DIGITAL PROCUREMENT WORLD
15-16 SEPTEMBER 2021 VIRTUAL

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DIGITAL PROCUREMENT WORLD CONFERENCE

Sourcing Modernization & ROI

Transcript of a Keelvar Webinar with Grupo Nutresa for the Digital Procurement World Conference, September 2021

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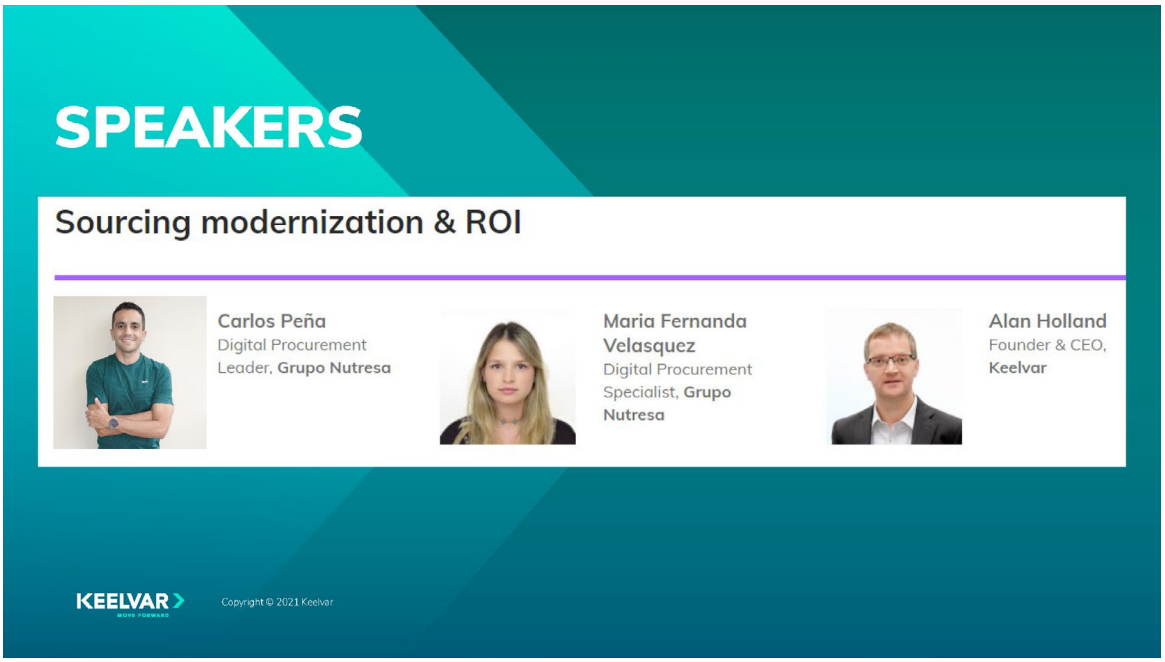
Sourcing Modernization & ROI



Alan Holland,
Founder and CEO of Keelvar:

Welcome everybody joining us in this session, where we're talking about sourcing modernization and the return on investment (ROI) from sourcing modernization as well.

I'm delighted to introduce our customer, Grupo Nutresa, who are wonderful exponents in practicing sourcing, so they really mastered the art of sourcing excellence. They'll be going through their journey and progression through maturity levels in their sourcing after working with us for several years on this.

Carlos Peña and Maria Fernanda Velasquez are joining us from Colombia today and will be stepping through their journey, and we'll learn their lessons from years of investing in best practice in sourcing.

So, first of all, I'm just going to introduce Keelvar very briefly. So we've been a technology partner for Grupo Nutresa for a few years, and we've worked with them on several initiatives over those years. We specialize in advanced sourcing. I'm Alan Holland, Founder and CEO of Keelvar. Keelvar emerged from a university research lab where we developed sourcing optimization. So, our first product was an advanced sourcing tool that allowed organizations to run big and small sourcing projects that might have some degrees of complexity involved.

The key to sourcing excellence is to capture expressive information and rich information about what your suppliers can do for you or where they'd like to piece together business and make offerings that allow them to play to their strengths and avoid weaknesses.

