

WEBINAR TRANSCRIPT

Sourcing Optimization is Key to Samsung's Transformation Initiative

Recorded from a Presentation on June 8, 2021

Sourcing Optimization is Key to Samsung's Transformation Initiative



Moderator:
Jenny Draper, Spend Matters:

I'm going to kick off and say hi, everybody. And thank you so much for joining us today for this really interesting topic around sourcing optimization, which is key to Samsung's transformation initiative. In this instance, everybody loves a case study from a customer who's implemented something, so I'm absolutely delighted to be talking about this with Radu [Panciuc, of Samsung] today.

I just want to first of all introduce our speakers. First of all, myself, I'm Jenny Draper, and I'm the Global Head of client services and the general manager for all things that happen for Spend Matters in UK and Europe. I'll talk a little bit about Spend Matters afterwards. But more importantly, I'm going to introduce Radu and then Jennifer, so Radu, if you just say hi, that'd be fantastic.



Radu Panciuc,
Contracts & Innovation Manager, Samsung:

Hi, good afternoon, or good morning, everyone.



Moderator:
Jenny Draper, Spend Matters:

Great. And Jennifer.



Jennifer Sikora,
VP of Marketing, Keelvar:

Hi, everybody. Great to be here today!



Moderator:
Jenny Draper, Spend Matters:

Fantastic. And in terms of the agenda, just looking through what we want to talk about today. I'm just going to be asking some questions to Radu, really and also to Jennifer later on. I want to talk about, well ask questions to Radu about Samsung's journey around logistics supply chain, benchmarking the project, how did they get to choose a solution that they chose, which was Keelvar, and what was that project all about? How

did they evaluate what they needed to get to that solution, the sourcing optimization side of Keelvar? I think everyone's going to be interested in sourcing optimization, massive topic for all of Spend Matters, as well as Samsung's adoption and benefits and looking ahead as well at Samsung and what their journey entails going forward.

So first of all, just a quick for those of you that don't know who Spend Matters are, take a look at the website. It's free. It's all about technology, so source-to-pay technology. We have a bunch of analysts that write some really detailed, gritty stuff around a load of technology. But we only do that in a source-to-pay arena. If you're if you're looking at technology, if you're looking at making tech selections, take a look at what Spend Matters is saying, and you'll find loads of useful stuff there. That's really all I need to say about Spend Matters, just take a look at it and see if that information is useful for you.

But I think more importantly, it's more about Samsung's transformation journey -- so Radu over to you, can you tell us a little bit about Samsung Electronics?

SPEAKERS



Moderator:
Jenny Draper
Global Head of Client
Services / GM (UK/EU)
Spend Matters



Featured Speaker:
Radu Panciu
Contracts &
Innovation Manager
Samsung



Speaker:
Jennifer Sikora
VP Marketing
Keelvar

AGENDA

- About Samsung's Logistics Supply Chain
- Benchmarking Project & Solution Timeline
- Solution Evaluation Criteria
- Keelvar's Sourcing Optimization
- Samsung's Adoption and Benefits
- Looking Ahead at Samsung


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Radu Panciu,
Contracts & Innovation Manager, Samsung:

Yes, Jenny, of course. Thank you very much for your invitation, and also the time that you are going to give us today to speak about our transformation journey -- and especially in this case with Keelvar. Yeah, I think everyone here, more or less should have some idea about what Samsung Electronics is doing. Of course, we sell the well-known mobile phones. But this is, let's say, a more recent endeavor that we've been doing. Samsung was established in 1969 in South Korea, and it is present all over the world. Except the mobile phone that is as our, let's say, sexiest product, we also sell high-end television sets and white goods such as washing machines, refrigerators, dryers, and so on.

Maybe one aspect that people are not really familiar with is that Samsung is also a very important player in the semiconductor market. Talking about shortages today, there is a big shortage right now in the world for the chip manufacturers and this also affects Samsung. So yeah, this is in a nutshell, this is what Samsung Electronics is.

