



Find the money
(and data) hiding in
your contracts



Introduction

Over the past two decades, we've heard from many freight and commodity organisations that the contractual downsides of a bad deal can wipe out a year's worth of profits. Common to all those discussions have been the challenges in gaining new insights and visibility across contracts, as well as managing its risk.

In this paper, we discuss insights gathered from the industry leaders and experts who participated in the webinar held by Chinsay in collaboration with Commodities People. This includes how digitalisation has helped them address these challenges, and what opportunities they anticipate from a data-driven contracting process.

We invite you to explore how your company can take advantage of technology to extract new value from and mitigate risks, and how you can help spur a transformation in the way our industries trade.

Colin Hayward, CEO Chinsay

We thank our panellists for sharing their expertise, and **Commodities People** for moderating the discussion:

- **Adam Panni**, Director of Shipping & Operations, OMV S&T
- **Karina Gistelinck**, VP Strategy, BHP
- **Lee Kirk**, Managing Director, Metals Supply Chain, Cargill
- **Nicole Bavaud**, Global Head Operations, Grains & Oilseeds, COFCO International
- **Sam Porter**, Director Commodity Trading, Baringa
- **Ben Hillary**, Managing Director & Founder, Commodities People
- **Aitana Conca**, Director EMEA, Chinsay
- **Colin Hayward**, CEO, Chinsay

Traditional contracting processes slow revenue growth

Increasing risks and contract processing costs leads to an erosion of value for organisations. Here are six common pitfalls that companies often overlook:

01 Contract Risk

Non-standard, unfavourable, or risky clauses across contracts

The lack of contract visibility, effective access, and systematic review of clauses increases the risks associated with legacy clauses. This results in a costly, reactive approach to events and changes affecting the industry, instead of the proactive management of contracts on an individual and portfolio basis.

02 Contractual notices

Missed deadlines, obligations or opportunities that are negotiated in the contract

The nuances of embedded options, rights and obligations within contracts are not captured in existing operational systems. This inability to visualise and trigger systematic actions on contractual rights and obligations reduces profit margins and increases risk, reputational damage, and missed opportunities.

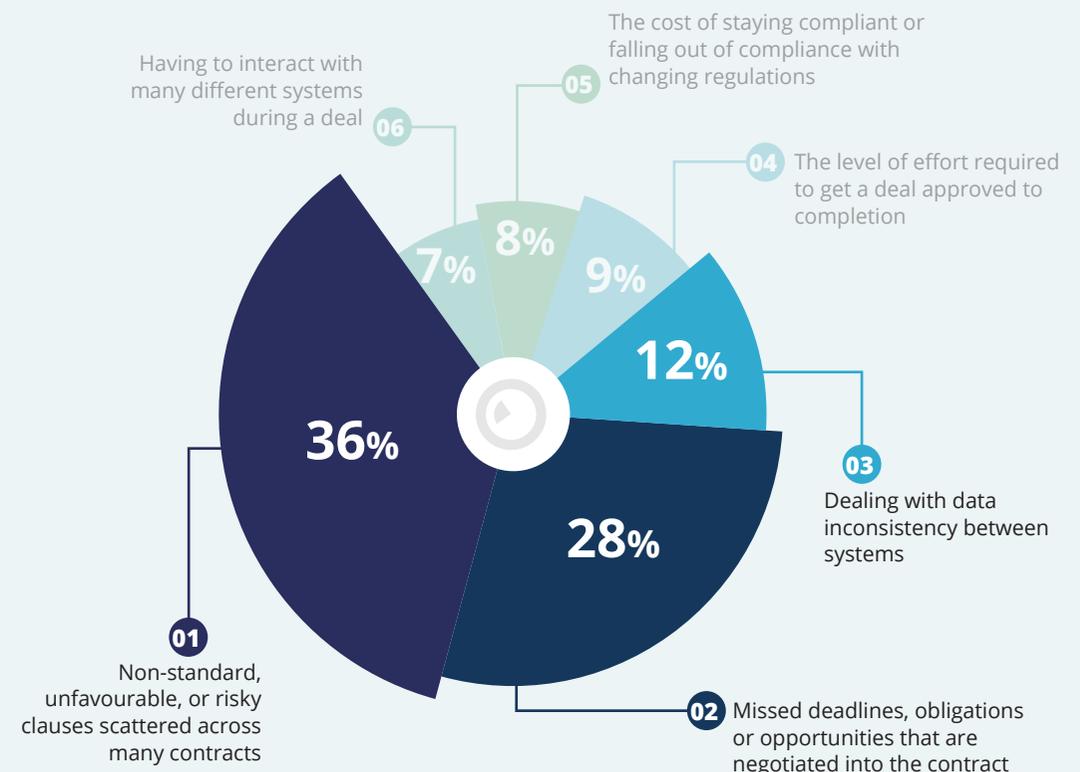
03 Unusable Data

Dealing with data inconsistency between systems

Accurate, timely data is fundamental to any organisation. The prevalence of unstructured data hinders the access to the right data at the right time to enhance decision making.

