



## CUSTOMER USE CASE

# SOURCING OPTIMIZATION

## SOURCING A MISSION CRITICAL RAW MATERIAL

Despite rising markets for several key raw materials, one of the world's largest packaged food companies saved \$9 million in its first direct material sourcing effort.

### SITUATION

Challenged to generate \$300 million of company-wide savings through the merger and rationalization of numerous internal and external raw material sources, the company's procurement team identified gaps in its data which made it hard to identify the components driving total cost across several critical categories of its direct spend.

Unfortunately, and despite a high profile acquisition made to secure its supply of the first targeted raw material, the team recognized it was likely facing a significant price increase. Market timing for this project was not ideal.

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*Incomplete data made it hard to identify the components driving total cost across several critical categories of direct spend*

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*\$9 million was saved on a \$200 million spend*

## CHALLENGES:

- Given the company's savings objective, the all-in pricing that had historically been solicited via face-to-face negotiations was no longer a viable approach. A more strategic, quantitative, analytics-driven process was required.
- The team needed a method for capturing as many manufacturing, packaging, distribution and consumption cost metrics as possible.
- The problem was made worse due to several different types, classes and grades of the targeted raw material.

## WINS:

- Instead of communicating its objectives in a traditional Request for Proposal (RFP) format, the team promoted this sourcing activity as a "Request for Solution" (RFS). This subtle difference in terminology was effective and the approach was well received by suppliers.  
In addition to successfully collecting a comprehensive break down of the total cost components, the team successfully collected individual plant capacity, feed rate, enrichment cost and processing margin data.
- Coupa Sourcing Optimization also enabled the team to capture viable alternate bids such as new blends and classes of the raw material which suppliers warranted as equivalents/supportive of the same specification.
- Suppliers bundled SKUs manufactured at the same facility and added discount parameters including tiered discounts, contract and payment term discounts.

A photograph of a golden wheat field under a bright sky, positioned in the top left corner of the page.

## THE RESULTS

- \$9 million reduction on a \$200 million spend.
- Despite a rising market, nearly 19% in potential savings was identified. After exploring various trade-offs and applying its constraints, the procurement team selected an award scenario that reduced costs by 4.5% or \$9 million.
- The team's ability to iteratively apply discount parameters, explore the impact of special offers and quantify the impact of its constraints during the award determination phase, as opposed to after, resulted in a mutually beneficial discovery process and an expedited realization of the savings.
- Suppliers were provided specific feedback. They were competitively graded where applicable. They were also provided with information intended to help them hone their investments in process improvements.
- Based on the value of alternate bids and other suggestions made by suppliers, the team gained an understanding of how it could improve its consumption processes and where it should invest its time qualifying new formulations.
- The procurement team was able to normalize how it worked with all sources of supply – both wholly-owned internal sources as well as external sources.
- The project was viewed as highly successful. In pursuit of its \$300 million overall savings target, the team immediately applied the experience it gained to the other raw material categories, effectively re-mapping its supplier relationships in several mission critical areas of its spend.

## ABOUT COUPA

Coupa Software (NASDAQ:COUP) is the cloud platform for business spend. We deliver "Value as a Service" by helping our customers maximize their spend under management, achieve significant cost savings, and drive profitability. Coupa provides a unified, cloud-based spend management platform that connects hundreds of organizations representing the Americas, EMEA, and APAC with millions of suppliers globally. The Coupa platform provides greater visibility into and control over how companies spend money. Customers – small, medium, and large – have used the Coupa platform to bring billions of dollars in cumulative spend under management. Learn more at [www.coupa.com](http://www.coupa.com).

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