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Rate Management:

A key milestone in achieving Autonomous Sourcing

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Abstract

In the evolving world of procurement, rate management is more than just a routine task – it's a key driver of sourcing efficiency. As sourcing automation advances, and with organisations facing more rate updates than ever before, manually managing these rates becomes a significant barrier to achieving true Autonomous Sourcing. This paper explores the critical importance of rate management, the challenges associated with current manual processes, and the necessary features for an effective rate management solution. Keelvar Rate Manager emerges as the solution that seamlessly integrates rate management with Autonomous Sourcing, paving the way for more efficient, data-driven procurement practices.

Introduction

As organizations move toward more automated and intelligent sourcing processes, rate management has become a crucial component of the procurement landscape. Rates are the outcome of every sourcing event, yet rate management is often a partly or fully manual, time-consuming and error-prone task. Procurement teams typically rely on disparate systems like spreadsheets or various databases to manage rates. This paper explores the implications of using such methods which often result in missed opportunities, inefficiency and increased risk of errors, as well as the impact of these various issues. Indeed, poor rate management practices cause far worse damage than simply slowing processes down, and can become damaging when leading to non-compliance, discrepancies, and ruined supplier relationships.

Naturally, these issues are even more pronounced when rates and rate management responsibilities are spread across different categories, suppliers, and time periods, and when rate volumes increase in organizations using autonomous sourcing. This paper delves into why rate management is essential for organizations seeking to scale their sourcing efforts and why it is a vital stepping stone toward achieving fully autonomous sourcing. While the progress made in sourcing automation is currently putting pressure on rate management, it also creates an opportunity for an integrated, centralized, and automated rate management solution to emerge and propel organizations who have already started leveraging autonomous sourcing even further ahead of their competition.

Combining autonomous sourcing with a single source of truth for rates is guaranteed to reduce administrative overhead, save time, and empower procurement teams to make better, data-driven decisions. This paper will also consider the key requirements of one such rate management solution. Ultimately, we introduce Keelvar Rate Manager as the solution that addresses these needs, streamlining rate management and enabling the automation required for autonomous sourcing.

Why is rate management important?

Rates consist of the price and terms negotiated with suppliers. New rates are the outcome of sourcing events and historical rates are a variable to consider when making sourcing decisions.

Rate management is essential for controlling procurement costs, improving efficiency, and maintaining consistency across sourcing processes. Efficient rate management also ensures that organizations make data-driven, cost-effective decisions, remain compliant, and build stronger, more transparent relationships with suppliers. Moreover, as businesses grow and their needs become more complex, an effective rate management strategy provides the scalability and adaptability necessary to handle future challenges. Finally, centralizing rates and ensuring everyone in the organization uses the same, negotiated rates reduces the risk of employees or departments bypassing negotiated agreements and making unauthorized purchases at higher rates. In an increasingly automated procurement landscape, rate management becomes the foundation upon which more advanced automation, like autonomous sourcing, can be built.

Current challenges with rate management

For most sourcing teams, the pressure to drive more savings with less resources is ever increasing. Wasting time on managing rates is unwise, and leaning into effective rate management strategies to drive more savings is a 'low hanging fruit' that can't be ignored. Unfortunately, managing rates can present a number of challenges that prevent procurement teams from turning rate management into a strategic tool.

Multiple platforms: Procurement teams frequently manage rates across multiple systems which aren't integrated with each other, such as spreadsheets, internal databases, procurement software, and even emails. This fragmentation makes it difficult to maintain a single source of truth and increases the risk of errors, duplication, and outdated information being used. This also makes tracking historical rate data difficult, and therefore analyzing trends and benchmarking rates is almost impossible.

Rate updates: Keeping rates up to date can be a constant challenge. With fluctuating market conditions, rates may need to be revised frequently, and ensuring these updates are reflected across all relevant systems can be a slow and error-prone process. This manual process also makes it difficult to track rate changes in real-time, leading to delays in decision-making.

Invoice matching: If rates aren't stored or updated correctly, there may be discrepancies when matching invoices to the agreed-upon rates. This requires additional time for procurement teams to reconcile discrepancies, which can delay payments and lead to relationship issues with suppliers. But without a clear system for tracking and updating rates, procurement teams may struggle to resolve disputes over what was agreed upon. Having a robust system that tracks the terms of agreements, including negotiated rates, delivery schedules, and other contractual elements, is essential for avoiding these kinds of issues.

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Compliance gaps: Without centralized and updated rate data, ensuring compliance with negotiated rates becomes difficult. Procurement teams may unknowingly approve purchases that fall outside of agreed-upon terms, leading to overcharges, missed savings opportunities, and potential contract disputes.

Multiple categories: Different procurement categories (e.g., raw materials, transportation, services) often require different rate management processes. A rate management system must be able to handle various rate types (e.g., unit rates, flat fees, volume-based pricing) across categories, which adds complexity, especially when dealing with a large number of suppliers.

Scalability and future growth: As companies scale and work with more suppliers, the complexity of rate management grows. Scaling rate management requires a solution that can handle large amounts of data while maintaining accuracy and efficiency and that can quickly adapt to changes in market conditions, such as sudden price fluctuations or changes in supplier behavior. Without a flexible rate management solution, adjusting to these changes can be slow and error-prone, preventing organizations from capitalizing on favorable market conditions.

