CASE STUDY

REINING IN SPEND LEAKAGES

Through diligent data analysis and synchronization of contract databases

Abstract

An American telecom giant plagued with massive spend leakages, used Infosys BPM’s sourcing & procurement expertise along with robust analytics tools to help cut losses and gain a 90x return on investment
Infosys BPM’s client is an American telecommunications giant with revenues of over $130 Billion, serving over 153 million customers across the globe.

The cost of process gaps

The client has a massive supply chain that procures telecom service components from suppliers globally. Gaps in the procure-to-pay (P2P) process had created spend leakages and overpayments to suppliers. Lack of visibility in the process meant that the client was unaware of the scale of these losses.

The client wanted a deep dive into their spends to identify leakages, analyze the cause of leakage, and take preventive action to avoid losses. And so, Infosys BPM was brought on board to apply its sourcing & procurement expertise along with robust analytics tools to tackle these challenges.

Reengineering to plug leaks

The Infosys BPM team used lean methodology to analyze existing process and identify opportunities for improvements. The analysis uncovered several issues such as contracts mentioning prices in bulk rather than per unit, non-availability of latest price details in real time, complexity of clauses and subcontracts, and a reactive approach to leakage identification post payments.

Analytics Process: Before Improvement

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One of the most critical issues was that buyers referred to obsolete pricelists for creation of purchase orders (PO). The team instituted a quarterly practice wherein buyers were made primary owners to obtain updated pricelists. Further, to ensure that the latest pricing was captured in the PO, contract database and ERP systems were synchronized.

To simplify contract elements, the team recommended the establishment of a platform that would convert special clauses to line item pricing (LIP) by using a logic-based option in the contract repository tool.

Also, payment discrepancies were being identified after the payouts were made to suppliers, and reversing these extra payouts was extremely challenging. To tackle this, Infosys BPM took a proactive approach and analyzed the open POs to identify potential leakage before payment credit.

First, the overall contract pricing was converted to unit price. Then, spend analysis helped identify target category and top spend strategic contracted suppliers. The top 80% of spend for each supplier, contributed by top 15% unique part numbers, was prioritized. Trend analysis and per part number’s unit price variance analysis helped identify the inconsistency in purchase price. Finally, contract analysis helped establish compliance between contracted unit price (such as volume discounts, blanket orders, and rebates) and purchased price.

### The phenomenally returns of transformation

As a result of the transformation, the client realized an error-proof procurement process with the correct matching of contracts and purchase orders along with real-time price updates. Adept data collection, synchronized database, and comprehensive analysis helped in better inference of insights that reduced spend leakages and improved working capital and contract compliance. Overall, an investment of just $120k per annum helped the client get 90x returns to the tune of $10.74 Mn - as the identified spend leakage.

Infosys BPM also helped the client maintain vendor relationships by keeping all stakeholders in loop and getting them to agree on spend leakages, price variance etc. This also improved the C-SAT score for the procurement team from 5.4 to 6.44 (out of 7). As a testament to the success of the project, the same approach was replicated across multiple spend categories of the client, with the potential to reduce leakages even further going forward.