

EBOOK

Tackling Supply Chain Shocks With Sourcing Tech

The role of software in helping logistics teams navigate market complexities.



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Introduction

The sourcing of transportation services is known for its complexity, but sourcing freight has become more complex than ever. Companies that produce, move, and sell goods have all felt the sting of decreased flight numbers coupled with increased costs for ocean freight and other avenues of transport.

The unprecedented disruption caused by the coronavirus pandemic, compounded by the Suez Canal blockage, and further exacerbated by the Russia-Ukraine conflict has removed any semblance of what we once believed to be 'normal' business activities in procurement and sourcing.

Here are just a handful of the realities impacting supply and distribution today:

- Uncollected cargo and port congestion
- Reduced workforces or port and warehouse closures
- Suspended services and fewer access points to ocean trade
- Stranded crew and other transportation workforce shortages
- Drops in air cargo capacity due to fewer passenger flights
- Unforecasted swings in demand for certain types of goods
- Skyrocketing air freight and tanker rates
- Distribution challenges for perishable goods
- Massive increases in small parcel delivery due to more online shopping
- Spiking oil prices and soaring fuel costs

This is only tip of the iceberg bearing down on sourcing functions trying to keep their businesses afloat while cargo movements are at a standstill and budget management has become a struggle to orders of a magnitude never experienced in the industry before.

With regular sourcing tactics interrupted and limited, business operations are being forced to adapt rapidly. Spot market buying of logistics capacity across all modes of transportation for many has surged in the number of requests that needed to be responded to and tracked more efficiently and with best practice.

The Role of Tech

As transportation sourcing personnel become overwhelmed by their increasing workloads, what they need most from technology is not more data – they need actioned intelligence where the software solution reduces the load and performs the work that would otherwise fall on their shoulders.

Many leading procurement teams are turning to automation and artificial intelligence to combat the turbulence.

With the world reeling from the effects of the pandemic, climate change and politically-charged supply chain logjams, it's difficult to imagine things in procurement could ever be the same again. But if there is a silver lining to the complexities it's that the industry could emerge as a beacon of resilience by investing in supplier partnerships and innovation and transforming into an agile operating model – with a little help from powerful eSourcing software.

This ebook is a collection of recently published pieces on how sourcing optimization and automation technology can improve your sourcing strategy and aid your transportation sourcing processes.



Signs It's Time for a Sourcing Toolkit Upgrade

Some supply chain shocks are here to stay – and as businesses continue to strive for resiliency, their procurement teams need to prioritize speed, responsiveness and agility across sourcing and transport programs.

Everything from new business requirements, changing stakeholder preferences, supply-side innovations and limitations, pricing variability, and competitive pressures are all areas that can and do affect the practice of both strategic and tactical sourcing. The sourcing tools that support that work must be able to adapt over time to those evolving needs, or risk obsolescence.

Spreadsheet and desktop tools that rely on manual, email-based collection of supplier bids and analysis have the perception of being quick, easy and familiar, even though they likely may not be. When basic e-sourcing tools are used in sourcing events featuring many suppliers, issues can arise when data that is “unclean” or introduce conditionality in their bids that Excel is not able to interpret and defend against.

Additionally, buyers often choose to limit the type of data they collect in their RFPs to avoid dealing with the analytical complexity that results, and this often means savings and other value is sacrificed for simplicity. These issues are just the tip of the iceberg -- as none of this practice becomes centralized, easily auditable, scalable, or capable of decision innovation.

Market turbulence is a key feature of today's sourcing landscape, so your team needs to be agile and able to react quickly to increase speed and turnaround. With that in mind, it might be time to consider an upgrade or addition to your sourcing toolkit when:

1. You Need to Model More Than a “Lowest Price” Decision

Lowest-price-only buying decisions may be fine for some simple e-auction events, but in many cases, buyers and their spend stakeholders want to evaluate other criteria such as sustainable sourcing practices, delivery speed and reliability, contract terms, capacity, and more.