If we move, let's say, if we zoom in into Samsung Electronics in Europe, I have to disclose that I am based in the Netherlands, where our logistics subsidiary's main headquarters is located. We are in Europe, our presence is based on 22 subsidiaries: 18 sales subsidiaries, one logistics subsidiary that would be where I work, and three factories which are located in Eastern and Central Europe.

When it comes to our job, what we manage, it's not that we have a, it's a complex job because we have to manage 23 distribution centers scattered all over Europe, four of them are so-called central distribution centers, which supply more than one market, so more than one country. But we also have around 20 small local warehouses that would be designed to supply just the local market. If you break your, let's say, your screen on the phone, and you need to replace it immediately. We supply those screens from two service reports, which are located in the Netherlands and in Slovakia. To put a little bit more into perspective, the scope of our work, I think we can make a comparison that we manage 45 football fields when it comes to the footprint that we cover in Europe.



Jenny Draper,
Spend Matters

And I think as you as soon as you started talking about breaking a screen, I think then it all became very relevant to everybody listening. And, and what I'd like to do really, now that we've had that overview from Samsung is, first of all, and if people didn't see from the first screen, what your role is, Radu, I'd love you to explain what your role is in the whole of the procurement side of Samsung. And also if we move on to the next screen, what the procurement challenge was that Samsung faced and how did you how did you and Samsung go about addressing that?



Radu Panciuc,
Samsung

Right. Yeah, so my role is I work in the contracts and innovation team. So my role is managing a 4PL, actually a 4PL that is a different Samsung entity. And they are the middleman between the Samsung sales subsidiary and the actual logistics service provider. Personally, I manage the Western European countries, but we also have our counterpart in Slovakia, where our colleagues are managing the eastern part of Europe.

When it comes to our challenge, actually the whole story, the whole story starts in 2019 when we approached a very, let's say, famous consultancy company, to understand our competitiveness on the logistics market. So we wanted -- to put it in simple terms -- we wanted to benchmark our logistics costs to understand where we are standing compared to our competitors. One thing led to another, and two months later in March 2019, we got our first results from the consultancy company that we teamed up [with].

• Benchmark Project & Solution Timeline



Source: Radu Panciuc, Samsung, June 8, 2021, Keelvar webinar presentation

Of course, some of the findings were related to our processes as well. And one of them was that there are some improvement opportunities that could be done to streamline our tendering [RFQ] process. This would bring not only cost benefits, but also time benefits. And that is something that, in recent years' time is becoming of utmost importance, especially that resources are getting scarcer and the scope is getting bigger.

In August, several months later, we also have some other tasks on the side, so this was not exactly the main project at that point. So in August 2019, we started officially, we started the e-sourcing project, when, to be honest, I just went online and tried to find different sources of suppliers that could provide us with an e-sourcing tool. A couple of months later after discussing to people and then yeah, googling, we came up with a long list of suppliers, I think there were around 10 companies that I approached. But in the end, based on our requirements, we narrowed it down to actually four finalists and one of them being Keelvar, as you can imagine.

After that, things went quite fast actually. Because we needed to, we wanted to start 2020 you know, on the right step in the sense that we wanted to launch our first RFQ in 2020 using the new sourcing optimization platform. So between November and December within one month, we had a lot of calls with suppliers, analysis, debates with our senior stakeholders to understand what is the best way to go forward. Things went fast. Before Christmas, we were already signing the contract with Keelvar. And then just fresh after the Christmas and New Year's break -- at that point COVID was not in Europe -- we went back to the office. And yeah, we rolled up our sleeves and we started the first RFQ in partnership with Keelvar.