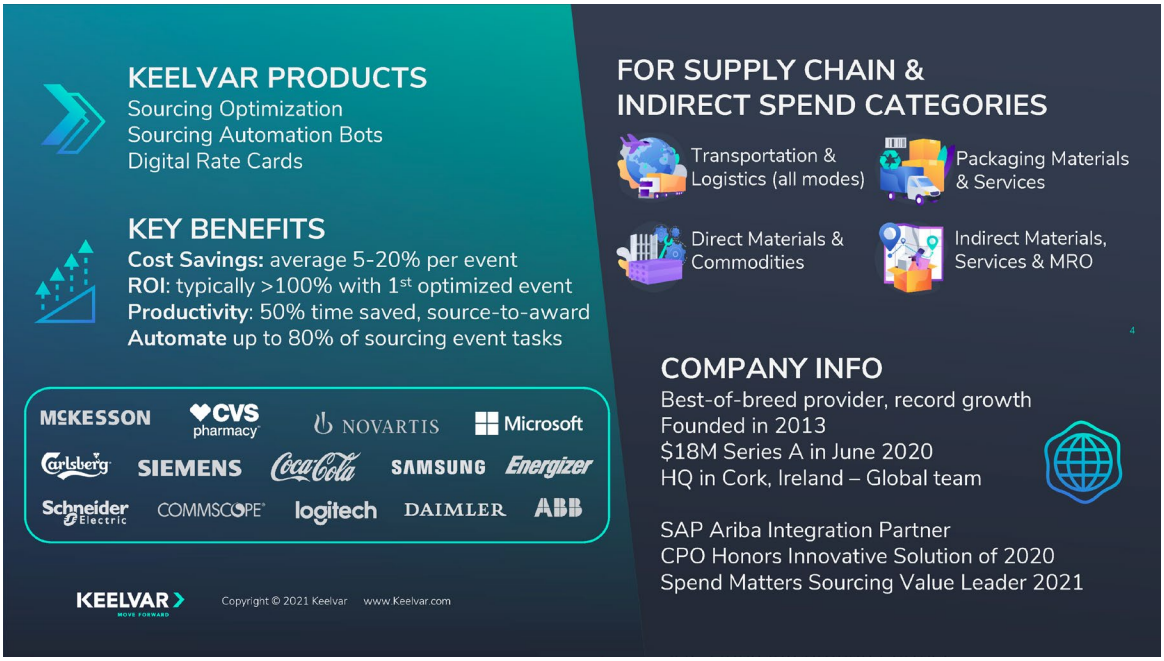
So, we complemented our sourcing optimizer with automation. We believe that the way to scale sourcing excellence is to automate best practice and your tactical buying complements your strategic sourcing activities that you do not intend to automate.

To do that, we've been building sourcing bots and digital rate card functionality so you can store rates as well.

So, the key benefits of best practice in sourcing – a few obvious ones include cost savings, actually significant cost savings when you apply best practice in negotiations with suppliers, and return on investment is extremely strong. It's typically over 100% within the first bid event of significant scale executed using sourcing optimization. But also productivity and time savings are substantial, and you can half your time executing projects from beginning to end.

With automation... what optimization was typically in the past applied to just a few large projects but now you can start to automate best practice and include optimization in smaller-scale events that are operating at high frequency. And it's for supply chain and indirect spend categories ranging from transportation to direct materials, indirect materials, packaging.

We're serving many of the world's top brands. So, everybody from Carlsberg to Coca-Cola, Samsung, Microsoft, Novartis, Daimler and others are using Keelvar.



One of the best companies at applying sourcing optimization is a Colombian firm, Grupo Nutresa, who really understands what best practice looks like. They invest in training their team to bring them to a standard that's the envy of most organizations. We would put them on a pedestal to say that they really appreciate and value best practice and are invested in applying best-of-breed techniques.

We're delighted to have them with us today, and I'll invite Maria, first of all, to share with us their journey and what that means.