Even if that data is collected through an emailed spreadsheet or eRFP tool, it may not be incorporated into a model that allows you to analyze and cost various scenarios with those bid attributes.

2. Your Suppliers Would Benefit From More Flexible Bidding Options

Suppliers want to put their best foot forward in a competitive bidding process. If the bidder has a financial incentive, favorable terms, or even an innovation or alternative item or lane to submit that the buyer might view as better overall, they want a tool to accommodate those offers.

Many e-sourcing tools on the market don't allow for more flexible event setups that give suppliers those creative bidding options. Not only does this tie the hands of the suppliers, but the procurement team also misses out on getting insights into new areas of potential savings or risk reduction.

3. You Have To Support Larger-Scale Sourcing Events

Spot bidding may be commonplace now, but strategic sourcing teams still need to support their largest RFPs with ease and efficiency. However, many e-sourcing tools simply can't handle an event over a certain number of items/lanes/SKUs (rows), bid attributes (columns), and invited bidders.

That means the buyer is back to using the spreadsheet that is home to the RFP and manually collecting all the bids -- or sub-optimally breaking it up into smaller events.

4. You're Looking To Future-Proof With Innovation and Automation

Procurement organizations increasingly rely on technology to help them achieve scale, efficiency, and measurable savings to meet their responsibilities. That means sourcing solutions should continue to innovate.

Sourcing leaders seeking competitive advantage and agility are looking more closely at technology product roadmap plans to determine if they are partnered with a solution provider that will carry them forward.

A Death-Knell For Legacy Tech?

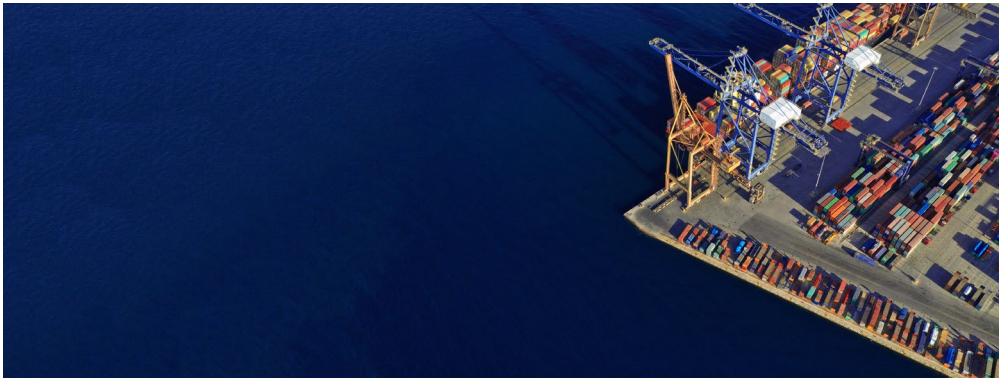
With supply chain challenges set to continue, organizations are striving to respond by equipping themselves with the technology that can flexibly work for both standard and complex sourcing – particularly as the need to drive non-cost objectives around sustainability initiatives, delivery speed, and more rises. As a result, companies are increasingly modernizing their technology solution suite to include both simplistic e-sourcing tools and sourcing optimization solutions.

The next section of this ebook covers how a two-pronged sourcing tech strategy enables more sourcing teams to satisfy a wide range of sourcing requirements while centralizing data, boosting sourcing outcomes, and responding more quickly.

Two Solutions to Help Meet Your Goal

Amid the turbulence, industry leaders are holding sourcing events more regularly in an effort to deal with fluctuating demand and availability. To deal with the complexities, organizations should invest in technology that allows teams to put their best foot forward in both conventional and complicated sourcing events. This is especially true when the need to take into account non-cost objectives like sustainability, delivery speed, and more, grows.

As a result, businesses are expanding their technology solution package to include basic e-sourcing tools and sourcing optimization software. This two-pronged strategy enables buying teams to cover a broader range of sourcing requirements while also centralizing more data and insights, improving sourcing outcomes, addressing new priorities, and responding more quickly to disruptions.



