

Spend Analysis

The Business Case

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The Business Case for Spend Analysis

Sometimes organisations who want to incorporate a more substantial spend analysis capability into their procurement process have difficulty articulating exactly why they need special-purpose tools to budget holders and decision makers within their organisation. This document is designed to provide procurement professionals with information to support them in demonstrating to their organisation's leaders that it is worth the time and money to put in place an ongoing spend analysis capability.

This document includes sections on:

- What is spend analysis?
- What could you achieve with better data and visibility through spend analysis?
- Why not to do spend analysis by yourself
- How PROACTIS Spend Analysis makes it so much easier
- Summary of spend analysis benefits

What is Spend Analysis?

The fundamental goal of spend analysis is to gain and sustain a clear understanding of an organisation's expenditure and how it might be managed better. Spend analysis is clearly an essential tool for strategic sourcing. But using detailed spend information as a basis for discussion also makes it much easier to have informed conversations with buyers and stakeholders, to influence and change behaviour, and to deliver savings and efficiencies.

Spend Analysis has two principle elements. The first is to enable the initial and ongoing collection of an organisation's raw, historic expenditure data from all available sources, and the transformation of that raw data into information that the procurement team can effectively use. The second element is a platform that procurement professionals and others can use to easily analyse and manage their organisation's spending using that information. Both steps are critical. Good analysis tools are important, but if the data they are analysing is poor, the outputs will be inaccurate which will result in wasted time and effort.

What Can You Achieve with Effective Spend Analysis?

Spend analysis helps you deliver savings and efficiencies for the entire organisation. It enables you to:

- Ensure that all departments are getting the same 'best rates' and terms with each vendor
- Identify opportunities to implement or renegotiate contracts based on actual spend value rather than estimated values or values provided by the supplier
- Use the data in competitive sourcing processes and supplier negotiations to strengthen the organisation's information advantage and negotiating position with suppliers
- Aggregate demand to use the organisation's full buying power to drive down costs in categories of spend that span the entire organisation
- Identify opportunities for greater internal and external collaboration in procurements

Spend analysis helps you bring more of your spend under management. It enables you to:

- Provide a solid foundation of information for decision making which includes an aggregated view of spend from all systems and transaction types
- Identify the key areas of spend that should be targeted by professional procurement teams
- Identify non-compliant spend, enabling procurement teams to work with buyers and suppliers to maintain a high level of spend under contract
- Profile and manage suppliers according to levels of value, risk, and potential opportunity for savings
- Enable the benchmarking and measurement of procurement performance over time

Spend analysis helps you change buying behaviour within the organisation. It enables you to:

- Provide key stakeholders with visibility of spend on goods and services that goes well beyond simply whether or not spend was under or over the allocated budget
- Help department managers and people with budget responsibility more effectively manage their spend, save money, and use those savings to deliver on their missions
- Monitor internal and supplier compliance against contracts
- Identify non-compliant spend, then provide the information needed to have informed conversations and take action with buyers and managers
- Identify suppliers with large numbers of transactions where there may be opportunities for accounts payable efficiencies through methods such as electronic invoices or purchasing cards
- Monitor the number of transactions without purchase orders so that the procurement team can take steps to ensure that spend goes through the proper approval processes

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Spend analysis helps you monitor and maximise the impact of your spend with targeted supplier groups such as:

- Small and medium sized business
- Local companies
- Minority owned business enterprises

Spend analysis helps you increase the capacity of your procurement team. It enables you to:

- Make it easy to access spend information so that time and resources can be focused on delivering savings rather than cleaning up data and struggling with complicated analysis tools
- Identify opportunities for reducing the number of unnecessary suppliers and therefore the administration of multiple contracts, etc.

Spend Analysis ‘At a Glance’

Provides the information you need to drive year-on-year savings, including:

- Insights to know where to focus
- Hard data to take the right actions

An essential tool for:

- Strategic sourcing
- Risk management
- Compliance management
- Process improvement

Why Not To Do Spend Analysis on Your Own

Procurement teams frequently struggle with step one of the spend analysis process: transforming raw expenditure data into information that is fit for purpose. There are almost always more data quality issues than anticipated – especially when combining data from multiple systems and business units. Most procurement teams do not have the necessary staff, resources, skills or suitable technology to undertake the data aggregation, cleansing and classification work that's needed just to get the data in the right shape to analyse. And it's not a one-time project – the process needs to be repeatable month after month.

Even if the data is in good shape and it is possible to extract it in a usable format, most procurement teams do not have skilled data analysts, easy to use analytical tools, or the facility to easily distribute the information to the business managers and operational staff that need it. Standard reporting tools are too inflexible and general-purpose BI tools are too complex.

What are the main difficulties of the 'Do it Yourself' Approach?

