

Spend Analysis in Pursuit of Clarity and Simplicity



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Companies face unique challenges depending on their size, maturity, and industry, but all have one thing in common: they have a real and ongoing challenge with data. Procurement teams have been aware of these data issues for a long time given the importance of spend analysis to their work. As the scope of digital transformation continues to expand, the need for clear, actionable data will only grow.

The first step on the journey towards improved data quality is a thorough understanding of the current state. The baseline must be accepted by all stakeholders before opportunities for improvement can be identified and pursued. Once a sufficient level of clarity has been achieved, procurement can move on to driving insight, opportunity, and action from their spend data.

In this whitepaper, Art of Procurement partnered with the team at Consus Global to explore a three-step process for achieving clarity and simplicity through spend analysis:

Step 1: Clarify the Data

Step 2: Develop Insights

Step 3: Take Action

Insights and informed action are two of the most valuable deliverables procurement is associated with, but neither of them is possible without clear data visibility.

Step 1: Clarify the Data

Using Data Enrichment to Enhance the Current State

Clarity may sound simple, but it is deceptively complex to achieve in practice. As companies mature and as their visibility into and understanding of spend improves, the need for clarity will continue to grow as well.

To be clear, clarity is not the same as visibility in the context of data quality. Visibility is a first rung issue: can the business access the data in one place and find the information they need? Clarity is achieved in the application of the data: does the data empower the actions and decisions that are best for the business?

Achieving visibility into an organization's spend data requires procurement to consider how clarity can manifest across different systems or formats. Data enrichment is pivotal as a first step in achieving clarity because it enables procurement to build a valid, centralized database or system that has all the company's information in it, trusted and ready for use. KPIs and dashboards provide visualization around where spend is being invested, who is authorizing those expenditures, and what they are purchasing. Once all of this data has been cleansed, validated, categorized, and made available, procurement can begin to tease out the most important insights and identify opportunities for action.

Enhancing the current data landscape is a pivotal step towards addressing complex spend, whether it is for a large company working across multiple systems or a smaller enterprise that might be resource-strapped.

Procurement should understand the different components or pathways to gaining clarity into the current state of the organization's spend analysis:

- **Master Data Management ensures consistent and accurate data is being used, particularly for more efficient cross-departmental or cross-functional collaboration**
- **Retrospective Invoice Audits offer insights from past transactions and help guide improved future strategies and approaches**
- **Insights and Visibility provide actionable information that can lead to the identification of cost-saving opportunities and optimized resource allocation**

Step 2: Develop Insights

Leveraging Clarity to Deliver Value

Once procurement has achieved a solid understanding of the current state via data enrichment, they can begin to identify opportunities to deliver value to the business. In this pivotal phase, procurement can transform the data from mere numbers on a dashboard into actionable insights that can shape strategic decision-making and bring tangible value to the organization.

Here are examples of some of the most valuable opportunities for insight that data enrichment and clarity can provide:

- **A single source of truth** across systems and business units is an invaluable resource that offers insights over time, including things like consistent format and labels, consistent pricing and contracted specifications and requirements.
- The data does not lie... data clarity provides a **view into any inconsistencies** in process or purchasing terms so procurement can take action to correct them.
- Getting visibility into those inconsistencies then leads to **different types of or enhanced sourcing opportunities**, whether by rationalizing SKUs or by making sure all buyers are getting the same specifications and pricing.
- Procurement can **accurately decipher supplier value** and gain a deeper understanding of when non-standard specifications offer value to the business and when they do not.
- Clarity enables supplier rationalization so procurement can evaluate how many suppliers the business needs for a given product or service category versus how many are currently being used and take appropriate action.



CASE STUDY

Clarity-enabled SKU Rationalization

Consus Global worked with a company that wanted to be sure they had disinfectant spray available in their facilities for health and safety reasons. The company was buying unscented and lemon-scented disinfectant spray in both three-packs and ten-packs. Each of these different specifications had a different price point, and some SKUs were more cost-effective than others. Most importantly, none of these differences had been established intentionally; they were simply the result of fragmented business decision-making.

Consus helped the company rationalize their SKUs by identifying the most cost-effective options. This resulted in the company being able to maintain the availability of disinfectant spray in their facilities while also generating significant savings.

The company's procurement organization was able to have a significant impact on the business simply by looking at their data and rationalizing the items available for purchase. They did not even have to put pressure on the supplier to reduce prices. In fact, the simplification made them an easier customer to serve.