Coincidentally, the first RFQ was also our biggest RFQ back then. So to give you an idea of how big our RFP was, we had over 400 invites sent, we had four rounds, I think it took around two months and a half. And in the end, the spend that we have for this business, it's factory outbound distribution, that is around 100 million Euros annually. We awarded it to 100 different service providers. It was the most complex RFP that we launched as the first tender with Keelvar. And things went well.



Jenny Draper,
Spend Matters

Yeah, so not exactly a soft introduction to the new technology. It was 'big bang!' ... Another question for you really now Radu: What was the process for evaluating the technology? And why did you choose Keelvar? You said that you invited others, why Keelvar?



Radu Panciuc,
Samsung

Yeah, indeed. So actually, the process of evaluation was, was quite difficult for me personally, because it was the first time we're actually evaluating something else. We normally do tenders for the transportation and warehousing, logistics in general. And this time was something different, I was supposed to evaluate a software that would, let's say, change the process. So you have to have in mind change management, you have to have in mind totally different things than what you're used to.

I hope that this information that I'm going to share now will be valuable for our viewers, because it's something that I didn't really find online. This is something that we put together as a team, we looked at three different things. Three, let's say we call them three evaluation buckets.

Project Management	RFQ	Analysis/Optimization
<ul style="list-style-type: none"> - Template Standardization - Alerts/Reminders - User Roles - Reuse Data Across Projects - Messaging Function - Bidder Adoption - Invitation - Supplier Database 	<ul style="list-style-type: none"> - Dispatch - Questionnaires - Bidding Methods - Bidding Process - Flexibility/Event Pause - Bid Validation - Bid Coverage - Bidder Expressive Feedback - Exchange Rate 	<ul style="list-style-type: none"> - Scenario Analysis/Complexity - Constraints/Scenario - Conditional Offers - LSP Clustering - Contract Terms - Round Overview - KPI Rules - Scenario Drilldown - Business Intelligence - Geo Mapping

Source: Radu Panciuc, Samsung, June 8, 2021, Keelvar webinar presentation

Project Management, because we wanted some time something that will make things easier for our members in terms of project management there, we did not want to burden them, we are looking to work smarter. So we wanted to understand how such a tool could, let's say, streamline our process.

We also looked at the actual tendering, so the actual RFQ, how easy it is to launch an RFQ, what kind of, let's say factors, does this tender tool take into account? Can we implement everything that we do offline now? When I mean "offline," I'm referring to the good-old email and Excel, can we implement everything that we're doing right now

into a smarter process? And of course, yeah, that is possible, because the new tools have such capability of course. We also wanted to give some kind of, let's say, extra intelligence to our buyers. For example, bid validation and bid coverage and bidder expressive feedback are functionalities that help make our lives easier because this is something that Keelvar takes care of, and we don't have to bother that much.

And from an Analysis and Optimization point of view, this is maybe the most difficult part because you can have good buyers and people can negotiate with service providers, but they also need to have the skills to make a proper analysis to optimize the cost. And this is something that I think is very valuable in an e-sourcing platform such as Keelvar, because it gives more insight into the cost or into the analysis you need to do, because you don't really need to take only costs into account. There are other rules as well. And it brings more, let's say intelligence to the table when it comes to the optimization.

On the other hand, I also had to sell it internally. We have a very strict president, and yeah, he likes my story, but he also wants to see how this can be implemented within Samsung. And for internal approval, I looked at the five different factors that we can just see on the screen [referring to slide, see image below].

• Solution Evaluation Criteria



Source: Radu Panciuc, Samsung, June 8, 2021, Keelvar webinar presentation

We wanted something that is cost efficient, of course, everyone is looking at a good return on investment, something that, you know, pays back in the shortest -- in the quickest timeframe. We also looked at how flexible are these platforms at offering us licensing? We were not sure at that point in time, are we going to end up having five users or are we going to have 20 users? So we were just dipping our toes into the e-sourcing water, and we didn't really want to just jump headfirst.