These challenges hinder efficiency, increase the likelihood of errors, and make it difficult for teams to make data-driven decisions. A modern, integrated, and automated rate management solution is essential for overcoming these obstacles and ensuring effective, compliant, and strategic procurement.

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Key components for effective rate management

1. **Centralized data:** All rate information should be consolidated into a single platform to provide accurate, up-to-date information.

2. **Automation:** Rates should be automatically updated, eliminating the need for manual data entry and reducing the risk of errors.

3. **Advanced search and reporting:** The solution should enable teams to easily search, filter, and report on rates, making it easier to access the data they need.

4. **Compliance and auditability:** The system must provide a clear audit trail for all rate changes, ensuring transparency and compliance with negotiated terms.

5. **Integration with other systems:** The rate management tool must integrate seamlessly with other procurement and sourcing platforms, to ensure smooth data flow and consistency across systems.

6. **Access management:** Various stakeholders who may be internal (e.g. procurement professional from other departments) or external (e.g. auditors) will require different levels of access to different rates which must be granted flexibly.

Introducing Keelvar Rate Manager

Keelvar Rate Manager is designed to meet these criteria by centralizing and automating rate management processes. It provides procurement teams with a single platform for managing, updating, and reporting on rates, ensuring accuracy and reducing the administrative burden. Keelvar's solution is not only a tool for managing rates but also an enabler of Autonomous Sourcing.

Technological foundation

Keelvar Rate Manager integrates seamlessly with existing Keelvar tools, such as Sourcing Optimizer and Autonomous Sourcing, as well as with Keelvar's benchmarking partners (Xeneta, SONAR, and DAT). These integrations allow procurement teams to automate the entire rate management process, from triggering sourcing events to collecting rates, and back to events again. What's more, Rate Manager can store both 'spot' and 'contract' rates which is particularly valuable for spend categories where prices can fluctuate significantly and unexpectedly over a short period of time.

As such, Rate Manager ensures procurement teams remain agile in the face of market volatility by removing the need to manually create and trigger sourcing events – instead, procurement teams can benefit from automatic rate updates and 'touchless' automation. Now they can launch sourcing events much more frequently while removing the admin uplift of generating a higher volume of rates, and focus only on the strategic tasks and events that require involvement from procurement experts.

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Key features & benefits

Automated, real-time rate updates

Automate the process of updating rates based on market changes and contract terms, reducing the need for manual oversight and 'human' intervention. By incorporating automated rate updates, the 'flywheel' effect of Autonomous Sourcing is strengthened, making the entire sourcing process more efficient and responsive and ensuring that your pricing strategies remain competitive.

Centralized rate management

Keelvar Rate Manager consolidates all supplier rates into a single platform, making it easier for teams to manage, update, and report on rate data. Whether it's updating a rate card or generating reports, everything is done in one place. No more sifting through countless spreadsheets or waiting for updates from different departments.

Integrations and flexible search

Keelvar Rate Manager allows for flexible search capabilities and integrates seamlessly with other platforms. This makes it easier to push or pull data and synchronize rates across systems, and ensures that rate data is always up to date. With advanced filtering and sorting features, users can quickly find the right rate information, whether they're looking for specific suppliers or comparing rates across categories.

Enhanced compliance and transparency

By centralizing rates in a single platform, Rate Manager improves transparency and compliance. Users can track rate changes, monitor trends, and maintain detailed audit trails. This minimizes the risk of unauthorized rate changes and helps avoid maverick buying, ensuring that teams stick to contracted pricing.

Data-driven decision-making

Rate Manager isn't just about storing rates – it's about making smarter decisions. By providing historical and real-time rate data, it enables teams to analyze trends and make data-driven decisions. Whether it's negotiating with suppliers or forecasting future costs, teams have the tools they need to optimize their procurement strategies.

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Conclusion

Rate management is a critical yet often overlooked aspect of procurement. The inefficiencies and risks associated with managing rates hinder sourcing efforts and prevent teams from achieving the full potential of Autonomous Sourcing. Keelvar Rate Manager addresses these challenges by centralizing, automating, and integrating rate management with sourcing processes. As part of the wider ProcureTech ecosystem, Keelvar Rate Manager plays a vital role in enabling fully Autonomous Sourcing, enhancing efficiency, improving decision-making, and driving cost savings.

Rate management is integral to achieving fully autonomous sourcing. Once rates are centralized and automated, sourcing agents can take over tasks like updating rates, initiating bid events, and ensuring compliance. This integration creates a "flywheel effect," where automation of rate management feeds into further automation of the sourcing process.

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Panos' role expands across departments, mentoring Keelvar's functional and technical teams to deliver solutions that drive optimum value for Keelvar customers. Panos has over 10 years experience working in the procurement space. He holds a BSc in Business Information & Technology and an MSc in Supply Chain & Logistics from Manchester Metropolitan University.

Keelvar is a leader in AI-driven sourcing solutions, helping procurement teams optimize and automate their sourcing processes. With a focus on innovation and customer satisfaction, Keelvar's products, including Rate Manager, are designed to streamline procurement, improve decision-making, and deliver significant cost savings.

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Simplify the complex. Automate the simple.

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