Basic E-sourcing or Sourcing Optimization?

The answer is both: basic e-sourcing tools and sourcing optimization are complementary technologies that may be used in tandem to meet various sourcing requirements. The main difference between the two is the amount of decision help and the enhanced analysis speed.

E-auctions are a basic e-sourcing method that is well-suited to award circumstances favoring lower cost over other considerations. For example, when a company has to purchase a large quantity of an indirect product from a single source (think office furniture or IT), this technology can help buyers quickly make a selection based on the best offer out there.

On the other hand, these solutions are unable to take into account the extra considerations that complicated situations or competing business priorities entail.

A basic e-sourcing tool won't suffice in today's market when freight container and fuel rates are skyrocketing, shipment delays are shattering records, and customer demand is constantly fluctuating. When you include other stakeholder ambitions such as factoring in sustainability to award decisions, buyers will have even more considerations to make. And that's when sourcing optimization takes precedence.

Sourcing optimization allows teams to move beyond the traditional "lowest-cost-wins-all" award decision-making. Instead, buyers can gather a variety of price and non-price bid information from suppliers and then evaluate alternative awarding scenarios that take those criteria and other limitations into account. This approach is also proven to yield some of the most significant ROI paybacks in procurement as it enables users to elicit savings that are hard to unlock with more basic approaches.

Two Technologies, One Goal

Given the ongoing flux in the market, a combination of both standard e-sourcing technologies and sourcing optimization is optimal in helping businesses adapt and evolve. Combining technologies that function well together allows sourcing teams to manage diverse forms of spend in the same environment. But knowing when to utilize each is crucial.

For example, sourcing optimization was once reserved for annual RFPs. And while sourcing optimization is best suited for these larger, more infrequent events, there is a strong case for using it more often as the complexity of sourcing events sourcing teams need to run increases.

Additionally, buyers today must make award selections based on more than simply the lowest price. Failure to consider factors such as limited capacity, CO2 emissions, longer shipping times, and increased turbulence in the market are all concerns that can impact the buyer and their company. Making a strategic award selection means taking into account all of the variables in the equation, such as:

- How socially responsible is this supplier?
- How fast will they be able to deliver?
- Do they have any pricing packages?
- And much more...

Sourcing optimization provides answers to these and other issues, allowing your business to see all of the cards on the table and build a winning hand.

By automating data validation, you'll be saving yourself and your team plenty of time and effort.

Simple e-sourcing technologies are highly effective, for example, when renewing a contract with a long-term supplier. But sourcing optimization is needed for making business decisions where there's more at stake and where there may be various new options to consider. Such strategic spending necessitates greater transparency and knowledge, and in these instances, sourcing optimization is the right tool for the job.

Summary

Depending only on legacy software or old technology is no longer an option for logistics sourcing professionals who want to get ahead. When it comes to running a standard bidding event, basic tech might be the right option for getting quick and straightforward results. But when making high-stakes sourcing decisions, you need optimization technology on your side.

In these challenging times, procurement personnel needs every edge they can get, and a dual strategy to sourcing provides them that. Finding much-needed resilience may be as simple as two sourcing technologies cooperating to achieve a singular goal.



Supply Chain Volatility & The Spot Buying Dilemma

CNN BUSINESS

The shipping crisis is getting worse. Here's what that means for holiday shopping

By Hanna Ziady, CNN Business

Updated 1543 GMT (2343 HKT) August 23, 2021

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No lull to see here: Spot rates post fresh all-time highs

Andrew Cox Tuesday, August 17, 2021 7 minutes read

CSCMP's
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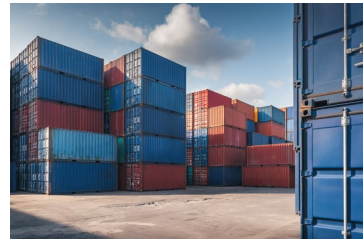
Shippers face premium trucking prices as holiday merchandise floods ports

DAT forecast shows little relief as delayed ships lay anchored off west coast, and chassis trailer shortage deepens.

