



## Sourcing Optimization

- Modern Software as a Service
- Efficient win-win bid processes
- Flexible eRFx and eAuctions
- Effortless scenario evaluation
- Fluid and intuitive design

SOURCING OPTIMIZATION

 @KEELVAR  
[WWW.KEELVAR.COM](http://WWW.KEELVAR.COM)



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## About Keelvar

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**MISSION STATEMENT: TO HELP BUYING ORGANIZATIONS DISCOVER THE BEST VALUE FOR MONEY OUTCOMES IN SOURCING EVENTS.**

Keelvar is a multi-award winning university spin out company from Europe's largest Optimization research laboratory in University College Cork, Ireland. The company was founded by Alan Holland, a former research fellow and lecturer specializing in Artificial Intelligence, Auction Theory and Optimization. Keelvar has a string of recommendations from top experts such as Jason Busch, Kelly Barner, Michael Lamoureaux and Thomas Kase.

The company was formed in 2008 to address a problem encountered by the founder's parents chemical company. They wished to communicate richer and more expressive bids in procurement events that were contingent on establishing a viable share of volume. It was clear that purchasers lacked the technology to facilitate efficient trade. And so began Keelvar's mission to help organizations discover their best suppliers. We achieve this by facilitating expressive communication from suppliers in bid events and provide the optimization tool for purchasers to effortlessly evaluate options.

The Keelvar team consists of highly qualified postgraduates in Computer Science, Economics, Financial Mathematics and Engineering. We share a passion for using the latest advances in science to tackle issues that previously seemed insurmountable. We are also 'design led' and are motivated to create an intuitive solution our users can use quickly and easily without training.

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“...there's not been a sourcing vendor until now, despite long lists, that has simultaneously been able to address complexity through optimization and combinatorial approaches and can change the way old school buyers and purchasing managers think about sourcing while also providing a toolset in such a way that it is widely and easily adopted. But Keelvar, very well might just do it.”

Jason Busch, Spend Matters

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## What is Sourcing Optimization and what are the benefits?

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There is a myth that Sourcing Optimization is for 'Advanced' organizations with highly competent and specialized procurement teams. This myth arose because first generation sourcing optimization tools are difficult to use and too low-level for non-technical personnel. Times have now changed.

Modern sourcing optimization is akin to driving a high-powered luxury car with comfort and power available on-demand. The interface is as simple as a normal family saloon but the performance is infinitely improved. First generation optimization tools exposed too much complexity and intimidated users. Keelvar is different, ease-of-use is central to the experience.

For businesses that want to excel in their procurement function, Enterprise-wide adoption of sourcing optimization is a fundamental factor in driving improved performance. If you think that optimization is just for transportation, it is worth investing time to see what Indirect, Direct and Service categories where your competitors are already likely to be deploying optimization capabilities.

Optimization tools add more competitive elements that allow suppliers to tune their offers based on feedback and facilitate creative means of adding value.

- Purchaser 'lotting' is unnecessary. Disaggregate your requirements into smaller granular line items and invite bidders to package them in a manner that fits their service footprint or product capability.
- Solicit tiered discounts across packages of items.
- Invite alternate bids for different qualitative offers at the same or different price point.
- Declare key business side-constraints (e.g. anti-monopoly provisions, positive or negative bias, switching costs from incumbents, compliance conditions) and optimize the outcome.
- Selectively remove constraints to lower costs and navigate the outcome space.

Outcomes from sourcing optimization invariably out-perform standard sourcing techniques in quality or cost or both, depending on your priorities.

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## Competition & Complexity determine sourcing strategy

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It is critical that Enterprise procurement teams can support a mixture of sourcing strategies when dealing with suppliers in various categories. When competition is low in a category, it may be more prudent to adopt a negotiating strategy whereas when competition is moderate then a RFT or RFQ is more appropriate. But when competition is intense and the product or service requirement is highly standardized then an eAuction may be required.

However, there is another dimension to consider and that is the complexity of an event. This dimension is more difficult to measure but the following signs are important to observe.

- Potentially two or more suppliers.
- Suppliers with strong regional footprints.
- No vendor with complete coverage.
- Complex networks.
- Geographically distributed demand.
- Rich array of products
- Diverse customer needs

In any sourcing event where suppliers have complex cost drivers, it is clearly beneficial to adopt sourcing optimization. It can be applied in a RFX or eAuction context.

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## Second generation sourcing optimization

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First generation optimization tools delivered a huge improvement in performance. However, they didn't achieve enterprise-wide penetration among non-expert users in the manner the technology deserves.