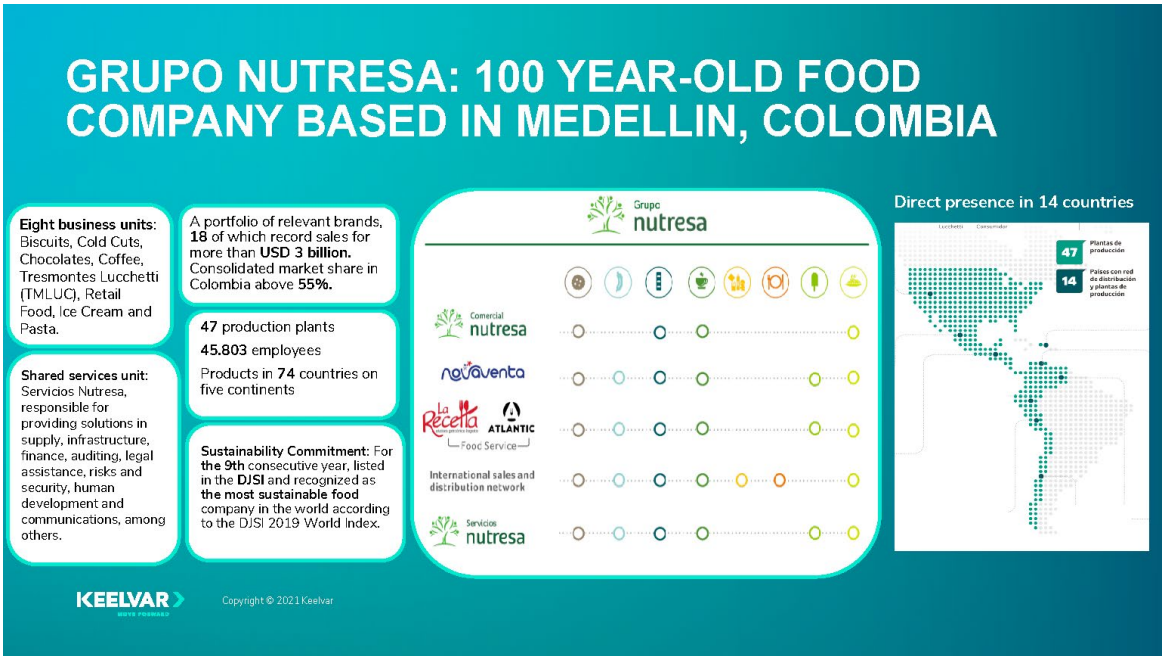
Maria Fernanda Velasquez,
Digital Procurement Specialist, Servicios Nutresa for Grupo Nutresa:

Hi, everyone. Thank you. My name is Maria Fernanda, and I'm glad and happy to be here; thank you Keelvar and DPW for the invitation today.

We want to share with you first a little bit about Grupo Nutresa, our procurement organization and our procurement process, and then tell you about our successes with digital procurement tools.

So first, Groupo Nutresa is a 100-year-old food company based in Medellín, Colombia. We have eight different business units of food for cocoa, coffee, chocolate and others. We have four sales distribution networks with sales of USD $3 billion dollars per year. And 47 production plants in America that can cover all the country with the distribution.

For us, what's really important is sustainability. So we have been recognized as the most sustainable food company in the world by Dow Jones Sustainability Index (2019).



Carlos and I work in Servicos Nutresa, so we want to talk a little bit about our procurement organization. We have more than 12,000 suppliers working per year. Six Procurement offices and 80 people working in our headquarter in Colombia. Carlos and I work in the digital procurement team, and we support the buyers and negotiators in the digital tools for sourcing.

Sourcing, as Alan said, is a really important tool for us. So we have been doing more than 100 events per year. And now that you know a little bit more about us, we want to share our future roadmap.

What is Grupo Nutresa's procurement process? So, we can say that everything started in 2012 with our strategic sourcing methodology that was made with McKinsey. We started creating, for example, our global sourcing strategy, and for that, we have an office in Shanghai. But also, with McKinsey, we started to use sourcing tools for strategic categories, like packaging.

