Deloitte.

Sourcing Optimization –
the next level in digital procurement
Implementation, Enablement & Managed Service

Zurich, May 13th, 2020, 16:00 – 17:00

Agenda

Welcome
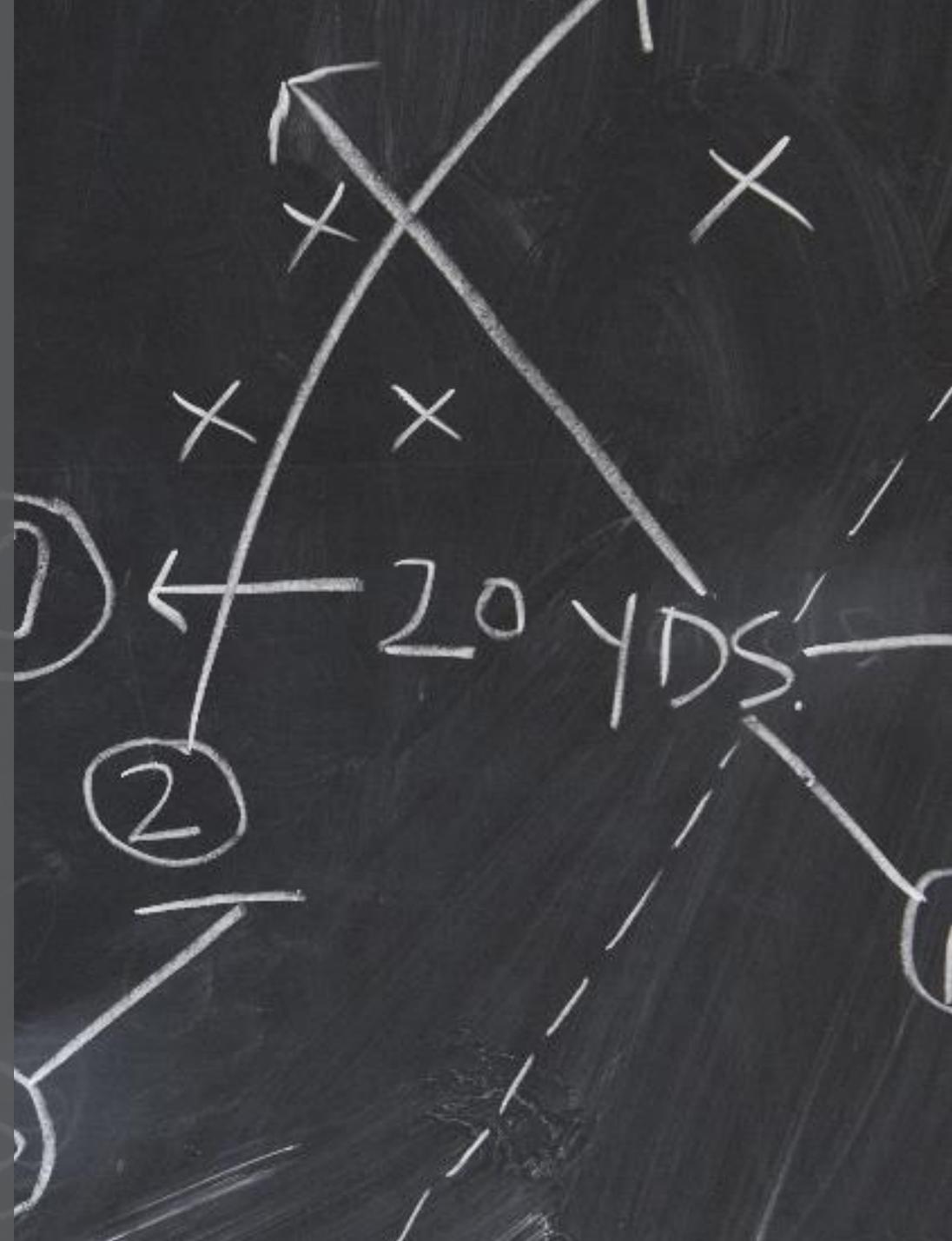
Introduction to Sourcing Optimization