The main barriers to enterprise-wide adoption are as follows:

- Simple user flow
- Intuitive design
- Strong support

Sourcing optimization is a strategy that can be applied to small as well as large sourcing exercises. Big gains lie in the long tail of spend that have received less attention in terms of applying an advanced sourcing strategy.

### **FINE QUALITY CONTROL**

Optimization is focused on finding the best trade-off between cost and quality in a more informed sourcing event. If your focus is cost-centric then it can help you reduce costs but if your focus is quality centric then it can help you find high quality outcomes and be well-informed of the associated cost trade-offs.



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## Key Features

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“Using optimization, companies are now applying a new sourcing approach and philosophy – really a new mindset that goes beyond strategic sourcing – to event smaller categories of spend when given the opportunity. This in turn makes the notion of basic eSourcing irrelevant if you have a solution that enables advanced optimization.”

### Spend Matters – Expert View

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**KEELVAR HAS AN EXTENSIVE SET OF ADVANCED ESOURCING CAPABILITIES THAT ARE FLEXIBLE ENOUGH TO COVER ALL YOUR ADVANCED SOURCING REQUIREMENTS.**

- Online bid sheet design
- Lot Visibility Control for bidders
- Online distribution and collection of bids
- Expressive package bids with discounts collected
- Alternative bids
- Live eAuction or eRFx rollout options
- Continuous or Multi-round eAuctions.
- Multi-Round or single shot eRFx
- Traffic light feedback system
- Quality scoring matrix
- Optimization engine for evaluation
- Rich Scenario analysis
- Incumbent switching cost modeling
- Scoped business rules
- Detailed reporting
- Graphical analysis
- Integration options
- Responsive support
- Development partnership opportunities

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## How eRFX's & optimization work

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### **RUNNING AN OPTIMIZATION EVENT IS SIMPLE USING KEELVAR.**

- List items required in a granular fashion
- Choose whether you want to collect bids on bundles and capacity constraints.
- Decide on the number of rounds of bidding
- Configure feedback rules between rounds.
- Distribute RFX and collect bids online.
- Bidders have more freedom to combine packages.
- Use one click evaluation
- Apply any side constraints desired
- Buying team consider alternative scenarios
- Optionally run additional rounds of bidding with feedback options.

### **IT'S AS SIMPLE AS THAT!**

## How eAuctions & optimization work

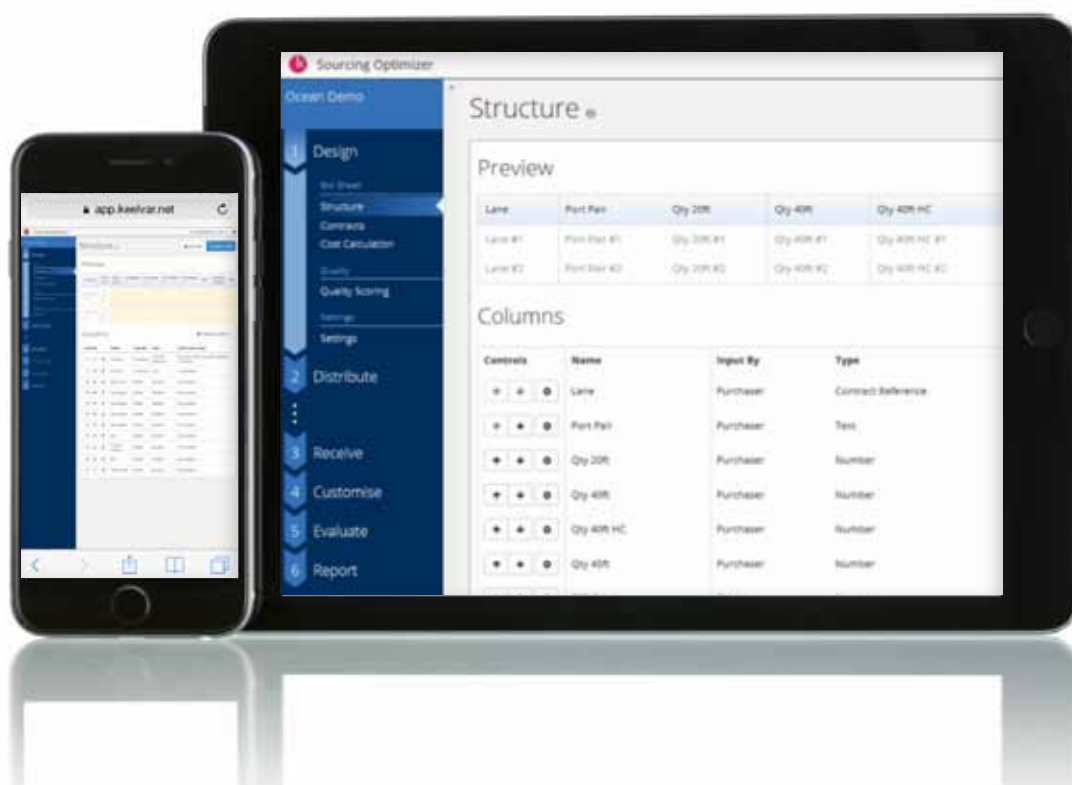
A similar user flow to RFX events can create a live eAuction instead. There tends to be fewer Lots (or items) in these events as bidding is over a shorter period of time. There are two forms of eAuction and the multi-round eAuction is essentially the same as the RFX but you have additional details concerning the following:

