

# Overcoming Challenges in Chemical Purchasing with Sourcing Optimization Technology

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# Executive Summary

Many industries, from healthcare to consumer goods to automotive, rely on chemical purchasing to drive their businesses forward. However, managing all that comes with it can be daunting. Fostering strong supplier relationships, ensuring compliance with stringent regulations, and navigating supply chain disruptions are just some of the challenges that stand in the way. Companies need to focus on developing a scalable and streamlined complex sourcing process to secure the chemicals they need while also driving cost savings. In this whitepaper, we'll explore how to use sourcing optimization technology to overcome these common challenges.

## Introduction

Chemicals are part of everyday life, from the medicines stocked on pharmacy shelves to the cleaning products used in millions of households. This widespread use makes chemical procurement a critical and challenging undertaking for many industries, as it encompasses a wide range of materials essential to various production processes.

Uses vary widely. For some organizations, chemicals constitute the bulk of their purchases and are integral to the manufacture of everything from consumer goods to industrial products. In other cases, chemicals are used as additives or ingredients crucial to the formulation of specific products. For pharmaceutical companies, chemicals often include active pharmaceutical ingredients (APIs) that are vital to the efficacy and safety of their medicines.

Regardless of the context and intended use of each chemical, procurement requires meticulous management to ensure quality, compliance, and cost-effectiveness. Organizations must navigate fluctuating prices, regulatory compliance, and supplier reliability. Efficient procurement processes are essential for maintaining competitive advantage and ensuring the uninterrupted supply of necessary materials.

With nearly 90% of CFOs worried about hitting their sales targets, there's never been more pressure on CPOs and their teams to secure the materials the company needs and find cost-saving opportunities along the way.

## Challenges in Chemical Purchasing

There are a number of competing challenges that buyers in this category face on a daily basis, and solving for them within their strategic sourcing approach while creating new sources of value is no easy feat.

Some of the most common challenges include:



**Price Volatility:** Chemical prices are highly susceptible to market fluctuations and are driven by factors such as raw material costs, geopolitical events, and supply-demand imbalances. This volatility can lead to budget overruns and financial uncertainty.



**Regulatory Compliance:** The chemical industry is heavily regulated to ensure safety and environmental protection. Organizations must adhere to various local, national, and international regulations, which adds complexity to the procurement process.



**Supplier Management:** Building and maintaining reliable supplier relationships is crucial. Organizations must assess supplier performance, negotiate favorable terms, and mitigate risks associated with supplier dependency.



**Complex Specifications:** Chemicals often have complex specifications and quality requirements. Ensuring that suppliers meet these standards is critical to maintaining product integrity and safety.



**Sustainability and ESG Considerations:** Companies are increasingly required to align their procurement practices with environmental, social, and governance (ESG) goals, adding another layer of complexity to sourcing strategies.

## Achieving a Scalable, Streamlined Sourcing Process for Chemical Procurement

As chemical procurement continues to grow in complexity, using the right technology will be essential in maintaining efficiency and competitiveness. Advanced sourcing optimization tools empower procurement teams with the capabilities and insights needed to automate routine tasks, facilitate better collaboration, and provide real-time visibility into supply chain dynamics. With a streamlined process in place, companies can scale without compromising on quality or compliance.

But what should companies look for when selecting their advanced sourcing optimization software? Focusing on the following capabilities will help provide the right foundation to overcome the challenges above.



**Guided User Experience:** Getting to market quickly using out-of-the-box templates (both generic and category-specific) helps buyers easily build and execute strategic events.



**Flexible Bidding:** A tailored bidding experience helps increase supplier engagement using expressive bidding and automated dynamic feedback to help take control of the bidding process and encourage creative solutions.



**Mathematically Enhanced Scenario Optimization:** Enable buying teams to explore the impact of their allocation decisions in real time, perform sensitivity analyses, and challenge stakeholders to adjust their requirements to deliver the best value.



**Enriched Bidder Data:** Support for direct upload of data without any scale restrictions reduces the time required to synthesize and analyze data. This includes data sources such as historical bids, supplier diversity, CO2 emissions, tariffs, incumbent rate cards, and supplier KPIs.

The right software will provide both qualitative and quantitative benefits.

## Quantitative Benefits



**Cost Savings:** A solution should have advanced analytics and scenario-based modeling to identify the most cost-effective sourcing strategies. By simulating various bidding scenarios, organizations can anticipate market movements and secure favorable pricing. Understanding the possibilities before they're presented in an actual scenario allows for educated decisions.



**Efficiency Gains:** Streamlining sourcing processes helps reduce cycle times and administrative overhead. This efficiency translates to quicker time-to-market and better resource allocation.



**Data-Driven Insights:** By analyzing historical data coupled with the ability to bring in third-party data such as benchmarking or tariff pricing, procurement teams can optimize their strategies and improve negotiation outcomes.

Companies that use Coupa's Sourcing Optimization see:

**50%+**

faster sourcing cycle time

**8%+**

savings against incumbent spend

## Qualitative Benefits



**Enhanced Supplier Relationships:** A solution should foster transparent and collaborative bidding processes that strengthen supplier partnerships. Real-time feedback mechanisms allow suppliers to adjust their bids, ensuring competitive and mutually beneficial outcomes.



**Compliance and Risk Management:** By integrating regulatory requirements into the sourcing process, organizations can ensure compliance, minimize risks, and manage supplier certifications and adherence to safety standards..



**Strategic Alignment:** By aligning procurement activities with corporate strategies and incorporating qualitative constraints into the sourcing process, organizations can make better and faster decisions that support strategic objectives.

## Case Study: Delivering Strategic Value

A leading pharmaceutical company faced significant challenges in its chemical procurement process, including price volatility and stringent regulatory requirements. By utilizing advanced sourcing optimization software, the company achieved:



**Cost Savings:** Secured an 8%+ reduction in procurement costs through optimized bidding strategies and real-time market insights.



**Efficiency Gains:** Reduced procurement cycle times by more than 50%, enabling faster time-to-market for new products.



**Compliance:** Ensured 100% compliance with regulatory requirements, reducing the risk of penalties and supply chain disruptions.



**Sustainability:** Integrated ESG considerations into the procurement process, supporting the company's commitment to sustainability.

## Navigating Today's Complex Sourcing Environment with Ease

Chemical procurement is inherently complex. With the right technology, however, organizations can overcome these challenges effectively. Advanced sourcing optimization tools offer powerful capabilities that deliver both quantitative and qualitative benefits. By aligning procurement strategies with corporate objectives and driving substantial cost savings, advanced sourcing optimization empowers organizations to achieve operational excellence and maintain a competitive edge.

## About Coupa

Coupa makes margins multiply through its community-generated AI and industry-leading total spend management platform for businesses large and small. Coupa AI is informed by trillions of dollars of direct and indirect spend data across a global network of 10M+ buyers and suppliers. We empower you with the ability to predict, prescribe, and automate smarter, more profitable business decisions to improve operating margins. Coupa is the margin multiplier company™. Learn more at [coupa.com](https://coupa.com) and follow us on [LinkedIn](#) and [X \(Twitter\)](#).