Focus presentation:
Coupa Sourcing Optimization

Getting real with Sourcing Optimization

Discussion

Welcome
Your hosts and speakers today

Marcus Kutzner

Deloitte
**Sourcing & Procurement Lead
Switzerland**

Marc Rajal

Deloitte
**Sourcing & Procurement
Capability Lead**

Fabian Lampe

Deloitte
**Procurement & Sourcing
Optimization Expert**

Jaco Zuiderent

Coupa
Sr. Account Director

Stéphane Rinsoz

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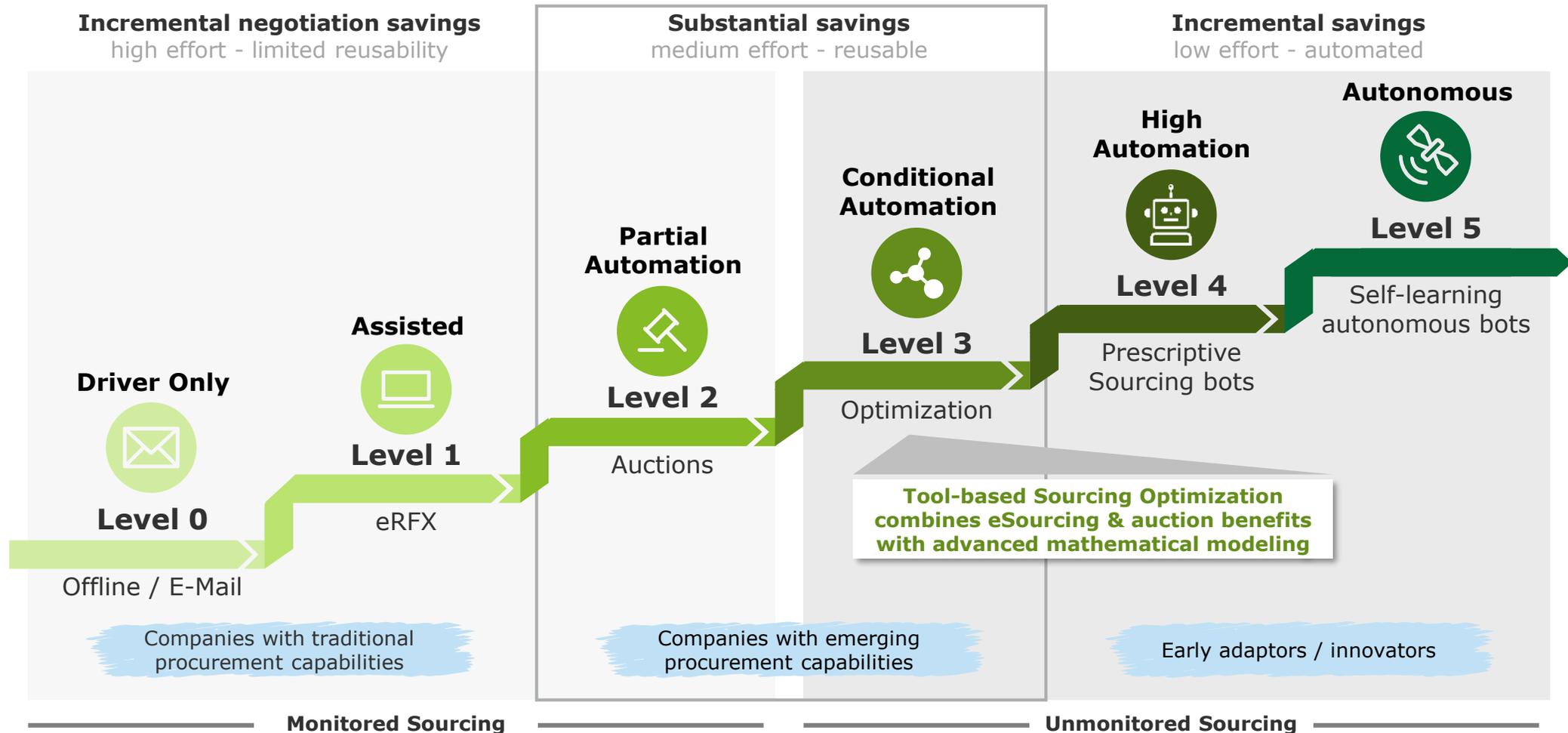**Sr. Account Director**