Which risk is the most likely to cause financial loss/cut into your margins?

This pie chart shows the answers of 165 survey participants



04 The Contracting Process

The level of effort required to get a deal approved to completion

Most contracts require multiple iterations, and involve the review by functional experts and the approval from multiple stakeholders. Existing manual and siloed systems do not support efficient collaboration and visibility into the process, increasing the effort required from departments which ultimately adds cost.

05 Regulations & Compliance

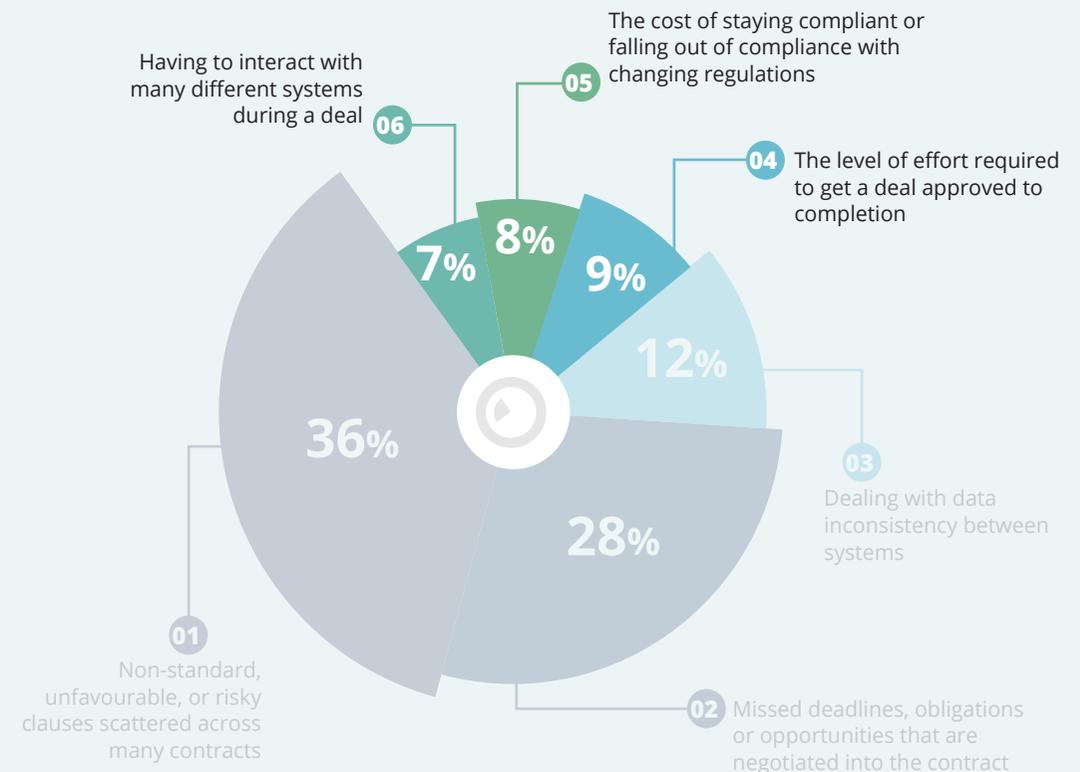
The cost of staying compliant, or falling out of compliance with changing regulations

The acceleration of regulatory change and complexity are increasing the cost of maintaining regulatory compliance. The lack of a systematic approach into an organisation's workflow can both increase costs and minimise the transparency of data compliance.

06 Disconnected systems

Having to interact with many different systems during a deal

Multiple systems are currently used for commodity management, which in turn leads to siloed data. This lack of interoperability is foundational to issues of cost, risk, inefficiency, and lost opportunity.



"... having the opportunity to reduce the risk of manual error, increase the scalability of your contracting process or ensuring what is negotiated gets into a contract, really trying to capture the potential of the information that you put into your contract, all that is really the key."

Lee Kirk, Managing Director, Metals Supply Chain, Cargill

Our speakers' views on additional contract risks

We asked our speakers what motivated them to begin their digitalisation journey and what outcomes they were initially looking for. The panel agreed with the risks and results from the survey, also citing the problems of ownership, governance, and the inability to use data locked in documents and systems for business benefit. Most of our speakers also described additional challenges stemming from repetitive manual work and unstructured and unused data within the organisation.

Lack of Ownership & Governance

Traders and marketers are typically the primary contract owners in organisations. However, it is common for Legal, Contracts, Operations, and other departments to be involved. Because different departments are responsible for different aspects of the contracting process and the corresponding clauses, there is often a lack of consistent controls and accountability.