Step 3: Take Action

Internal versus Third Party Execution of Opportunities

Once data clarity has been established via data enrichment and opportunities for value creation and optimization have been identified, procurement must help determine whether the business handles the sourcing execution internally or through the support of a third party.

Internal sourcing harnesses the organization's existing capabilities and resources, leveraging in-house knowledge, expertise, and infrastructure to maintain internal control over decision-making and execution at every point. Procurement must weigh the benefit of assuming total control over sourcing with the potential strain this may put on the business and other opportunities to create value.

Conversely, a third party can introduce fresh perspectives, insights, strategies, and apply a broader network of resources that are not available in-house. When taking action with an external partner, procurement must do their due diligence to ensure the third party is aligned with the organization's goals and values and is committed to delivering maximum value, achieving the same results or better without putting a strain on available resources.

Defining/Measuring Success with Clarity

When the business is able to achieve and sustain spend data clarity, it is better positioned to make informed, data-driven decisions that lead to value creation, cost savings, and better outcomes in general. To achieve this level of consistency, data clarification and simplification must be an end-goal in and of themselves; they are stand-alone business objectives that procurement drives in order to translate data into action and action into measurable results.

Clarity, as a priority, must be baked into the DNA of the business, and it is procurement's role to communicate to the rest of the organization how to measure success with clarity in mind. Success may ultimately look different for each stakeholder, category, and for the business as a whole, and so understanding these nuances is a critical success factor for procurement

To communicate progress and the effectiveness of clarity around spend, procurement should:

- Benchmark the starting point and drive continuous improvement from there, regularly communicating wins, savings, optimization, or value creation along the way.
- Quantitatively measure improvements from one spend refresh to another and relay them to stakeholders.
- Establish clear definitions of success at the commodity and category level. Are costs going down? Is the number of suppliers or SKUs being appropriately reduced? Procurement should be prepared to provide regular visibility into these agreed-upon success metrics.





CASE STUDY

Quarterly Data Refreshes Lead to More Savings

A U.S. company was struggling to gain clarity into their spend. They had a complex procurement process with multiple systems and data sources, which made it difficult to track spend and identify opportunities for savings.

Consus Global worked with the company to implement a spend analysis solution that would provide them with clear and concise insights into their spending activity. Over three years of quarterly data refreshes and cleansing, Consus Global developed a set of KPIs for review by senior management. These KPIs allowed the company to track their savings and see the impact of their procurement initiatives.

As a result of the project, the company was able to achieve the following benefits:

- A new savings dashboard
- Increased spend visibility
- Reduced procurement costs
- Improved decision-making

CASE STUDY

Cost Reduction for Asian Food Manufacturer

A leading food manufacturer in Asia partnered with the Consus Global sourcing team to enhance their spend analysis. The manufacturer faced challenges related to insufficient spend visibility, complex vendor relationships, and the need to reduce costs. Consus Global's approach involved data collection and integration, working closely with the company's sourcing team, and focusing on savings.

The results were significant: substantial cost reductions were realized without compromising product quality or supplier relationships. Consus Global streamlined the vendor base and reduced the complexity of SKUs. They tracked cost reductions at a granular level, providing insights into commodity and category-specific savings.

This underscores the value of clarity in spend visibility, enabling organizations to make informed decisions, reduce costs, and drive long-term sustainability and growth.



Conclusion

Clear and actionable data plays an indispensable role in transforming the procurement value proposition. As businesses face increasingly complex digital landscapes, the need for transparent, insightful data and clarity into how to use that data has never been greater.

But clarity goes beyond mere visibility; through data enrichment and improved data management, procurement empowers the business to make informed choices, correct inconsistencies, and uncover hidden opportunities. Clarity also enables procurement teams to measure success by benchmarking their progress, quantifying improvements, and establishing clear definitions that resonate with a variety of stakeholders.

Clarity is not just a means to an end; it is a fundamental shift in how businesses navigate the procurement landscape, make data-driven decisions, and, ultimately, secure their long-term success in an ever-evolving market.



About Consus Global

Consus Global is a leading procurement and supply chain solutions provider. With a presence in 25 countries and offices in 8 locations, Consus Global has been collaborating with its customers to lead strategy and procurement transformations, digital source-to-pay implementations, spend analytics solutions, and procurement operations.

Consus Global was awarded the World's Best Procurement Consultancy Project award by the World Procurement Leaders Congress in 2022 and is a finalist for the award in 2023.