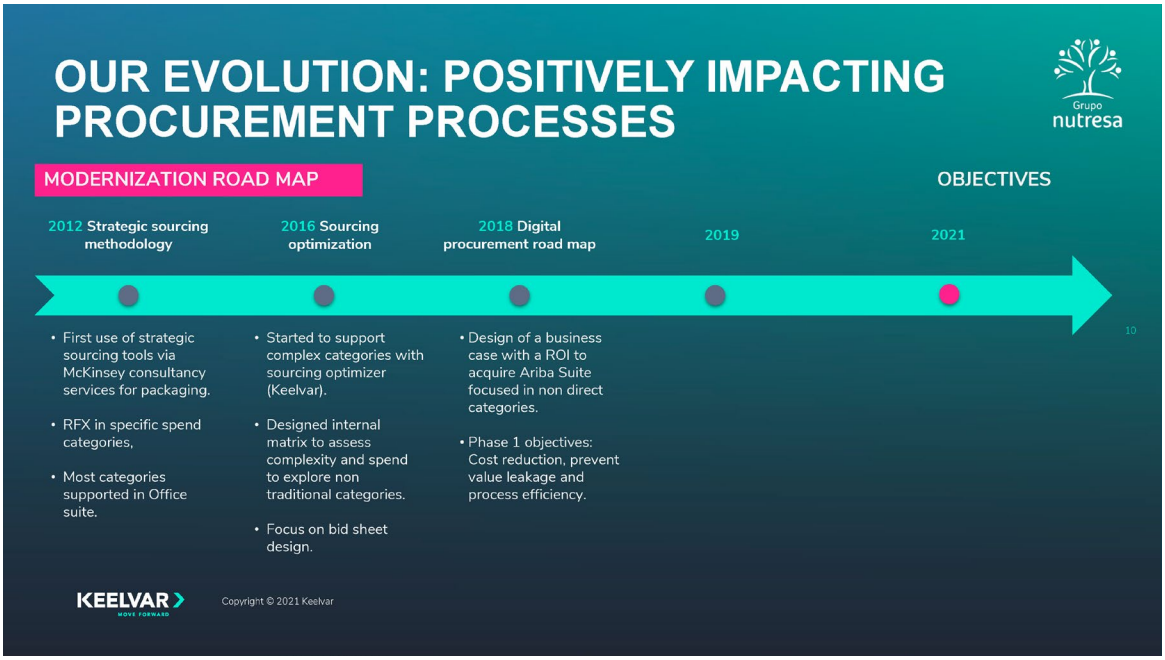
So, for the other negotiations and categories, we were still using Office Suite Excel, which was the most important tool. In 2016, we started to look for tools that can impact savings, and as Alan said, have that ROI. [This is when Keelvar was brought in.]

So we started designing our metrics to understand what can be negotiated through **[Keelvar] Sourcing Optimizer** based on the complexity, the spend, the location, and the number of suppliers. We designed everything and helped the negotiators use these kinds of tools – later, we're going to give more information on our success using these kinds of tools.

We also understood that it is really important to have the design of the negotiation clear, because it will be easier for giving feedback to the suppliers, and also [building] the scenarios to make the decision.

Then, in 2018, we continued talking about digital procurement. So in this time we started talking with SAP Ariba, and started to design a business case. It's important to have payback when you have to invest in software in the Cloud. So, we started to make that business case to acquire the Ariba Suite. We focused on the non-direct categories because we figured that we could find more savings because they have a little bit more leakage.

So with Ariba, we created three phases: the first one was focused on cost reduction, to prevent value leakage and process efficiency. So we started to continue this roadmap for digital procurement and introducing newer sourcing tools than we had before, with Keelvar.



So now Carlos is going to tell you a little bit more about the implementation of that digital procurement roadmap.

