to doing this is lack of procurement resources.

6. Mitigating supply chain risk

Building understanding of supplier capacity and risks throughout the sourcing event cycle enables deals that increase supply chain resilience and flexibility. As highlighted by a January 2023 **EY survey**, supply chain pressures since the COVID pandemic are driving enterprises to build more robust supply chains, with sourcing performing a key role.

7. Pushing new sourcing frontiers without increasing spend

Procurement is challenged with finding new opportunities to optimize spend without increasing its budget. Sourcing optimization can empower procurement to deliver a greater volume and wider range of deals, adding business value without more spend.

Taking sourcing beyond the spreadsheet

To seize these opportunities and meet the challenges, businesses need visibility and control over all the data in the sourcing process.

Sourcing for medium to large enterprises often involves complex, multi-line sourcing events that need to gather, collate, interpret and share massive amounts of data from disparate sources.

Now, this often relies on creating and exchanging manual and semi-automated data sources, such as spreadsheets.

Sourcing professionals can spend much of their time assembling, cleansing, communicating, and interpreting this data, instead of being able to focus on where their skills add most value.

This adds cost, stints productivity, and can inhibit flexibility. For example, the overhead of dealing with any deviation from the scope or approach defined in a Request for Quotation (RFQ) can preclude suppliers from offering alternative solutions.

The Keelvar story

Even smaller enterprises have to grapple with complex data as they look to optimize their sourcing.

Seeing his parents continually juggle spreadsheets to manage sourcing for their small chemical company inspired Keelvar founder and CEO Alan Holland to apply his expertise in AI, optimization, and game theory and create a software solution for sourcing optimization.

That solution became the foundation for Keelvar Sourcing Optimizer, which now combines with the power of SAP Ariba to deliver best of breed optimization capabilities across strategic and tactical sourcing.

Keelvar Sourcing Optimizer drives improved strategic spend

Keelvar Sourcing Optimizer enables medium to large enterprises to reduce costs, cut cycle times, increase productivity, and improve buyer & supplier engagement, across all categories and sectors.

It offers data management capabilities to capture, manage, connect and analyze the vast range of data involved in strategic sourcing events and bids. It replaces spreadsheets and hard to adopt legacy optimizers with a suite of features delivered through an intuitive user interface, integrated seamlessly with the proven corporate procurement platform power of SAP Ariba.

✓

Flexible bidding - Suppliers can provide conditional discounts, create item bundles and submit alternative bids. Bids can be entered manually or uploaded via Excel, and bidders are provided fast feedback via traffic light rating or rank.

✓

Scenario Analysis – Unlimited scenarios can be created and analyzed without specialist coding. These enable modelling of business constraints, comparison of sustainability and risk impacts for different scenarios, and evaluation of complex supplier discount setups.

✓

Multi-round RFQs – Enables multiple rounds of RFQs to promote competition while providing feedback (traffic light rating or rank) to suppliers about their relative competitiveness.

✓

e-Auctions - Keelvar supports reverse auctions that enable suppliers to bid against each other in spend categories where requirements are easy to define and quantify.

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Keelvar ›

> Keelvar greatly reduces administrative overhead, enabling sourcing professionals to get away from cleansing and collating data to focus on the qualitative work of building supplier relationships and evaluating bids.

Keelvar Sourcing Optimizer deals with the diverse threads and inputs that can overload manual approaches to strategic sourcing events, such as:

> Sending the same RFI spreadsheet to hundreds of suppliers. Keelvar replaces the manual overhead of collating and scoring replies in a master spreadsheet, providing an automated, scalable process with guardrails that, for example, can filter outlier responses and focus attention on only good quality quotes.

> Different supplier preferences from different business units and geographies. Keelvar can model scenarios to determine precise economic impacts of, for example, retaining some business with an incumbent in one geography, enabling more fact-based decision-making.

> Suppliers offering alternative solutions, or to broaden the contract scope for a better price. Keelvar can absorb, analyze and evaluate these alternatives. The Keelvar concept of expressive bidding, facilitated by its optimization and scenario analysis capabilities, enables suppliers to package lanes together.

> Giving suppliers ongoing visibility of how their bid is performing against other suppliers, with traffic lights, rankings or lowest bid reporting, rather than backloading the process with negotiations at the end.

> Ensuring the supplier has the capacity to deliver once contracts are in place, through capturing and assessing detailed capacity requirements.

> Meeting requirements for evidenced, trackable reporting of spend impacts to C-level in support of corporate targets for cost reduction.

Keelvar and SAP Ariba – the optimal toolset for today's complex sourcing challenges

Sourcing for a complex modern business demands a toolset that optimizes all aspects of the sourcing processes and integrates seamlessly into the wider operation.

Keelvar combines and exchanges data with SAP Ariba, layering powerful optimization and automation capabilities onto SAPs established, industry-leading procurement platform.

Keelvar's status as an SAP Spotlight Partner, and its presence on the SAP Store, reflect SAP's commitment to offering its customers the rich range of tools they need, complementing its proven value as an enterprise platform with market-leading specialist capabilities.