- When transaction data is extracted from eProcurement, accounts payable, PCard systems and other sources, it is often in a very raw state and in multiple files. The procurement team who need to use the data are not usually data analysts, so getting what they need from the data in its raw state is just too difficult or too time-consuming. To make it useful, the data requires significant time, staff resources and database skills to aggregate, cleanse and classify the data before it is in a usable state. Done without the right tools, de-duplication of vendors across multiple files and classification of vendors and spend are both time consuming and difficult to complete consistently and accurately. But those steps are absolutely required if the data is to be fit for purpose.
- Internally developed business intelligence solutions are often difficult to set up, distribute access to and support end users beyond a very limited audience. These difficulties mean that either the information is severely under-utilised, or an extra internal team of analysts is needed to respond to specific requests for information. Quite often, the key stakeholders and senior executives who really need the management information never get to see it.
- Working in collaborative groups or comparing expenditure to other organisations brings additional challenges because data needs to be gathered and aggregated across those organisations. Aggregation, cleansing and classification of multiple datasets together just multiplies the difficulties an individual organisation faces in getting better spend visibility.

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How PROACTIS Spend Analysis Makes it so Much Easier

PROACTIS Spend Analysis is a comprehensive, enterprise-grade, cloud-based, mobile-ready spend analysis solution that is ready to use almost immediately. It is a purpose-built solution that addresses all typical data issues and puts powerful ready-to-use analytical capabilities directly into the hands of procurement and finance professionals. It requires little or no IT assistance and can be delivering actionable insights in a matter of weeks.

PROACTIS Spend Analysis combines sophisticated spend data capture, cleansing, enrichment and classification capabilities with powerful, intuitive, ready-to-use analysis tools to provide instant visibility into fundamental questions such as: What are we spending? What are we spending on? Who is doing the spending? Who are we spending with? How well are our Spend Control processes working?

As such, it provides procurement, finance and departmental managers with the information they need to: identify and capture savings opportunities, identify and mitigate risks, improve process efficiencies and improve financial and operational performance.

With PROACTIS Spend Analysis, you are not starting from scratch; you don't need to think through all the details; you don't need to build and test all the tools; and you benefit from years of experience. Why would you do it any other way?



Research has shown that enterprises that simply perform spend analysis on a regular basis see the average savings from their sourcing projects nearly double. Likewise, the sourcing teams that directly link spend visibility to their sourcing process report significantly higher savings than those who do not.

“The State of Strategic Sourcing 2015: The Four Pillars of Sourcing Success”,
Ardent Partners, October 2015



Summary of Spend Analysis Benefits

Every organisation's business case is different, but consider building yours around the following:

Why Spend Analysis?

1. Clear opportunities for bottom-line impact:

Opportunity*	Conservative Estimate
Savings from new supplier contracts with greater discounts based on organisation's aggregated spend Total spend x % spend impacted x average % savings with new/consolidated contracts	
Savings from increased on-contract spend (realisation of negotiated savings with existing contracts) from improved supplier compliance Total spend x % increase in on-contract spend x average % savings	
Savings from reduction in unnecessary or fraudulent purchases through increased approval compliance Total spend x % eliminated	
Other savings opportunities specific to your organisation	

* ask us to show exactly how you can use PROACTIS Spend Analysis to drive this result

2. Other soft or non-financial benefits to the organisation:

- Re-allocated administrative support resources from identification of suppliers that are good candidates for streamlined accounts payables processes such as electronic invoices
- Increased procurement team capacity through reduction in time spent on data-manipulation tasks (i.e. so more time is available for sourcing activity)
- Improved performance against goals for use of various supplier groups (e.g. SME, local, minority-owned)
- Reduced risk of surprise business disruptions from supplier non-performance or non-compliance
- Other benefits specific to your organisation...

Benefits of PROACTIS Spend Analysis vs. doing it yourself:

- Designed and built by professionals with years of experience in procurement and technology
- Requires far less manpower for you to design and implement
- Greatly reduced time to results
- Little or no IT resource required
- Experienced implementation support
- Ongoing enhancement and technical support
- Confidence in quality of information

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The basics of your case are simple:



Your team can do the job of procurement far better with clear visibility of your organisation's spend always at their fingertips

- More savings
- Reduced risk
- Greater organisational efficiency



An enterprise grade, purpose-built spend analysis solution such as PROACTIS Spend Analysis gets you there

- Faster
- More confidently
- With less draw on internal resources

So make your case today!

Stop operating in the dark. Don't go another month just 'guessing' how your organisation is spending the great majority of its non-payroll expenditure. Start focusing your procurement efforts where you can make the greatest impact using actionable insights from PROACTIS Spend Analysis.

Discover more

Contact our friendly team today to arrange a face-to-face meeting. We'd love to hear from you and show you how PROACTIS Spend Analysis can deliver dramatic benefits very quickly.

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Visit proactis.com

Delivering greater bottom-line value