The New York Times

The World Is Still Short of Everything. Get Used to It.

Pandemic-related product shortages — from computer chips to construction materials — were supposed to be resolved by now. Instead, the world has gained a lesson in the ripple effects of disruption.



Supply chain disruptions have been making global headlines, so it's of no surprise that Chief Procurement Officers and sourcing teams are seeing an increase in workload complexity on all fronts. As we touched on earlier, for logistics procurement in particular, long-term commitments have taken a backseat as the practice of spot buying has become more routine in the sourcing picture. As a result, buyers are regularly forced to take an ad-hoc approach to meet business objectives and drive profitability.

Seeing Spots

Spot buying may have always occurred in logistics procurement, but since the beginning of the Covid-19 pandemic, the practice has been brought to a whole new level. These days it's not uncommon for some Keelvar customers to see hundreds (if not thousands) of spot buying events taking place throughout the year due to supply chain fluctuations and market changes.

This increase in tactical sourcing is not only placing extra demand on employees who should be focusing on more strategic initiatives, but it's also bad for business as reactive, spot bids are frequently discussed offline outside of a traditional e-sourcing process, resulting in untracked data that teams can't utilize for forecasting or reporting afterward. The wider team is unable to observe all bidding activities or track costs because of offline conversations, and their adherence to sourcing process compliance is regularly unclear.

Another issue is that in today's market shippers no longer have the upper hand. Once upon a time it was down to carriers competing for business, and now that role has reversed. Carriers are unwilling to hold rates for one year and are often asking for quarterly, monthly, or even more frequent changes. Competition today is often more about the buyer needing to secure reliable capacity than about seeking the best rate.

With the balance of power so heavily shifted towards carriers in logistics markets, transportation procurement professionals are finding themselves caught up in these seemingly endless tactical activities and unable to find enough time to drive strategic category changes.

Dealing with this deluge of work to constantly update rates, renegotiate, and re-award is taking up your sourcing team's time and resources. It's not the best use of their resources, of course, but how to break the cycle? The concept of re-running an RFP that took months seems daunting and would be infeasible to some on anything but an annual cadence.

Using Tech to Get Ahead of the Game

Leading sourcing teams are turning to sourcing optimization and AI-powered automation to combat the turbulence and navigate markets that are changing faster than ever before. What many have discovered in the process is that it's not only highly strategic or annual RFPs that can derive significant benefits from harnessing such technology.

Benefits include:

Processes Are 100% Transparent & Traceable

Spot bids are often negotiated outside of a formal e-sourcing process, resulting in untracked or error-prone data that can't be used for forecasting, tracking spend or process compliance. As a result, it can be difficult to meet requirements around business traceability and transparency when key information is not being centrally digitized.

Buyers Are Relieved of “Busy Work”

Even during ‘normal’ times, processes such as obtaining new lane rates were taxing and resource-consuming, particularly when there’s only so much time a human worker can allocate to the volume of tasks being asked of them. Spot bidding adds another frustrating layer of complexity – some Keelvar customers have identified as many as 35 manual steps required with one single spot bid.

Greater Competition In The Bidding Process

A competitive bidding process with a large number of invited suppliers can pile a lot of extra work on a sourcing team’s plate without the right solution in place. Spot buying often skips competitive bidding in favor of speed, but this limits competition and – ultimately – leaves potential savings and other benefits untapped.

For everything from large annual tenders with colossal spend sizes to lower spend but higher-volume spot bidding events, Keelvar’s optimization and intelligent automation solutions are being utilized effectively by global customers to optimize processes and automate a large percentage of the work that goes into an event.

An overview of our sourcing solution offering is as follows:

SOURCING OPTIMIZATION

- For strategic, complex RFPs
- Automate 90% of sourcing event creation
- Autopilot multiple rounds of bids
- Automate supplier feedback on price and non-price bid standing

SOURCING AUTOMATION

- For higher frequency tactical buys
- Launch new rate requests in minutes
- Automate >80% of repetitive, tedious tasks
- Humans still make the final award decisions

Specifically within logistics sourcing, Keelvar’s solutions can play a helpful role in aiding buyers to be more responsive and agile in the spot buying process. Keelvar’s Sourcing Optimizer can be configured to automatically notify suppliers, open, close, and award rounds on a set schedule.



