CASE STUDY

Ocean Freight Success Story

Unrivalled flexibility and focus

The Customer

DAX 20 Consortium of large BCO's: German multinational conglomerate headquartered in Munich and the largest industrial manufacturing company in Europe. The principal divisions of the company are Industry, Energy, Healthcare and Infrastructure & Cities, which represent the main activities of the company, employing approximately 379,000 people worldwide and reported global revenue of €80+ billion.

The Challenge

The companies and business units had very different shipping processes, policies, constraints, etc. Each unit shipped different types of commodities and each used multiple suppliers.

With only a small team to manage the process and a short period of time to do so, the customer needed a solution that could quickly collect and analyze ocean carrier proposals alongside the business rules and preferences of its various stakeholders.

The Goal

To effectively reduce ocean transportation costs, the customer embarked on a center-led strategy to merge its ocean shipping operations from the business units. By doing so, it could consolidate its global ocean freight spend across all business units to leverage better rates from carriers, rationalize the number of carriers servicing its network while ensuring capacity needs were met, and increase internal execution efficiency.

The Solution

The DAX 20 Consortium of large BCO's turned to Keelvar, who enabled it to leverage the product's Expressive Bidding, Optimized Scenario Analysis and user-friendly Event Management capabilities.

Results

- Benchmark: Top 5% by cost performance
- 23% in savings over prior bid rounds.
- 40% time reduction to manage data and process: Tender executed in 3.5m vs 6m.
- Purchaser defined package bidding to drive savings. Multi-objective award criteria with rich scenario analysis. Advanced data cleansing with outlier detection, validation rules for mandatory field controls and benchmark driven bid feedback.

Using Keelvar for its ocean transportation sourcing, the customer was able to engage their carriers in Expressive Bidding, encouraging them to maximize their competitive advantages by offering more cost-effective bids, creating efficient lane packages, and offering volume discounts.

Because the carriers could offer more flexible bids to best meet the needs of the distinct business units and the company as a whole, the customer was able to consolidate ocean spend under one company umbrella to increase internal efficiency and reduce overall costs. To analyze the carrier's bids on a lane by lane and network-wide level, the customer relied on the optimized scenario analysis capabilities of Keelvar.

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Within Keelvar's user-friendly interface, it was able to quickly analyze carriers' unique proposals alongside the service and incumbency preferences of its business units. The customer could create virtually unlimited "What If?" scenarios in the Sourcing Optimizer Platform, which would then generate optimized analysis results in seconds.

The customer was able to analyze not only low-cost results, but also the cost impact of their business preferences and constraints such as the number of core carriers (4 vs. 5, etc.), different ocean alliances, as well as transit times and ports of origin.

This gave the customer more insight into the cost of their decisions so that they could find the optimal balance of ocean rates, capacity commitments, service quality, and carrier relationships. Having the flexibility and speed offered by Keelvar, they gained insight into new opportunities to reduce costs and improve internal efficiency for their ocean transportation sourcing.

Following success in Ocean, they expanded adoption of Keelvar into other categories such as Fleet, MRO, IT equipment, Air Freight and Electronic components.

About The Authors

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Head of Platform Engineering. David is a computer scientist and came to Keelvar from the Cork Constraint Computation Centre. His research focused on Optimization and Machine Learning. He is a Principal Software Engineer with Keelvar and is based in Berlin, Germany.

Alan Holland, Ph D.
CEO. Alan has a Ph D in Computer Science specialising in Artificial Intelligence. His post- doctoral research focused on Algorithmic Mechanism Design, Game Theory and Optimization with publications in IJCAI, AAAI and ECAI. He was based in the Insight Centre in University College Cork and the course leader for a taught MSc in Intelligent Systems.

Barry Hurley, Ph D.
Principal Software Engineer. Barry has a Ph D in Computer Science and his dissertation focused on Machine Learning techniques for optimizing performance in combinatorial optimization problems. At Keelvar he leads the Intelligent Systems team.

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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**

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