Lack of Business Intelligence

Traditional contracting represents a high cost with little added value to the organisation since data cannot be captured and used to identify new opportunities. When the business intelligence held in a contract is blocked by a deficit of meaningful data, the business cannot be optimised.



“Who really owns the contracts? Traders own them, but on behalf of the company, and the company should be there to support them. And how the company structures itself in order to keep the contract process front and central, I think is key.”

Adam Panni, Director of Shipping & Operations, OMV S&T

Benefits the speakers see on digitalising contracts

Control and Visibility

A digitalised contracting process allows organisations to integrate compliance and controls, enabling everyone in the business to work with contracts seamlessly.

Interoperability

Connecting contract data with other systems minimises the need for manual data manipulation, eliminating the need to re-enter data and ensuring data consistency and a single source of truth across systems.

Data Insights

Gain valuable insights into customer needs, clause preferences and contract performance by extracting the data made available through digitalisation and automation.

Data captured throughout the contract lifecycle also enables correlation between contractual clauses and claims and supports contract optimisation efforts to prevent future losses.



"If you're embarking on a digitalisation journey, make sure you make interoperability and the existence of or support for APIs a really important selection criteria. The bells and whistles you can build on later, but the interoperability -the pipes that connect everything together- are much harder to build later."

Karina Gistelink, VP Strategy, BHP

Proactively Managing Risky Clauses

With intelligent software, when companies identify a risky clause, they can see all the contracts that contain it, giving them the ability to understand their total current exposure and proactively take action to mitigate future risk.

Business efficiency

Contracts can be generated in minutes rather than weeks or months. Less time is also wasted on legal disputes and their attendant demands such as managing the organisation, engaging with lawyers or investigating paper trails.

Reducing time spent in contracting gives organisations time to focus on other value-generating activities such as increasing productivity and risk management.

“For all operators, the integration of the contracting process with other operational digital tools, resulting in one big platform with everything from A to Z, would be a dream.”

Nicole Bavaud, Global Head Operations, Grains & Oilseeds, COFCO International

04 Added opportunities identified by our speakers

Digitalising contracts also comes with hidden advantages. The speakers illustrated this by revealing some of the extra benefits they have uncovered in digitalising their contracting processes, as well as the opportunities they anticipate will emerge in the future.



Gain control over processes and risks

Companies need visibility for processes to be streamlined and simplified.

Ability to mitigate contract risk

Organisations can move from what was once a reactive response to proactive contract risk management.

"You have to understand where there are blind spots in your contract models, and where you have blind spots that have value, focus on these in terms of digitalisation."

Sam Porter, Director Commodity Trading, Baringa

"...you generally find out you've got a problem with a contract when you get big movements in markets. When you get big movements in markets, you have big issues and by the time you're dealing with that you're being reactive not proactive. Data gives you the opportunity to be forward looking."

Lee Kirk, Managing Director, Metals Supply Chain, Cargill



Minimise losses by optimising the processes

Automating alerts and notifications prompting the correct users to take action when needed, minimises losses.

“When we talk about contracts, we usually talk about disputes and risks. Digitalisation can help in preventing risks such as missing declaration dates that can lead to default, meaning massive money losses.”

Nicole Bavaud, Global Head Operations, Grains & Oilseeds, COFCO International

Provide a better customer experience through data insights

Understanding your customer behavior allows better serve your client's needs.

“A long-term benefit from digitising the contracts is around a much better understanding of your customer needs, their preferences, their pain points, why certain contracts were performed and others not. This has a lot of value and will allow us to become better not just at contracting, but also at placing our products in the market and providing a better customer experience.”

Karina Gistelink, VP Strategy, BHP





Ability to create seamless data flow throughout the organisation

Digitalised data becomes valuable to the business because it is actionable and can be flown within the organisation.

“The technology opened up more applications and the mindset has changed. People are more willing to work with other applications and become experts in their niches.”

Adam Panni, Director of Shipping & Operations,
OMV S&T

Being prepared for future optimisation

Being able to effectively use future technology is dependent on the information you are able to input into these systems.

“When we look at the future state of digitalisation, at what commodity companies might be like in 5-10 years’ time, I think optimisation will play a much bigger role in the overall landscape and will be a much more significant value driver.”

Sam Porter, Director Commodity Trading,
Baringa

Digitalisation is the natural evolution of the contracting process

From our experience throughout the years, many of our clients have directly benefited from making the change to automated, digitalised contracting processes. While innovation and perseverance are required to overcome initial obstacles, a broader acceptance of cloud computing and SaaS technology providers is increasing both the opportunities and pace of change. The digitalisation and structuring of contract data is foundational to optimised workflow in that it allows companies to manage risk proactively, focus on value-added tasks, and give customers a better experience and your stakeholders a better outcome. Taken together, these benefits of digitalisation coalesce into a transparent and controllable contract management process.