Use Case: Ocean Sourcing with Sourcing Optimizer

In this example, ocean carriers have requested monthly pricing and capacity updates, and the Category Manager needs to re-allocate among suppliers.

- The Category Manager runs an RFP through Sourcing Optimizer and awards carriers.
- In the same RFP, the Category Manager blocks non-awarded carriers and sets an additional round to open two weeks before the end of each month through autopilot (or manual configuration).
- The Category Manager can decide whether they allow the participating carriers to update only lanes they have been awarded in the past, certain subsets of lanes, or all lanes, using Keelvar's lot visibility configuration.
- Carriers update their bids with new pricing and capacity when the round automatically opens by Keelvar. The Category Manager can choose to include target pricing or feedback to bidders as an added feature.
- Finally, the Category Manager – or autopilot – can refresh their award scenarios, run new scenarios, or leverage custom awards to reach ideal allocations.

This will allow Category Managers to quickly and easily manage pricing updates and allocation changes while still managing their strategic supplier pool and reducing the RFP burden to a minimal amount.

Volatility? Let Sourcing Bots Handle it

In times of normalcy and crisis alike, Keelvar's Intelligent Sourcing Automation has given procurement teams the competitive edge they need to adapt to market developments that create the need for new bidding events. Our AI-powered sourcing bots for ocean and air freight have been handling and automating tedious tasks like managing and automating all back-and-forth messaging with invited carriers, collecting bid data, conducting rate card lookups, and generating award recommendations.

What can Keelvar's Sourcing Bots do?

Keelvar's Bots bring a consistent process to more sourcing events and improve overall visibility and quality of outcomes. They are designed to execute a number of interrelated tasks that would previously be human-operated. The bot can take an instruction to do a multi-phased job, figure out how best to do it, and revert for further guidance at key control points.

Among the tasks that the sourcing bots take on, they are able to:

- Establish spot bidding events within minutes
- Manage and automate tasks, such as inviting carriers
- Collect and validate bid data from carriers
- Message bid status updates
- Conduct rate card and lane information lookups
- Generate award recommendations



OCEAN BOT

Designed for ocean logistics spend and leverages Keelvar's Sourcing Optimizer platform to improve sourcing decisions.

Meets the need that arise when market changes require buyers to rapidly secure new carrier agreements through spot bidding negotiations.

Helps ocean freight buyers make optimal decisions given a range of category-driven price and non-price inputs.



AIR BOT

Built specifically to solve the complexities and capacity challenges associated with air freight logistics.

Enables buyers to overcome the complexities of factors including reduced air cargo capacity, and increased demand by reacting with greater speed.

Helps air freight buyers rapidly respond to market changes with intelligent automation.

Through integration with Keelvar's Sourcing Optimizer platform, as much as 90% of the work that goes into creating an event can be automated by our Bots with minimal intervention required from the buyer or event manager in the process. And with the product's autopilot feature, your team can take advantage of automated supplier feedback across different rounds on price and non-price factors, encouraging a more competitive climate overall.

Summary: Why Keelvar For Your Logistics Sourcing

Nearly all of Keelvar's customers across the globe have used our solutions for improving savings and reducing time-to-award decisions in at least one mode of transportation procurement.

Among the reasons global brands choose Keelvar are:

- Our ability to scale and support large-scale, complex annual transportation events with greater ease.
- In addition to benefitting buyers, our solution is designed to improve competitive and creative bidding from the carrier's perspective.
- Our advancement of the procurement process by adding in AI-powered intelligent sourcing automation capabilities.
- Strong support from our Customer Success and Professional Services team to help with transportation sourcing event design, management, and achieving business goals.