Ian Milligan

Coupa
Sr. Value Solutions Consultant

Introduction to Sourcing Optimization

Evolution of Digital Sourcing

On the journey towards autonomous sourcing, tool-based optimization is an advanced building block in the digitalization agenda of organizations

Incremental negotiation savings
high effort - limited reusability

Substantial savings
medium effort - reusable

Incremental savings
low effort - automated

Autonomous

High Automation

Conditional Automation

Partial Automation

Assisted

Level 5

Self-learning autonomous bots

Level 4

Prescriptive Sourcing bots

Level 3

Optimization

Level 2

Auctions

Driver Only

Level 1

eRFX

Level 0

Offline / E-Mail

Tool-based Sourcing Optimization combines eSourcing & auction benefits with advanced mathematical modeling

Companies with traditional procurement capabilities

Companies with emerging procurement capabilities

Early adaptors / innovators

Monitored Sourcing

Unmonitored Sourcing

Optimized Sourcing Events

Sourcing Optimization determines optimal award allocations through mathematical modeling and scenario-based analysis

Benefits of Sourcing Optimization

Event design

Better

- » Fully customizable event set-up
- » Infinite number of fields, options and suppliers
- » Expressive proposals

Event analysis

Advanced Analytics

Faster

- » Instant data analysis, modelling and reporting
- » Easy comparison across suppliers, items or event phases
- » Various feedback options

Event optimization

AI powered

Easier

- » Scenario building and analysis
- » Modelling & comparison of award split
- » Better support of negotiation strategy and tactics

Deloitte. actively supports clients in sourcing events across various commodities like **Logistics, Services, Raw materials** and **Marketing**.

Suitable Categories for Sourcing Optimization

Facilities Mgmt.
Logistics
Packaging
Finished Goods
Goods not for Resale
Utilities
Sourcing/Category Manager
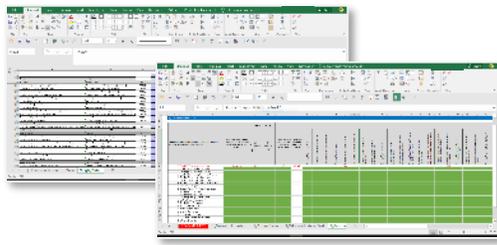IT
Construction
Marketing
Raw Material
Services

Tool-based Sourcing Optimization

A scalable model supports organizations in achieving higher savings through best-in-class-tools and processes
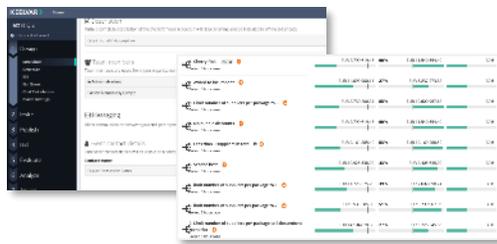
Process Improvements

Mostly used

Excel-based event analysis

- Manual work
- Error-prone
- Cumbersome
- Complex to reflect changing content or constraints
- Sequential decision making