As mentioned before, we signed the contract in December, and we started mid January. Therefore, we didn't really have time for, let's say, implementation or training. We

wanted something that can be done quick that doesn't require many resources on our side. We actually didn't have any resources to allocate especially that during that period, that is, pretty much everyone is off, everyone wants to enjoy that [holiday] time with the family. And, in addition, we did not have time for trainings, we did not have time to fly people to a different country for a week or two weeks, even though that's really fun. And that was still possible before the COVID outbreak. But we didn't really have the time to do so. So we also took that into account.

And last but of course a very important factor was the contract duration. As I said, we were just dipping our toes into this water. And we weren't much sure if the fit is not good, if the sourcing platform that we're going to use is not a good fit for us, then we should also have some kind of an exit strategy in order to move to something else.



Jenny Draper,
Spend Matters

I was just gonna say, I mean, for me, this is a really valuable slide. This is real hands-on, how do you evaluate technology. What was the process that you went through? It's very, very practical. So I imagine I mean, all of this bundled up is very honest, Radu as well, it's a very honest look at your process.

So all of these factors together, I mean, you know, obviously the answer here was moving towards Keelvar. I'm gonna talk a little bit more about the benefits that you that you got from that, but I think first off, I think this will be a really good segue and opportunity just to get from Jennifer at Keelvar a little bit more information on the Keelvar platform. You know, what is it that was attractive to you Radu that made you select it. So Jennifer, could you tell us a little bit more about the about the Keelvar platform?