Solutions Built To Meet Supply Chain Shocks

Our customers have been using Keelvar's solutions to respond quickly to volatile market conditions, and where the lowest price isn't always the key awarding criteria. We've heard from many about how our solutions have supported hundreds of their transport events across all industries, all transport modes, and all geographies in meeting myriad unprecedented challenges.

Thanks to a combination of an intuitive user interface, powerful optimization and automation, our sourcing solutions provide results and savings that are simply not achievable using Excel or basic eSourcing and TMS (Transportation Management Systems) tools.

Whilst there are many things that machines will never be able to do as well as humans, there is also no shortage of tasks for which machines are faster, more accurate and cheaper. Data cleansing, outlier detection, data discovery, learning and reinforcement schemes to reward/penalize good and poor suppliers, respectively, are examples of tasks where machines can outperform experts.

Our sourcing bots leverage AI and sourcing optimization to help teams offload the onerous, detailed event tasks that are better left to machines, while humans maintain full control and oversight.



Customer Use Case: Ocean Sourcing

DAX 20 company saves 23% with Sourcing Optimization

Challenge: A renowned industrial manufacturing conglomerate with more than \$200 million in annual spend volume, this customer's principal business divisions have uniquely different shipping processes, policies, constraints, and multiple suppliers.

The customer was searching for a strategic sourcing solution that could quickly collect and analyze ocean carrier proposals alongside the business rules and preferences of various stakeholders, to increase efficiency and reduce costs, while still ensuring capacity needs were met.

Solution: The customer embarked on a center-led strategy to merge its ocean shipping operations from the business units, choosing Keelvar's sourcing optimization solution to streamline the process and unlock new opportunities for their ocean sourcing.

The customer was able to use Keelvar's solution to engage their ocean freight carriers in flexible bidding which encouraged them to maximize their competitive advantage by offering more cost-effective bids, volume discounts, and by creating efficient lane packages.

With Sourcing Optimizer, the customer leveraged scenario analysis and user-friendly event management capabilities to quickly review carriers' unique proposals as well as the service and incumbency preferences of the various business units.

Results: The customer was able to analyze lowest-cost results in addition to the cost impact of their business preferences and constraints such as the number of core carriers, different ocean alliances, transit times, and ports of origin. This gave the customer more control over the cost of their decisions so that they could find the optimal balance of ocean rates, capacity commitments, service quality, and carrier relationships. Results included:

- Savings of 23% in annual RFP vs. prior bid rounds
- 40% time reduction in managing data and processes
- Multi-objective award criteria with rich scenario analysis
- Advanced data cleansing with benchmark-driven bid feedback

Keelvar's modern sourcing optimization has delivered results for global companies for transportation -- as well as direct materials, packaging, and indirect materials and services -- and we are driving even more innovations in the area of intelligent sourcing automation that helps extend the value of optimization.

Our team is happy to help you with your research into these solutions and provide close looks at our products, even demonstrating with your own data, as you build your business case.

With supply chain turbulence set to continue, there is no question that technology will continue to transform logistics procurement. And against the backdrop of a disrupted freight market with rates and capacity under historical pressure, innovative procurement teams are increasingly looking to understand how people and sourcing software might best interact to achieve the business results they're striving for.

Keelvar has defined intelligent sourcing automation as a new category of software that leverages intelligent systems to automate complex human reasoning that exceeds expert standards. It is constructed using a multiplicity of AI techniques to encode intelligent reasoning and efficiency at various stages in a sourcing event -- from the design of the event to the conclusion of an awarding strategy.

Our customers benefit from automation features baked into our Sourcing Optimizer platform that results in faster event creation, efficient validation of bid data, supplier traffic light feedback, event monitoring, and autopiloting. But taking it even further, our Intelligent Sourcing Automation Bots help sourcing teams handle increasing numbers of smaller, often reactive events as market and supply chain shocks continue to occur.

To learn how Keelvar can help solve your specific sourcing problems in this turbulent market, why not speak to one of our sourcing software specialists at www.keelvar.com/demo