Best-in-class

Tool-based sourcing optimization

- Automated
- Data accuracy
- Live updates
- Intelligent scenario modeling
- Holistic analysis
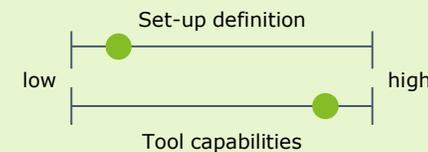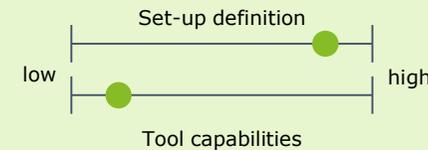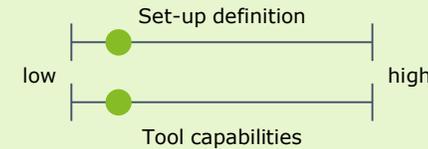- Improved outcomes

Use Cases

Personas	Capabilities	Support options
Junior Purchaser	low — Set-up definition / Tool capabilities — high	**Managed service** (set-up definition, coaching, tool support)
Sourcing Expert	low — Set-up definition / Tool capabilities — high	**Tool support** (how to best set-up events in the tool)
Tool Expert	low — Set-up definition / Tool capabilities — high	**Set-up definition & coaching** (event design, how to reach goals and KPIs)

New sourcing levers

New sourcing levers such as scenario modelling, digital game theory and eAuctions in complex tenders open up previously untapped benefits

Selection of levers unlocked by Sourcing Optimization

Scenario Modelling

- Scenario building based on holistic award criteria
- Transparent modelling & comparison of award split between suppliers across scenarios

Digital Game Theory

- Selective signaling and priming (by supplier)
- Automated and continuous feedback on different proposal elements ("continuous auction")

Feedback & eAuctions

- Static and live feedback functionalities for continuous competitive pressure
- Execution of multiple eAuction types (English, Dutch, Japanese)

Coupa Sourcing Optimization (CSO)

Introduction

Coupa Sourcing Optimization: Market Leader

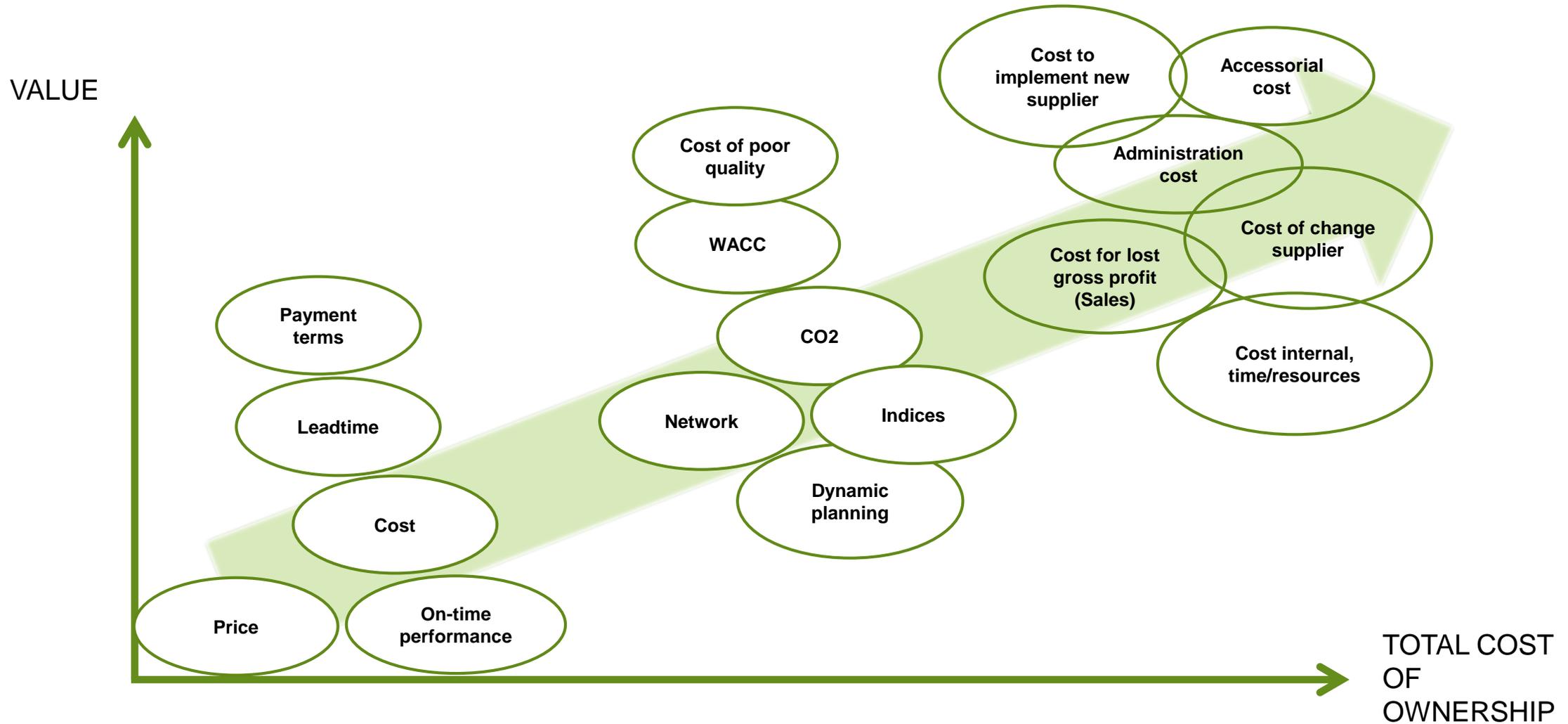## Analyst Perspective on Coupa's User Experience

