

Spend Analytics

Uncover the hidden treasure in your data!

WHITE PAPER



MindStream Analytics

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What is Spend Analytics?

Spend Analytics is the process of collecting, cleansing, classifying, and analyzing expenditure data with the purpose of reducing procurement costs, improving efficiency, and monitoring compliance.

- What are we really spending?
- With whom are we spending it?
- Are we getting what's been promised for that spend?

Spend Analytics is the linchpin of spend management. It enables spend visibility, which drives insights and supports the right decisions across every stage of the spend management process. As a result, Spend Analytics allows your company to drive profitability as well as monitor ongoing performance and risk. Having this valuable insight not only provides bottom-line savings but gaining efficiency and control over Indirect Spend ensures year-over-year savings.

Here are 12 things you can expect with improved spend visibility:

1. Delivered Savings

Right now, everyone is being asked to do more with less. You're being asked to deliver savings while still providing your stakeholders with the same goods and services. There is only so much negotiation you can do with your vendors for the best possible deal. Spend visibility gives you greater insight over your spend data and can help you identify opportunities you didn't know existed.

2. Improved Processes

Spend Analysis visibility will allow you to make an informed decision on how processes within your organization could be improved. Whether this is the implementation of an eProcurement System, better use of Purchasing Cards (P-Cards) or consolidating invoices with individual suppliers, spend analysis data help identify these opportunities. The results of a spend analysis process can also provide needed direction when implementing a new system, both in terms of configuring that system as well as identifying the departments and people within your

organization whose adoption and use of the new system will help generate an ROI on the project as quickly as possible.



3. Managing Maverick Spend

Everyone puts contracts in place but after signature they tend to get relegated to a filing cabinet or electronic record system, not to be looked at until there is a problem or the contract is about to expire. Greater spend analysis data will allow you to better track and identify:

- Suppliers where the value of non-contracted spend is non-compliant either by legal or internal procurement standards
- Spend with non-contracted vendors in categories where a contract is available
- The categories of spend where there may be too many suppliers and no contract in place
- Other forms of maverick spend within your organization.

4. Managing Supplier Relationship

Generally, your vendors will know more about how much and on what you spend with them than you will. Spend analysis can help to correct that imbalance and in some ways, tip it your favor. When it comes time to negotiate a new contract with a vendor, having done a comprehensive spend analysis will give you more information about your spend with that specific vendor and also can provide you with insight into how much you are spending with that vendor's competitors which is information your vendor doesn't have.



5. Manage Risk

It's easy when you've worked with a particular supplier over a number of years for your organization's spend to steadily increase above and beyond what was originally contracted or intended. Over time, the vendor may steadily become overly reliant on your organization for their annual revenue. Too much spend with one vendor can create risk in two ways. Firstly, if they are dependent on your spend and you make the business decision to move your spend away from this vendor, they could potentially go out of business causing a public relations issue, even if the procurement decision in isolation was the correct one. There will be individuals within your organization that should be made aware of this in preparation for any negative feedback or publicity.

Secondly, if you are too dependent on one particular vendor and that vendor goes out of business for other reasons, your organization could be left without critical goods or services that you need. Enriching your spend data with information on your vendor's annual revenue and credit scores will allow you to better assess your organization's overall supply chain failure risk.

6. Recover Over-Payments

On average in public sector organizations, 99.8% of all transactions are for the correct amount, to the correct vendor, and only happen once. However, this 0.2% margin of error can equate to a reasonable sum of money. Bringing together AP and Purchasing Card (P-Card) spend in a spend analysis can help identify erroneous transactions and begin to recover these overpayments.

Imagine the scenario where a vendor doesn't believe they have been paid on time. They call around in your organization looking for their legitimate payment for goods or services provided and end up talking to the person who actually purchased the goods. As a gesture of goodwill, the buyer pays the vendor by P-Card, but ultimately the overdue invoice winds its way through the system in parallel. The vendor ends up getting paid once by P-Card and again through the normal AP method. Hopefully, your vendors would repay the duplicate payment, but it doesn't always happen.



7. Procure Co-operatively

Many organizations are now being asked to work more collaboratively with other organizations in their local area. If you have all your spend data in one place, and in a format common to other organizations, it becomes much easier to consolidate your data together. This generally has the effect of making your collaborative efforts more strategic, rather than reactive and ad-hoc. Quickly being able to identify those common suppliers, common categories, and opportunities to collaborate can lead to dramatic savings opportunities.