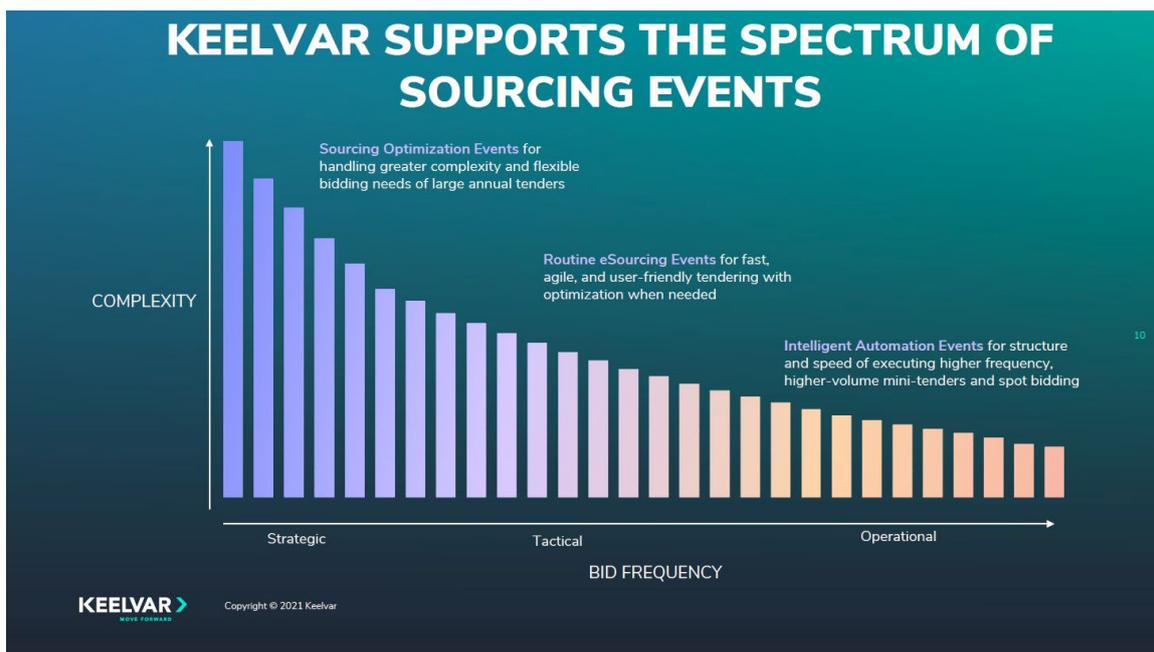


Jennifer Sikora,
Keelvar

Yeah, sure. Thanks, Jenny. And Radu. That's a really great setup. And it's always fantastic to hear, you know, the background of these stories. And I have to chuckle when you say that you dipped your toes into it with 100 million Euros worth of spend for your first event. But, you know, that is something that we see a lot with our customers as we onboard them with our sourcing optimizer. You know, we've been around for eight years and have a more modern, streamlined approach to sourcing optimization. But we're also starting to push forward with more and more automation capabilities to make these tools and this functionality much easier to adopt internally, as you heard from Radu and how quickly their team was able to get up and running.

The spectrum of sourcing that we're addressing at Keelvar ranges in complexity as well as bid frequency. So as you heard from Radu, you know you have these highly strategic large-scale spends that are much more complex in nature that are perhaps bid less frequently, they're typically annual sourcing events. And those are ideal for sourcing

optimization. But then you move into kind of more routine and tactical spending, and tendering and RFPs that happen throughout the year, all the way into operational sourcing activities, such as reactive spot bidding that we're seeing a lot in the market, particularly on logistics right now. And what Keelvar is able to offer is sourcing optimization that handles those events with larger complexity that are perhaps bid less frequently, but also pushing those optimization capabilities through automation to these more routine and smaller-scale, less strategic events that have to occur throughout the year. And we're doing that through more and more automation within our solution set.



Our products are the Sourcing Optimizer that Radu is talking about, that allows you to do the optimization capabilities, but it has these workflow automations that allow you and your team members to get up and running much faster and start to execute these complex events in a more automated and centralized way. We have our Sourcing Bots that are available on the logistics side that help with routine and frequent spot bidding activity. And then we have our digital rate card repository in Fulfillment Optimizer that keeps track of all of this.

You know, Radu is talking today about the logistics side at Samsung. And I know he's gonna make reference later to how Samsung will be expanding that across more spend categories. But this type of complexity, we're seeing more and more across other categories where you're no longer just making supplier decisions based on lowest price, the awarding allocation decisions are starting to get more complicated, not just in transportation, but in packaging and direct materials. Indirect such as extensive facility services that need to be localized across an entire national or global network, MRO, even marketing services, we're seeing customers doing well there. So anywhere where you're seeing the need to invite more suppliers to create more competitive tension. You don't want to be limited on size and scope because of manual input challenges that

you might have with spreadsheets or other basic e-sourcing tools. And you want to be able to have, as Radu explained, that ability to make award decisions that might be split across multiple suppliers or carriers and that might need to be optimized around lowest risk or best value, or creative packaging that bidders submit as part of their bids.

So all of that can be modeled across all of these different spend categories. And we're supporting that throughout our entire customer base. Samsung is one of many customers that we're very proud and thrilled to have on onboard. And we do try to really take a very customer-centric focus to implementing and supporting our customers. So you'll see we have customers across electronics, manufacturing, retail, medical, pharma, you know, automotive, packaging, food and beverage, consumer goods. So our customers, these are not all of them, but these are many of them that run the gamut. So, at that I'm going to stop here and hand things back to Radu.



Jenny Draper,
Spend Matters

I have a question for you, Jennifer, I just want to -- so I think it was it was really good to see some of those categories that you do source, I think for those who are listening just to see, to see categories that are relevant to them. And that you said the platform is very adept at handling and in terms of complexity, I think is great to see. Something from my side, from my Spend Matters heart is, you know, I'm obviously talking to a lot of the tech vendors day in and day out. And I hear a lot about Keelvar from some of the really big guys that everybody knows, the name of the likes of SAP. And I had a briefing with SAP recently and we were talking about sourcing optimization and they talked about Keelvar, they said, well, we can't wait for that. Why is it that organizations like SAP are recommending Keelvar in this area?