Selection of CSO Clients

Wide variety of industries and organizations

*"Using Coupa Sourcing Optimization, CRH has realized over **22% savings** on tenders worth hundreds of thousands of Euros. In total to date CRH has tendered more than 1 billion euros through the tool." – **CRH, Coupa Customer, 2019***

CSO Customer Journey

VALUE

TOTAL COST OF OWNERSHIP

- Cost to implement new supplier
- Accessorial cost
- Cost of poor quality
- Administration cost
- WACC
- Cost of change supplier
- Cost for lost gross profit (Sales)
- Payment terms
- CO2
- Cost internal, time/resources
- Leadtime
- Network
- Indices
- Cost
- Dynamic planning
- Price
- On-time performance

Tool Demonstration

SOURCING WITH CSO

Flexible

- Configurable process, setup, items and reports by the end user (no customization needed)

- On the fly changes at any time of the event

- Formula driven cost formula

Scalable

- Endless data points supported

- Data files can be used across the instance and projects

- Robust database without lagging or timeouts

- Wide adoption via guides

Powerful

- Patented algorithms to support optimization engine

- Speed of results – typically seconds

- Back end data driven reports, charts, graphs and visual mapping

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CSO Implementation – speed to market

Average Implementation time <10 days from completion of order form

User training completed within 3 days which can be completed remotely

Average time to launch first event is 3 weeks – includes build and testing of event.

Value realization with first 6-10 weeks. Often ROI is significantly exceeded in initial event

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Case Study

Deloitte drives sourcing automation and immediate impact for clients using tool-based sourcing optimization and advanced negotiation design for complex tenders

### Project background & created value

Project background

– Client intends to **build multiple new factories**, for which **various technology components** are required

– Supplier allocation must consider **dependencies across multiple dimensions**

Deloitte solution

– Optimized tender process as **managed service**

– **Event design** and requirement gathering

– Tailor made reporting highlighting **feedback and negotiation opportunities**

– **Scenario modeling** reflecting internal and external award constraints

– **Advanced negotiation design** applying game-theoretical negotiation strategies