- Round duration
- Review period duration selection
- Feedback rules– price/traffic light
- Inter round selection of tentative award scenarios
- Reporting and graphical analysis.

The Continuous eAuction removes the multi round option so it effectively binds the bidder to the lowest cost overall outcome without intermediate stages to control or direct the outcome.

### SIMPLIFYING COMPLEXITY

Businesses are pressed for time so the wider adoption of optimization must be facilitated via improved convenience for users to ease their workload and simultaneously drive efficiencies.





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## Common Categories

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Optimization can be used for practically any category where you may consider using two or more suppliers. You can still choose a single supplier but optimization lets you understand the cost implications fully.

### COMMON CATEGORIES INCLUDE:

- Print & Packaging
- Direct Materials
- Electronic components
- Electrical equipment
- Maintenance and Repair
- Aggregates / concrete
- Facilities Management
- Office equipment and consumables
- Plant hire
- Network management or maintenance
- Ocean Freight
- Domestic (ground) freight
- Air Freight
- Vehicle fleet
- Chemicals

Optimization works well in settings that have a quality and cost emphasis as well as those that are purely cost centric.



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## Scenario Analysis

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Running an optimization event is simple using Keelvar. The great thing about having optimization is that you can spend your time focused on the strategic decisions in scenario analysis to conduct 'what-if' exploration of the possible outcomes. Ask the following questions

- What if I decrease the number of suppliers?
- What if I bias in favor of vendors we like by x%?
- What if we share the business via maximum awards of x%?
- What if the cost of switching from incumbents is \$x per line item?
- What if I impose anti-monopoly conditions on a subset y of what I'm buying

All these outcomes and more can be compared and contrasted so that the optimum cost and quality trade-off is found.



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## What drives the efficiencies?

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It can seem paradoxical that suppliers prefer optimization-led sourcing strategies from buyers because it helps them improve margins whilst the buyer is lowering cost. It is a truly win-win approach that lowers tension and incentivizes rich supplier communication.

Optimizations benefits stem from finding efficiencies. This may be via backhaul opportunities in transport or cost synergies from servicing adjacent locations or even by-products from chemical processes that can be resold. But the bottom line is that suppliers can realise efficiencies through creative utilization of equipment and resources when they combine the supply of seemingly unrelated items in specific ways. These efficiencies are not visible to buyers but the cost savings can be once bid mechanisms are expressive enough to allow bidders to share this information.

Bidders tend not to share all of these cost synergies, just enough to make them more competitive and win the business. But this allows them to be more profitable. In the long run this encourages more competition for business because the procurement process is more supplier friendly.





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## How do we get started with Keelvar?

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Clients typically transition to self-service operation after witnessing 2-4 events managed by Keelvar. Commercial terms are quite flexible because Enterprises have varying priorities. Factors considered in commercial agreements include;

### GETTING UP AND RUNNING IS EASY.

If you want to see a demonstration using real data from a prior sourcing event within your organization, we can illustrate what would happen differently using sourcing optimization.

Keelvar provides a managed service for events so that you can see how Design, Execution and Scenario Analysis works in events. This will give you comfort in knowing and understanding how it all works and effectively forms the core part of training because the software is so easy to use.

- number of events,
- number of users,
- number of bidders,
- global reach,
- service level requirements,
- total spend managed and
- breakdown of eAuction or RFX events.

Keelvar also offers a limited access partner development programme for clients that have a strong preference for influencing the product development roadmap.

**Get in touch with [info@keelvar.com](mailto:info@keelvar.com) and we can take it from there.**

**See Keelvar in action.**

Call us today on + 353 21 492 8923  
to arrange a demo or email us at [info@keelvar.com](mailto:info@keelvar.com)

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