Jennifer Sikora,
Keelvar

Yeah, I mean, I think it's one of the reasons that Radu and I have mentioned already, which is that our ability to model the complexities that teams like Radu's teams are facing in the real world. It is, you know, not being limited on size and scale and removing those barriers that might exist, and being able to simplify complex award decisions, and being able to take in a variety of different inputs that you might want to collect from your suppliers that are bidding on the business and model that. So there is some advanced capability that is needed to do that. But you also want to make that simple to use. So, you know, I think that's the advantage that we bring.



Jenny Draper,
Spend Matters

Never underestimate user adoption, I think. Now back to you, Radu and how did the implementation go? And what support -- putting Keelvar on the spot here for you -- what support did you get from Keelvar during that implementation phase?



Radu Panciuc,
Samsung

Yeah, I think it's, it's difficult to call it implementation because what it was, actually was very simple because we just had, I think, a one-hour call with one of the Keelvar engineers. Chris, I'm not sure if he's in this webinar listening, but thank you again, Chris, for the for the great work you did to launch our first event! So what we did is just a one-hour call with Chris, where we gave him all the RFQ documentation that we normally do. So like RFQ documents, some Excel files with the analysis, how we were doing things right now. And after that, I think we had a two- or three-hour call with him launching the first event. It's pretty much launching the first event and learning was moving the things that we kept offline, so in files document, like Excel docs or Word docs, uploading them into Keelvar, setting up the bid sheet, the cost calculation formulas, uploading the bidder information, and so on -- and then just launch.

So that was our implementation, let's say two to three days of working together with Keelvar, and getting up to speed. There was also on-the-go training, where the Keelvar engineer was showing us how things can be done.

I think the great thing about Keelvar is that it's simple and complex at the same time. So it makes processes that are complex, simple, so you can easily follow them. And you can easily go through the checkpoints, so you don't have to make -- you're sure you're not going to make a mistake. It's like having a second pair of eyes, checking everything that you're doing, but in a smart way.

• eSourcing Adoption & Insights



3% to 5% savings by using an
Advanced Optimization Tool

※ 1% to 3% incremental savings via Flexible Feedback



75% to 85% time savings in building,
running and evaluating an RFQ

Source: Radu Panciuc, Samsung, June 8, 2021, Keelvar webinar presentation

When it comes to the adoption, we see for us, yeah, there were two main things that were important. Actually, it was the actual savings. I have to go to my president and then show him, okay we reduced by 1% or by 3% logistics cost in transportation or warehousing. But we also handle more complex tenders these days, this is also due to COVID. Things changed drastically in the last one and a half years. So now we are able to manage more by keeping the same team, so we are, let's say optimizing our resources internally, as well.

And just to give some information about our spend... still, at this point in time, the outbound transport is our biggest spend. It's in the couple of hundreds of million euros yearly. And this is also where we see the highest potential for savings. In addition to

that, this is also that the transportation tenders are also the most frequent ones and where because normally we have yearly contracts. In comparison, for example, with a warehousing contract where that normally lasts for three to five years depends a little bit on the investment and so on.

If I may hijack a little bit the webinar because I just saw a question from [Attendee Name Redacted]. Actually, he's asking if we considered extending sourcing optimization to other categories. And yes, this is in addition to Jennifer's slide actually, you could have seen on her slide four categories. Where we are mainly doing the first one – transportation, we can also include warehousing in that area. But since May 2021, we have also entered the packaging category. So we have launched our first RFQs in Europe, three different countries actually Slovakia, Poland, and the Netherlands, where we acquire, for example, pallets, all kinds of boxes, labels, foils, everything that needs to be used in a warehouse.