> **Cost savings of 31% against budget**

Exemplary project deliverables
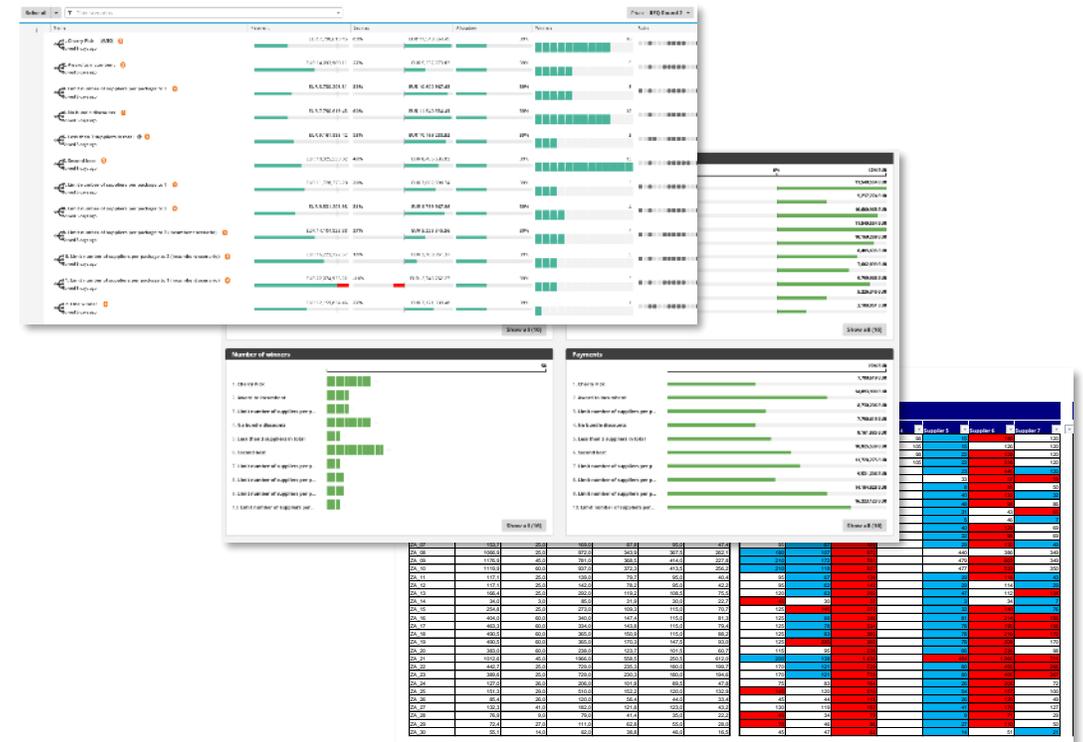
Sourcing Optimization Tools enable scenario modeling, real-time savings dashboards and supplier feedback options.

Getting real with Sourcing Optimization

Implementing Sourcing Optimization

The implementation of sourcing optimization can happen along various customizable support modules that cater for individual project requirements & development goals

[and/or]   [and/or]

Conception

| Operating Model Development |
| Tool Selection & Tool Setup |
| Communication Strategy |

Deloitte. supports the **ideation & implementation** process to promote the organizational anchoring as deliver first results

Objective
Customize delivery model and raise awareness through Lighthouse Projects

Enablement

| Coaching & Training |
| Template Design |
| Establish Support Infrastructure |

Deloitte. helps to **enable a core team**, which is consequently responsible for sourcing events

Objective
Establish a dedicated support infrastructure that runs events independently

Delivery

| Event Set-up & Management |
| Documentation & Reporting |
| Negotiation Support |

Deloitte. delivers **immediate impact** through setting-up & **conducting events** in a service delivery model

Objective
Create immediate bottom line savings in strategic tenders with no implementation effort

Opportunity Assessment

In an informal discovery workshop we can discuss your pipeline of upcoming sourcing events to assess their suitability for tool-based sourcing optimization

Explore relevance of Sourcing Optimization for your commodity or company

Discuss potential use cases and which of your current tenders are suitable

Review options and possibilities offered by available tools

Learn how employees can acquire the necessary know-how

Understand potential opportunities that could be unlocked

Discovery Workshop

Target
- Get an overview of tool-based Sourcing Optimization
- Discuss opportunities and potential savings
- Identify suitable sourcing events