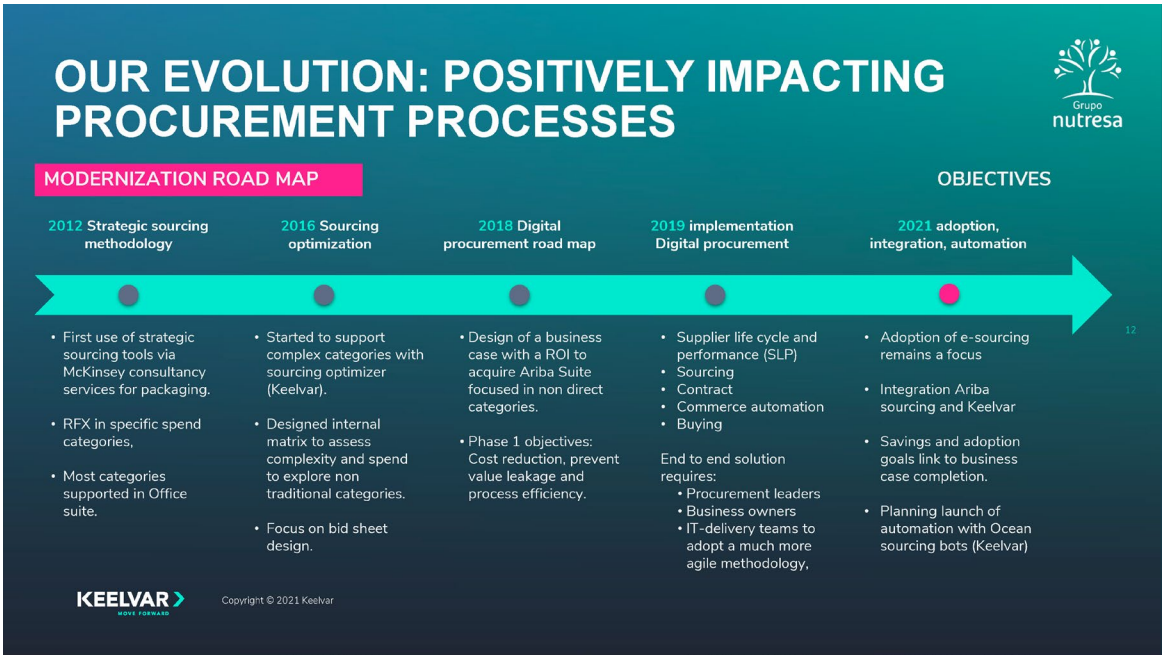
Carlos Peña,
Digital Procurement Leader, Servicios Nutresa for Grupo Nutresa:

Thanks, I'm glad to be here. Well, continuing the roadmap that we have set for our procurement organizations. As Maria just mentioned, we had made a business case and we had to think about the spend categories that we want to involve in this process.

So when thinking about the digital procurement roadmap, we had to choose from that three-phased project the kind of modules that were the most important for us so we could prioritize. So, we started talking with SAP Ariba about suppliers, and we started working on SLP, which is Supplier Lifecycle and Performance.

We talked about sourcing, as the most important thing is to get the savings we had promised in the business case. The payback for the project was set for two and a half years. And I think we're making this payback a reality by the end of the year, so we are going to be ahead of that time, like, six months or something like that.