OPTIMIZE ACROSS SPEND CATEGORIES

BIG OR SMALL, SIMPLE OR COMPLEX. EXAMPLES:

Transportation >	Packaging >	Direct Materials >	Indirects >
<ul style="list-style-type: none"> • Truckload • LTL • Rail • Intermodal • Ocean (FCL/LCL) • Air • Parcel 	<ul style="list-style-type: none"> • Primary, Secondary, Tertiary • Cartons • Corrugate • Flex Films • Labels • Pallets • Bottles / Cans 	<ul style="list-style-type: none"> • Ingredients • Chemicals & Fragrances • Liquids / Oils • Merchandise • Raw Materials and Commodities 	<ul style="list-style-type: none"> • Professional Services • Facility Services • Equipment and Supplies • Maintenance, Repair & Operations (MRO) • Travel • Temp Labor


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When it comes to the benefits I hear, I think I already kind of mentioned them, but the main benefits that we see in our team is that when we have new people joining, not joining the team but actually joining Keelvar, is that it is very easy to onboard them. We don't really have Keelvar training, we just have someone in our team training someone else, so we also share our knowledge internally and also with our 4PL, which increases our collaboration.

It also takes some of our responsibility off our hands, so the system is validating certain things. We don't really have to spend the time to think, "okay, did I do that? Or did I do this? Did I fix that?" Yeah, Keelvar is smart enough to do that on our behalf. And our focus is now on the results and not the process. Before that, we were mainly thinking of you know, how we should do this? Well, now it's already established, it's standardized.

It's more or less a flexible template. So we have more brain capacity to think about the results or the strategy for negotiation, and so and that's really the process.



Jenny Draper,
Spend Matters

That's Radu, I mean, I think that's fantastic. It's very tangible, as well, to see, you know, to see the results. So really appreciate that. appreciate those insights. And it's great news, I think so far for you at Samsung. How are you going to build on that? You talked about moving into packaging, moving into other areas? How are you going to build on that success that you've already seen Radu?



Radu Panciuc,
Samsung

Yeah, indeed. I think that the first year was more kind of like a learning year, when we were just adding more and more RFQs that we were running through Keelvar. And 2021 is pretty much I would say a standardization year in the sense that all our RFQs are run now in Keelvar. So all our team members are trained, and are at least running one tender in Keelvar. We added the packaging category to the portfolio.

We also expanded the user pool. We started with five users, I think this was in January 2019. And in September, we already added more users. Now we are 15 and most probably we will have to expand to 20. And from just my personal responsibilities, actually, I want to make sure that all users will be proficient, we still see that now some users are more comfortable with Keelvar than the others. And since I think it was March this year, Keelvar launched their university, it's called Keelvarsity, which we are very grateful for. Because now all the information that we need, all the questions that we were asking are, can be can be done via Keelvarsity. So that's a really, that's a strong point for our users this year.

Another point that actually is important for us. I mentioned standardization. Unfortunately, because of some internal rules, we cannot really directly connect Keelvar to an ERP or business intelligence tool. So my focus will be to make this connection to develop an integrated BI solution with the data that we have in here, because it is quite powerful data that we get from there and with their recent launch of their BI reporting functionality. So this is also something that we value about Keelvar is that we have regular discussions with them going through the process and through the functionalities that everybody's using, and working together to develop those functionalities. So we're happy that, that we can, we can do that. Because both companies I think are learning from each other.

And the last thing if I still have a little bit of time for it, it's the Road Bot [sourcing bot], I know this is still in the development phase. I know there is an Ocean [Sourcing] Bot and an Air Bot. But we're looking forward to the Road Bot, because most of our tenders in Europe are for road transport. So this is something that we discussing now with Keelvar, to understand how, what are our needs, what are Samsung's needs.



Jenny Draper,
Spend Matters

Radu, that was really interesting. And as I said before, just really practical and useful. It was real insights. And I thank you so much for those. If anyone has any questions to submit you see the email for webinars@keelvar.com. Thank you for the presentation today!



Radu Panciuc,
Samsung

Thank you and for the opportunity.



Jennifer Sikora,
Keelvar

Thank you to Radu for sharing and thank you Jenny.

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