Price
- Free of charge

Duration
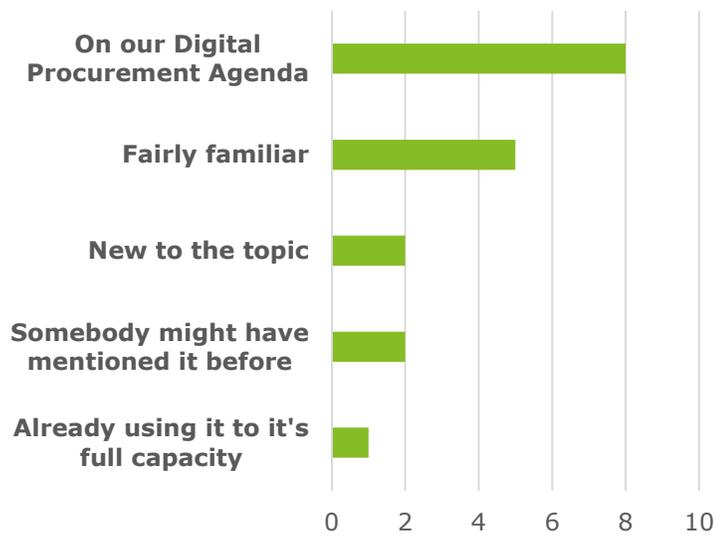- Two hours

Participants
- Deloitte sourcing experts
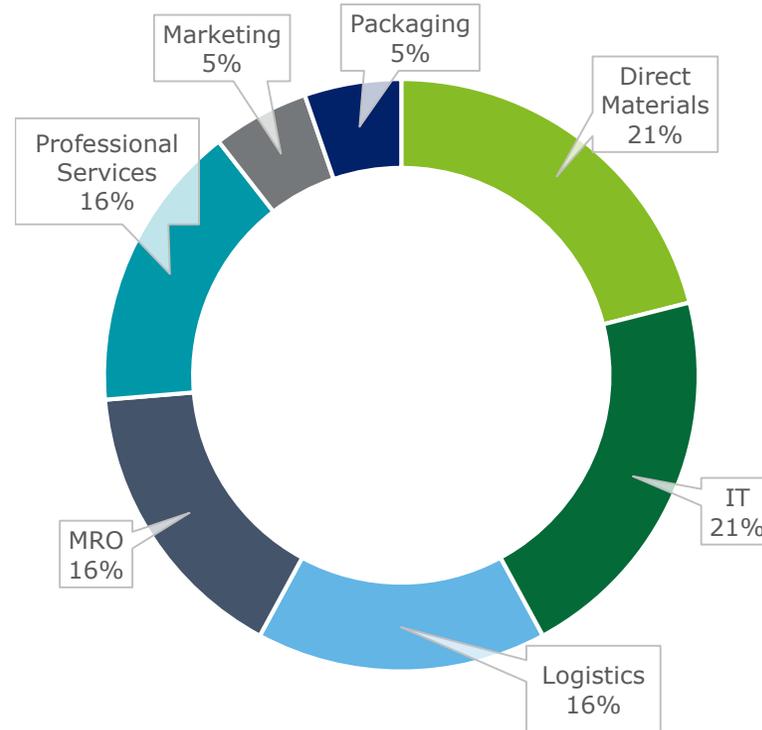- Category experts
- Business owners