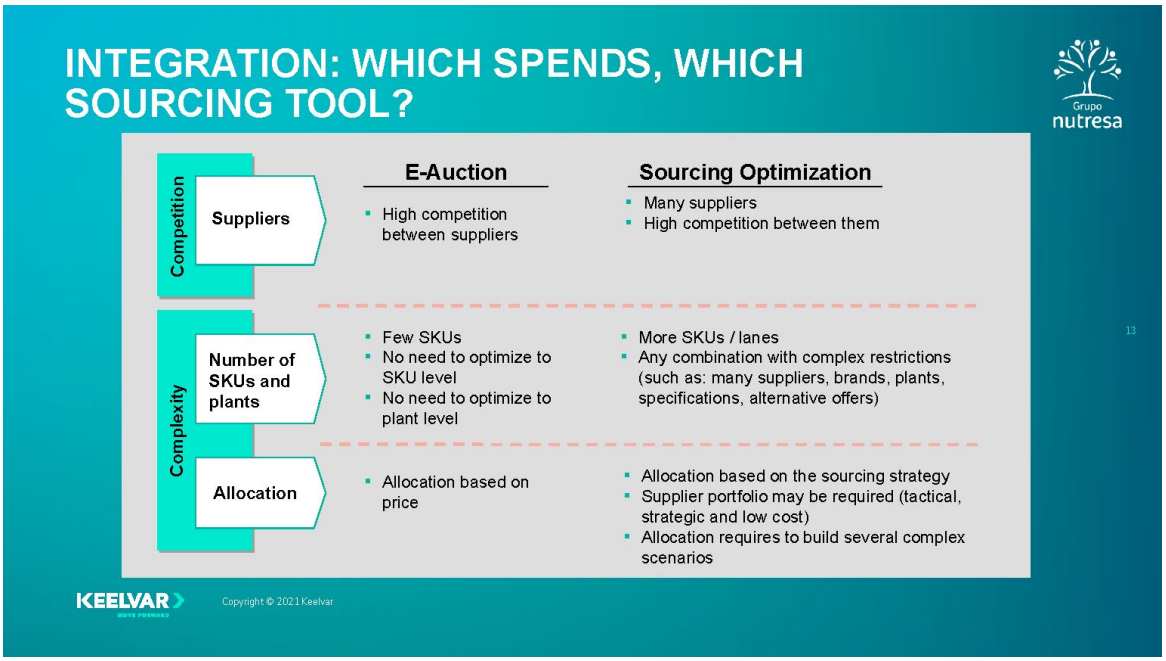
We also started to talk about contracts at the same time. We used commerce automation as well. And we are implementing right now the guided buying solution. But the time we started to do this case, we had been working with Keelvar since the very beginning.



So for us, it was very important to integrate Keelvar with SAP Ariba, which has been online for the last two years, and we are using it for the last six months in our company.

We envisioned a kind of end-to-end solution since the beginning of starting to work with SAP Ariba. We knew that we were not able to implement all the tools, as it will be such a great project and it would be such great demand on the teams – not only the procurement teams but the IT teams as well. So we focused on value leakage, savings, and of course, process efficiency.

As of today, we are just focusing right now on a couple of things. The first one is to guarantee the adoption of the e-sourcing tools – Keelvar is one of those tools. We are focusing, as I mentioned, on integrating Ariba Sourcing with Keelvar so that if any given category has complexity, if the negotiator requires an optimizer he can choose to use Keelvar. Or if it's something pretty simple, he can use sourcing on SAP Ariba.

