CASE STUDY

PIECING TOGETHER THE DE'TAILS'

Abstract

For many procurement departments, tail spend is often off the radar because the jumble of numerous, low-value purchases is too difficult to classify. However, this means missing out on significant cost-cutting opportunities. But when a consumer goods giant leveraged a robust procurement intelligence platform, they easily realized over $8 Mn on tail spend savings.

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The client

Infosys BPM's client is one of the world's largest consumer companies with a global footprint across over 190 countries, and a network of over 25 million retailers and over 400 household name brands.

Tied up in a tail

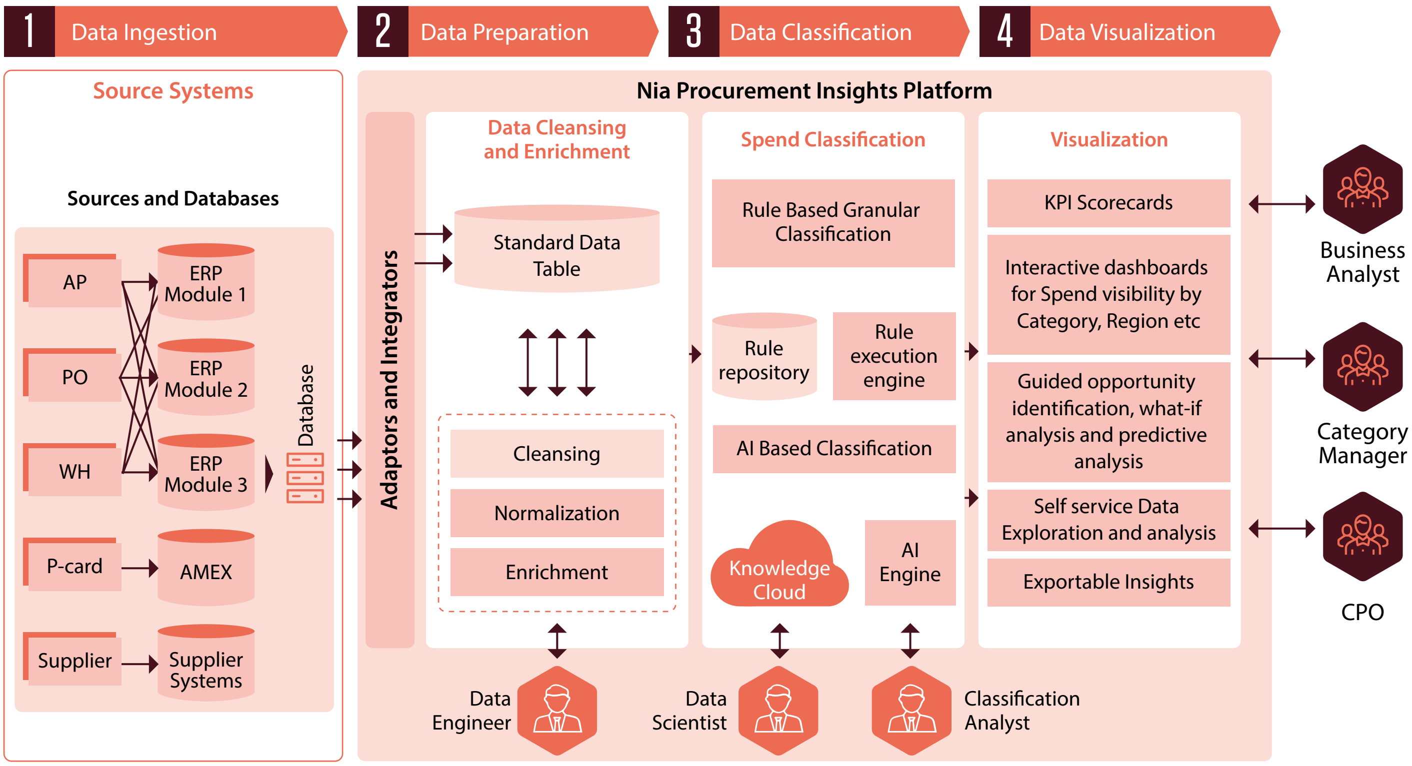
Tail spend refers to the numerous high-volume but low-value transactions that are typically undermanaged by procurement departments. This is a segment that is often overlooked for cost-cutting initiatives because tail spends are serviced by a company's bottom 80% of suppliers and normally account only for 20% of spends. Tail spends offers tremendous scope for savings if better managed.

However, because of the client's extensive global operations, the size of its data set on spends was very large totalling around seven million transactions each year and in 45 different languages. Apart from the fact that the large size made it very difficult to update and clean the data, 60% of the spend information was wrongly classified and had unstructured descriptions. Also, as the scope of purchases increased additional categories were being included into the classifications.

Given these challenges, the client lacked an overall visibility into its tail spend and faced challenges to glean savings insights. Wanting to capitalize on potential cost-cutting opportunities, the client identified Infosys BPM as a partner to implement a solution that would identify, optimize, and manage the tail spend. The project scope covered tail spend and other activities spread across 94 countries and four categories.

Hammering out the details

The client jointly worked with Infosys BPM to deploy its Nia procurement intelligence platform to deliver business insights relevant to the undermanaged tail spend. Nia delivered by automating data management activities, classifying spend into the right categories using machine learning techniques, generating predictive spend analytics, and highlighting opportunities to optimize spend and mitigate risks.



A team of Infosys BPM data engineers first setup Nia using adaptors and integrators to enable the platform to ingest the client's spend data from source systems. Nia ingested €45 Bn worth of total spend data through an incremental data upload, with monthly refreshes completed in just 5 days. Then the platform automatically cleansed, normalized, and enriched the data using standard data tables, thereby creating a single data lake for further processing and sorting.

In the next phase, data scientists and classification analysts programmed Nia's artificial intelligence and machine learning models. These models properly classified the spends achieving a high accuracy rate of 80%. Using these classified spends as input, the platform started generating insights and visualizations including KPI scorecards, interactive dashboards, guided opportunity identification, and various types of analyses.

A tale of success

The client's partnership with Infosys BPM for better tail spend management was an outstanding success. The insights generated by Nia's interactive dashboards for savings opportunities helped the client gain a total of $8 Mn in tail spend savings in just 12 months in addition to working capital realization of €15 Mn through payment term optimization with vendors. There was also a further €100K benefit through cost avoidance. In sum, the client gained five times the return of its investment on Nia.

The client yielded several other benefits for their procurement function too. Categorization accuracy improved through implementation of a more granular classification of spends using approximately 6000 UNSPSC categories. This delivered a 75% improvement in top- and tail spend visibility, and a 13% reduction in vendors through vendor name normalization.

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