Polls

Polls

Across participants, the polls demonstrated a very balanced distribution of knowledge on sourcing optimization and interest over different sourcing categories
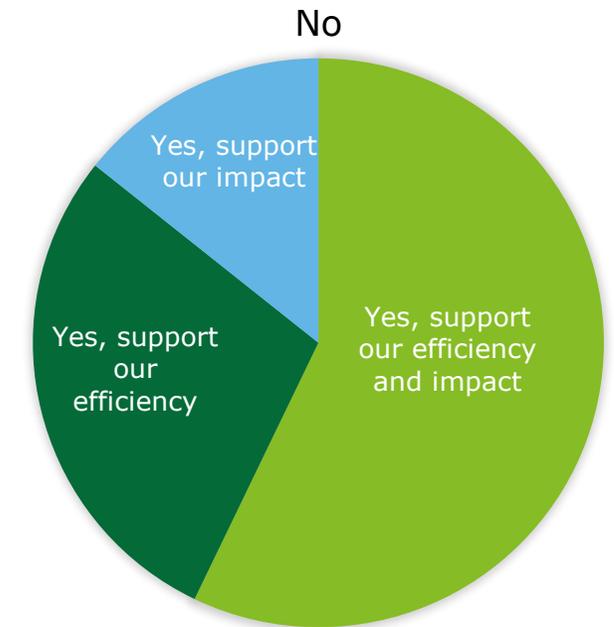
How familiar are you with sourcing optimisation?

Which category would you be most interested in being optimised?

Do you believe optimisation would be beneficial to improve your procurement efficiency and impact?

Bar chart — How familiar are you with sourcing optimisation?
- On our Digital Procurement Agenda: 8
- Fairly familiar: 5
- New to the topic: 2
- Somebody might have mentioned it before: 2
- Already using it to it's full capacity: 1

Donut chart — Which category would you be most interested in being optimised?
- Direct Materials 21%
- IT 21%
- Logistics 16%
- MRO 16%
- Professional Services 16%
- Marketing 5%
- Packaging 5%

Pie chart — Do you believe optimisation would be beneficial to improve your procurement efficiency and impact?
- No
- Yes, support our impact
- Yes, support our efficiency
- Yes, support our efficiency and impact

FAQ

Discussion
Frequently Asked Questions

Question	Answer
What is required to implement a Sourcing Optimization tool?	Sourcing Optimization tools are cloud-based and hence available almost immediately if no integrations into supplier data bases or other connections are necessary. This means, from signing the contract it only takes days to get the instance set-up and users trained before they can start using the platform.
How will the role of a Sourcing / Category Manager change, as he/she will be able to focus more on value-add and less transactional activities thanks to the Sourcing Optimization tools?	The role of sourcing and category managers in itself will be made more efficient through the use of sourcing optimization tools. They will indeed have more time to focus on value-add activities, which should be used to really use the gained information for the preparation and design of the negotiation. Besides that, the gained efficiency will allow them to conduct more sourcing events and increase the spend coverage.
In what categories can Sourcing Optimization be applied?	In principle, Sourcing Optimization tools are category agnostic and can be used for every category. The system logic doesn't differentiate between categories but relies inputting structured data. Design the cost sheet is therefore a crucial step in the process. We have used Sourcing Optimization for many different events in categories like services, packaging, logistics and raw materials and even replicated a full BOM.
When are companies mature enough to move into sourcing optimization and automation?	Sourcing optimization tools are combining features from eSourcing and auction tools and therefore can help leapfrog the Procurement digitalization. The maturity of a function will impact the required change management and training needs, yet doesn't prevent an organization to deploy sourcing optimization. This will enable organizations to move into automating first tasks through templates and automating the sourcing event set-up.
How can Sourcing Optimization be employed when only unstructured (or no) raw data is available?	Optimization relies on using structured data. Available unstructured information would therefore need to be cleansed and, where necessary, enriched, in order to use them in the optimization of sourcing events.
How does the managed service work?	The offering is very flexible and can be adjusted to individual needs. It can range from running managed events managed as 'procurement as a service' to providing hands on guidance to sourcing professionals. Alongside this scale, we can offer a flexible support program based on your requirements.
How much do user licenses/managed service/etc. cost?	This is highly dependent on the selected tool and the number of users/events/complexity of events/etc. and hence needs to be explored on an individual level. Potential costs should be discussed as part of a discovery workshop.

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