As Rajiv Nema, Senior Director, Partner Programs at SAP, highlighted in a recent blog:

> *By integrating Keelvar's Sourcing Optimizer with SAP Ariba, businesses obtain a powerful sourcing tool capable of tackling the most complex events. The integration enables centralized sourcing event management, tracking, and analysis while leveraging advanced features to leverage flexible supplier data and bids, cost modeling, and advanced scenario analysis to determine the optimal award outcomes.*

Why SAP Ariba customers should use Keelvar

This graphic provides a more detailed view of how SAP Ariba and Keelvar integrate to enable seamless, flexible, information-rich optimization of the end-to-end sourcing process.
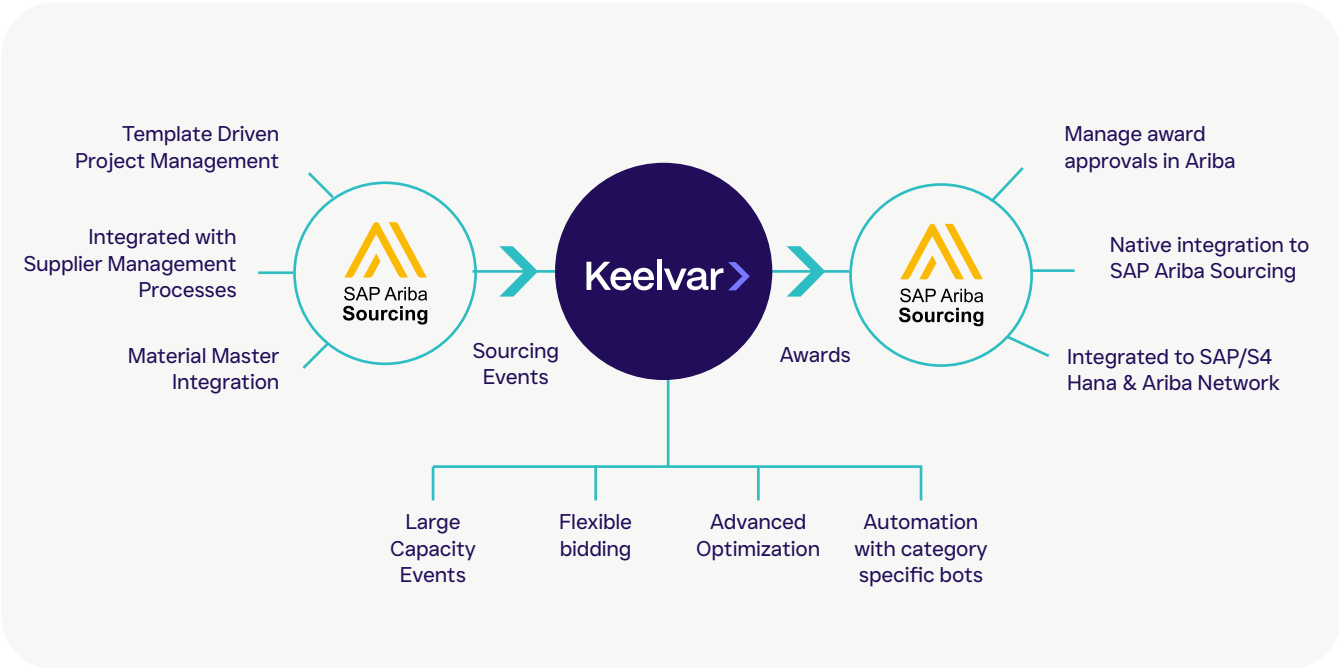
For SAP Ariba customers facing growing and ever more complex sourcing requirements, integrating the power of Keelvar with existing SAP Ariba capabilities is a key enabler for success.

Enterprises that already enjoy the benefits of SAP Ariba's template-driven project management, award approval management, and integration with core business processes and platforms, can seamlessly merge in Keelvar's powerful intelligent sourcing to turbocharge their procurement capabilities.

User stories – Keelvar Sourcing Optimizer delivering sourcing success daily

Keelvar delivers sourcing optimization benefits to large and medium enterprises globally, every day.

Keelvar-driven sourcing outcomes that we have delivered for our customers include $60m technology cost avoidance and 25% extra savings in packaging.

You can read about some of our success stories at **www.keelvar.com/success-stories**, including:

How **Mars** turned to Keelvar to deliver powerful digital transformation initiatives, making it easier for internal teams to build and create the complex sourcing events that were proving a challenge with their existing sourcing tool, thus delivering impressive cost savings.

How **Carlsberg** optimized €600 million in logistics by moving from resource and time-intensive spreadsheets and email for managing market-specific sourcing strategies to Keelvar Sourcing Optimizer.

How **CJ Logistics America** partnered with Keelvar to replace time-consuming and slow manual sourcing processes with an agile approach powered by Keelvar.

What next?

To find out more about how Keevlar with SAP Ariba can drive better sourcing outcomes for your business, reach out to me on **LinkedIn**, or visit us at **www.keelvar.com**

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