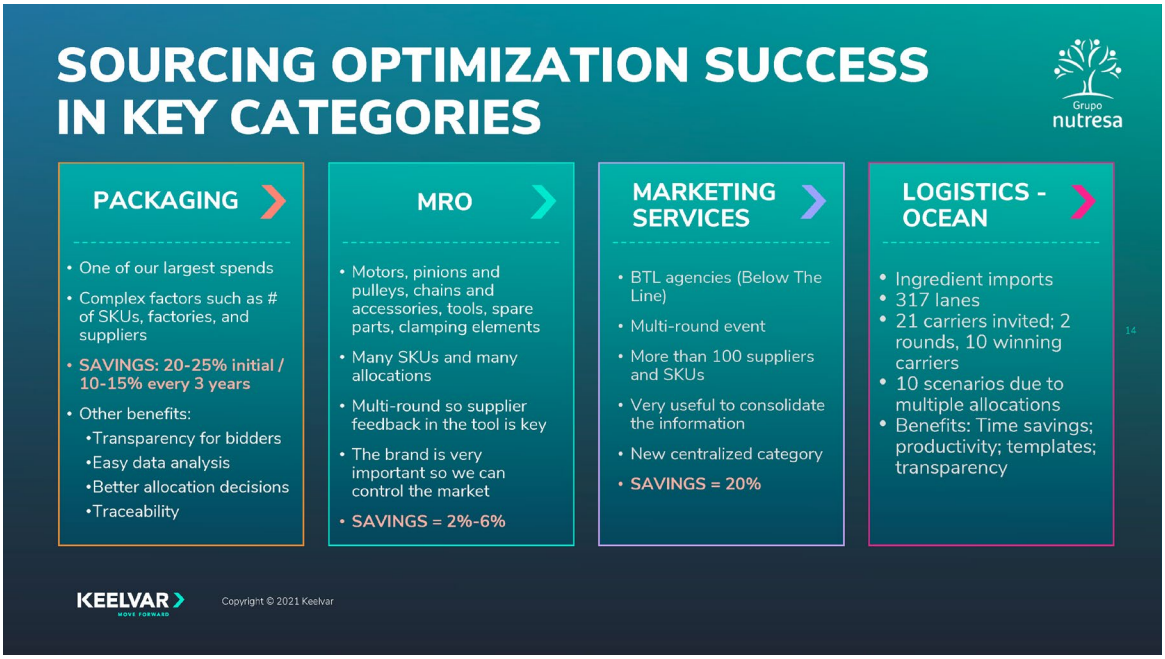


So Maria talked about the matrix that we made. And this matrix was actually built at the beginning of when we start talking about sourcing optimization. Alan also mentioned a lot of categories where we can use an optimizer. I will say this is the very first step you need to talk about if you're thinking about sourcing optimization.

You need to understand what kind of competition you have, the number of suppliers that you have in any given category, and you need to understand the complexity. So, the factors that actually drive complexity are – from our point of view – are the number of SKUs, the number of plants that you have, and how you want to allocate the business once you have optimized the scenarios.

So, this matrix is something pretty simple that we've built. Actually, we had some refinement from Keelvar. And right now, I think it is the tool that we use when someone in the procurement team wants to use the optimizer.

Right now, I'm going to share with you the categories where we have the most success using the optimizer.



So the first category we used with Keelvar was packaging. Being a food company, it's one of the largest spends we have. It is a very complex category because we have more than 40 factories spread from Latin America to Texas in the US.

We have a lot of factories that actually can use the same kind of plastic packaging material, so we can invite into the same process. Actually, we are running right now the most important building process, so we are optimizing it using Keelvar right now. And we have a lot of suppliers, a lot of factories, and more than 1000 references for SKUs.

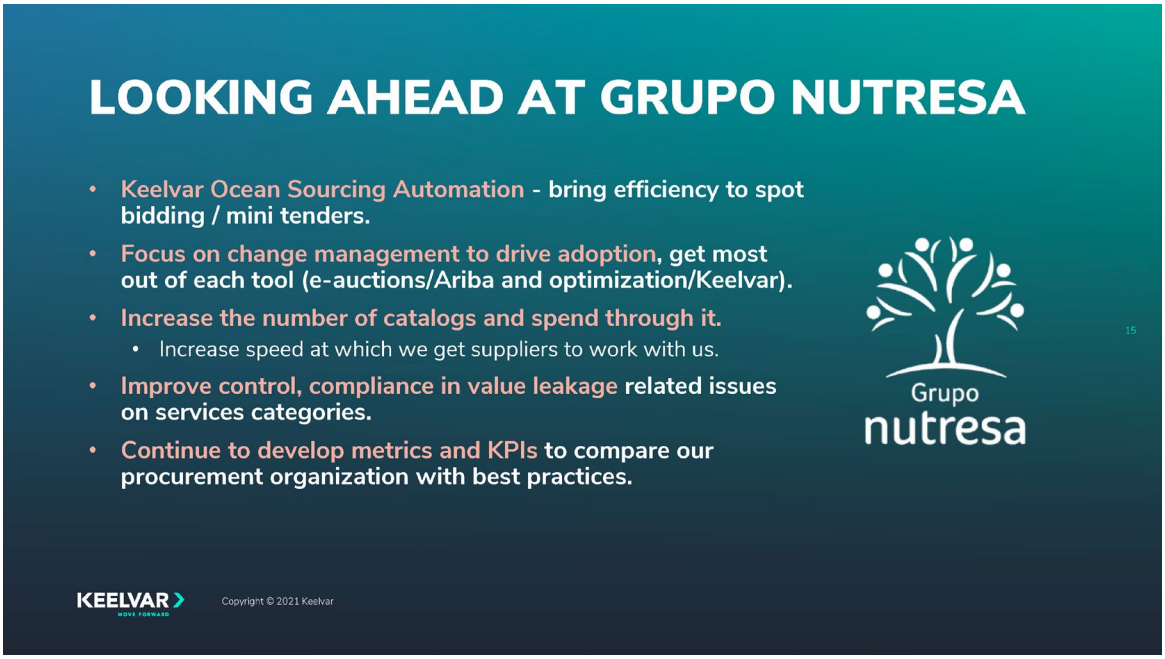
The savings we got in the first time was something around 20% to 25%. Now, six or seven years since the first event was held, we are still getting like 10% to 15% every two to three years.