8. Reduce Disparity

In addition to saving money and becoming more efficient, you may be being asked to report on diversity spend and take steps towards increasing diversity spend. In order to effectively report on spend with various types of diverse businesses, you need a flag in your spend data that describes the vendor type and importantly, this flag needs to be kept up-to-date. And if the goal or directive is to increase spend with diverse businesses, you need to know where you are today in order to determine what that goal should be and measure progress towards it.

9. Source More Locally

'Local Preference' has historically been a hot button issue. Hard numbers can help to take some of the emotion out of the discussion. Spend data enriched with geographic information enables you to understand how much you spend locally now, and then take steps accordingly. All too often, public procurement teams are criticized for not spending enough with local businesses, without anyone actually knowing how much is spent with local businesses or on what. Whatever your position on preferences or set-asides, having accurate information in hand can be instrumental in establishing your position as the credible one.

10. Ensure Legal Compliance

Public organizations operate under a myriad of legal requirements, whether it is the state procurement code or only internal rules and regulations. One example is your organization's thresholds requiring competitive solicitation, or at least to get three quotes. Some states even have punitive legal consequences for failure to comply with those rules and breaking those rules can be no fault of the procurement or finance team. Imagine a situation in which an organization has very decentralized purchasing and a 25,000 competitive solicitation



threshold. Now imagine 10 out of 100 budget holders decide that a particular piece of software is exactly what they need to be more efficient and software licenses cost \$3,000 annually. As the individual budget holder is only spending \$3,000, it falls into the small purchase arena and flies below the radar of the one or two members of the procurement team. All of a sudden and with no warning, the organization has unwittingly broken their procurement own code, and potentially state law. Having spend analysis data updated over time will allow you to track these more effectively and ensure you are compliant, or at the very least not unwittingly non-compliant.

11. Benchmark Relative Position

The opportunity to benchmark and compare your organization to other local organizations or organizations of a similar type across the country can be very useful. Where multiple organizations collecting and organizing spend data together in one place, meaningful comparisons with your peer organizations are possible. The collation process enables you to answer a range of questions that it is not possible to answer using your own financial management systems such as the average number of vendors or spend by category, understanding which vendors are generating the highest aggregate revenues from other public bodies, and to set targets for improvement that are realistic and achievable relative to the average or "best in class" for other public bodies of a similar type and size.

12. Quantify Your Savings

Having multiple organizations collect and organize spend data together in one place empowers meaningful peer comparison and can help identify and isolate factors that are impeding spending more effectively. This will allow you to demonstrate the value of your procurement/ purchasing team to your organization in dollars and cents, the common language of finance and business officers to whom the majority of public procurement practitioners report.

How can MindStream Analytics help?

MindStream Analytics is a consulting and application managed services firm dedicated to helping clients enable better decision-making. With over a decade of experience in the analytics and Enterprise Performance Management (EPM) space, MindStream offers customers business intelligence and analytics tool selection, predictive modeling development, EPM design, and delivery optimization, and best practices for financial planning and budgeting. MindStream guides our customers to solutions that enhance business modeling that enables better analysis and insight into their data.

MindStream can work with your team to provide a detailed Spend Analytics Roadmap. The roadmap offers a detailed path of how to gain insight into your data no matter the number of legacy systems. By integrating supplier and product data, it provides users with a complete view spend, outlines how to leverage existing ROI, and helps determine what tools are needed for harnessing your organization's data constraints.

MindStream was formed by a diverse team of EPM consultants and Industry leaders with years of experience. MindStream has a strong offering within the Oracle Hyperion and OneStream Software on-premise and Cloud EPM space, as well as alliance partnerships with other major technology vendors. Our practice has grown from a dedicated team of professionals who have pooled resources to create a powerful network of people who all share our collective company purpose and values. We believe that the power of technology combined with best practices will give customers the ability to make fact-based decisions to help grow their business.

MindStream has been recognized by INC Magazine, CIO Review, ProformaTECH, and others for our innovative thinking and expertise. For four years in a row, we have been ranked in the top MSP 501 by Channel Futures - a report identifying the world's top managed service providers (MSPs). We are the ONLY Managed Services Provider dedicated to Analytics and Performance Management on the list.

To find out more about how MindStream can help your organization gain spend visibility, contact us at www.mindstreamanalytics.com or info@mindstreamanalytics.com.