The industry is evolving towards a broader state of digitalisation, with untapped opportunities for interoperability and collaborative ecosystems. Starting a digital transformation journey prepares your business for upcoming business and technological advances.

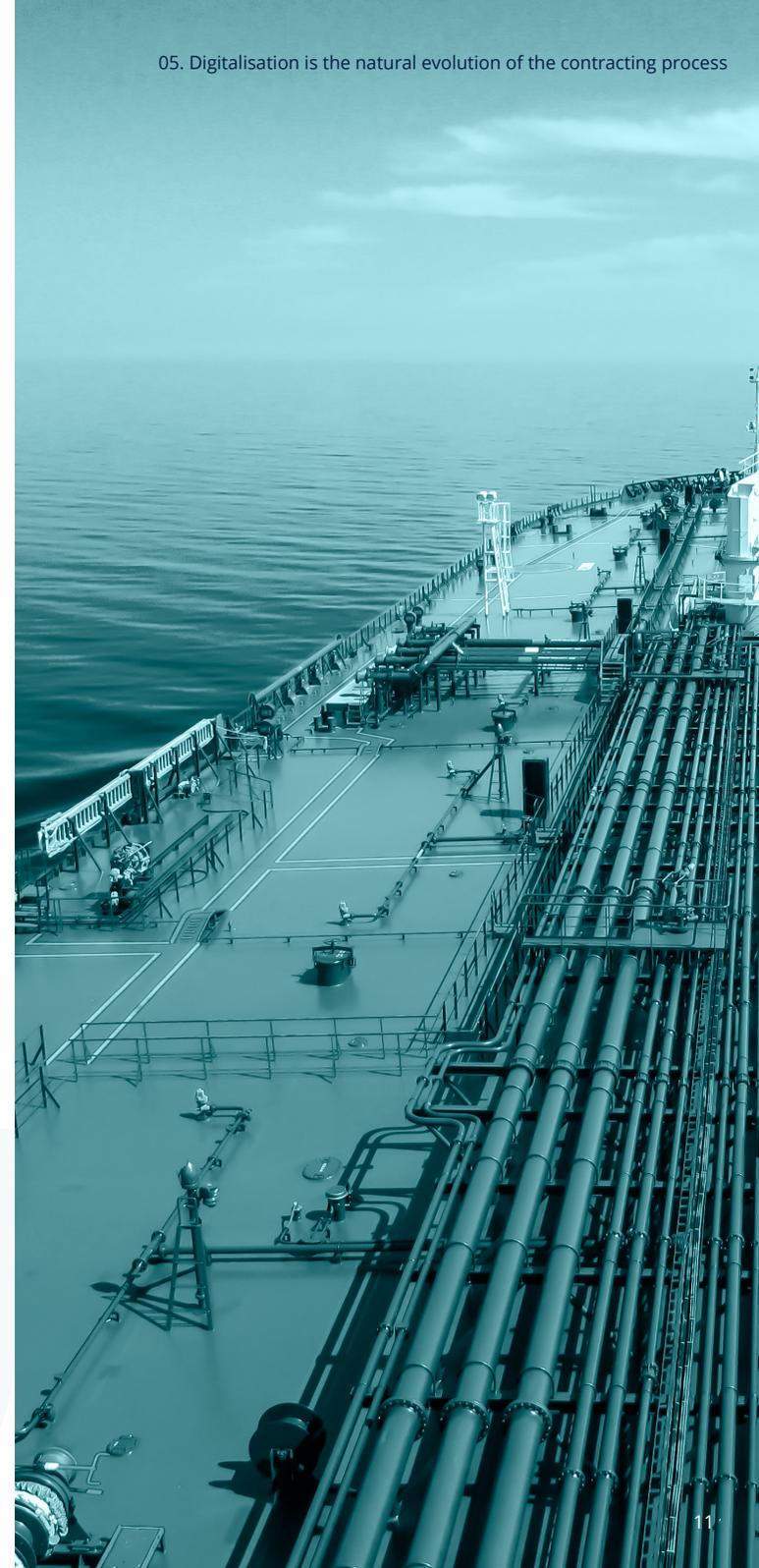


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“Change is unavoidable. How we manage it determines how we evolve, not only as people, but as companies, organisations, and the industry as a whole. You don’t want to be the one lagging behind, so go for it!”

Aitana Conca, Director EMEA, Chinsay



How to get started

At Chinsay, we support organisations on their journey to digital transformation. From increasing efficiency, managing risk and enabling seamless data flow, through to improving your customers' experience, we help teams to realise their digital ambitions, and gain agility to increasing demands and changes in their business, customers and markets. Here are the steps to a successful change:

All the benefits of a platform, tailored to your specific needs





Transforming Trade

CONNECTING PEOPLE AND DATA

Innovative, digital solutions for collaborative and efficient trade

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