The second category we used [sourcing optimization for] was MRO. We use it for a lot of small things, where we have a lot of references and of course, a lot of factories and allocations. We use traffic light [supplier feedback in Keelvar], we use multi-round scenarios, and at the end of the process, we can ask the optimizer to run a cherry-picking scenario of something from the simplest one to the most complex one.

We have used Keelvar as well on marketing services from creative agencies, digital agencies and events with more than 100 suppliers on it. It was very useful to consolidate information as this is a service category that is very different from MRO and packaging.

And finally we are using Keelvar now, and the optimizer, for logistics and ocean transportation. We are actually thinking about implementing a bot that can do the mini tenders that we are running right now, given the international situation that everyone is facing with containers and everything else in the world. This is going to be so useful for teams and we're happy to work with the bot and Keelvar.

Finally, we are looking at what is just in front of us. We will keep working on sourcing and automation from the Keelvar bot for ocean logistics in Grupo Nutresa. We have to focus – the whole procurement organization – and think about how to drive adoption; not only of Keelvar and Ariba, any digital solution that we have prepared for procurement. We would like to increase the number of catalogs and the spend that we buy through the catalogs functionality.



Once you prove control and compliance in everything that is related to value leakage and issues in different categories, especially the ones in services, we want to build a healthy procurement organization from a metrics and KPI point of view. We are implementing 10 global KPIs, and we are preparing ourselves to benchmark this organization every semester with best practices and other organizations that we compare ourselves to.

Alan Holland:

Thanks very much Carlos and Maria. That's extremely helpful for our audience to understand that the journey to a mature sourcing function can take different paths. Some organizations start with suites and complement them with optimization. I think that in Nutresa's case, it's actually been helpful to start with an optimizer and allow Nutresa to become very creative in its application of best practice.

In many ways, we see Nutresa's usage of sourcing optimization as a good example to some potentially much larger organizations that use sourcing optimization to complement a pre-existing suite. You can actually be hamstrung if you start with the suite and you apply ordinary sourcing tools to a range of modules initially; then there's an assumption that it works, why change.

Carlos, I'd be interested to get your thoughts on that. Actually starting with an optimizer and then bring in a suite, do you think that was advantageous from your perspective?

Carlos Peña:

Sure. We used Keelvar as an option for packaging categories first and we were not using it as a mandatory tool for the negotiators, and for the teams. So, I will say that the promise of savings since the beginning was very important for us to gain adoption, and that promise was very well fulfilled since the first event.

Once we got the same as on the first event, and of course, the timeline was reduced, I will say from six months to three months to analyze information, it was like everyone was interested in using the tool. So, we did not have to think of it as mandatory. We just kept receiving questions and requests from the people to use Keelvar in different kinds of categories.

I will say that was the most complex thing from the beginning because we did not have the matrix that we showed a couple of minutes ago. It was the best tool that we could share with the team, so they can understand if any given category is actually suited for use in an optimizer, because not 100% of the categories you have you can use in Keelvar.

Alan Holland:

Thanks very much Carlos and Maria Fernanda.

EVENT CONCLUDES

About Keelvar

Founded in 2012, Keelvar is moving procurement forward with our best-in-breed SaaS software for intelligent sourcing optimization and automation, designed for easy adoption, scale, and productivity. Our customers are global, blue-chip corporations and mid-sized companies using our solutions across transportation, direct materials, indirect goods and services, and packaging categories.

Contact us for pricing and a demo: **www.keelvar.com**