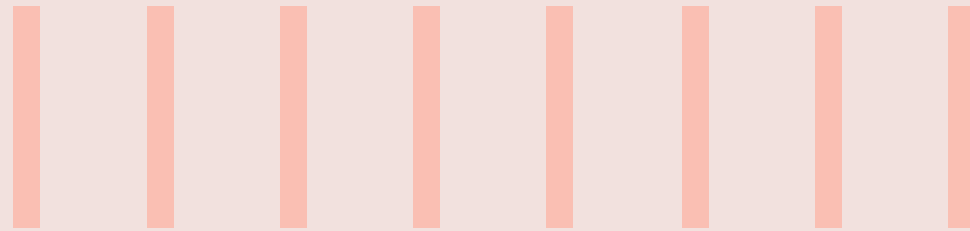# REINING IN SPEND LEAKAGES

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

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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.
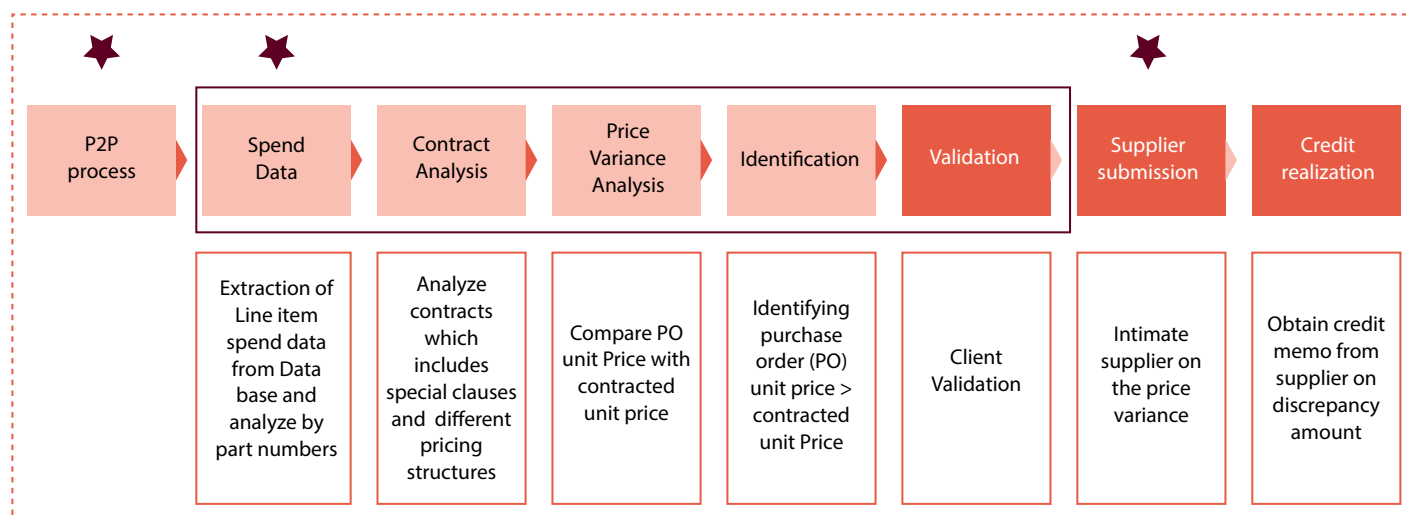
Reengineering to plug leaks

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

Process	Description
P2P process	
Spend Data	Extraction of Line item spend data from Data base and analyze by part numbers
Contract Analysis	Analyze contracts which includes special clauses and different pricing structures
Price Variance Analysis	Compare PO unit Price with contracted unit price
Identification	Identifying purchase order (PO) unit price > contracted unit Price
Validation	Client Validation
Supplier submission	Intimate supplier on the price variance
Credit realization	Obtain credit memo from supplier on discrepancy amount

■ Client scope
■ Infosys scope
★ Opportunities for improvement

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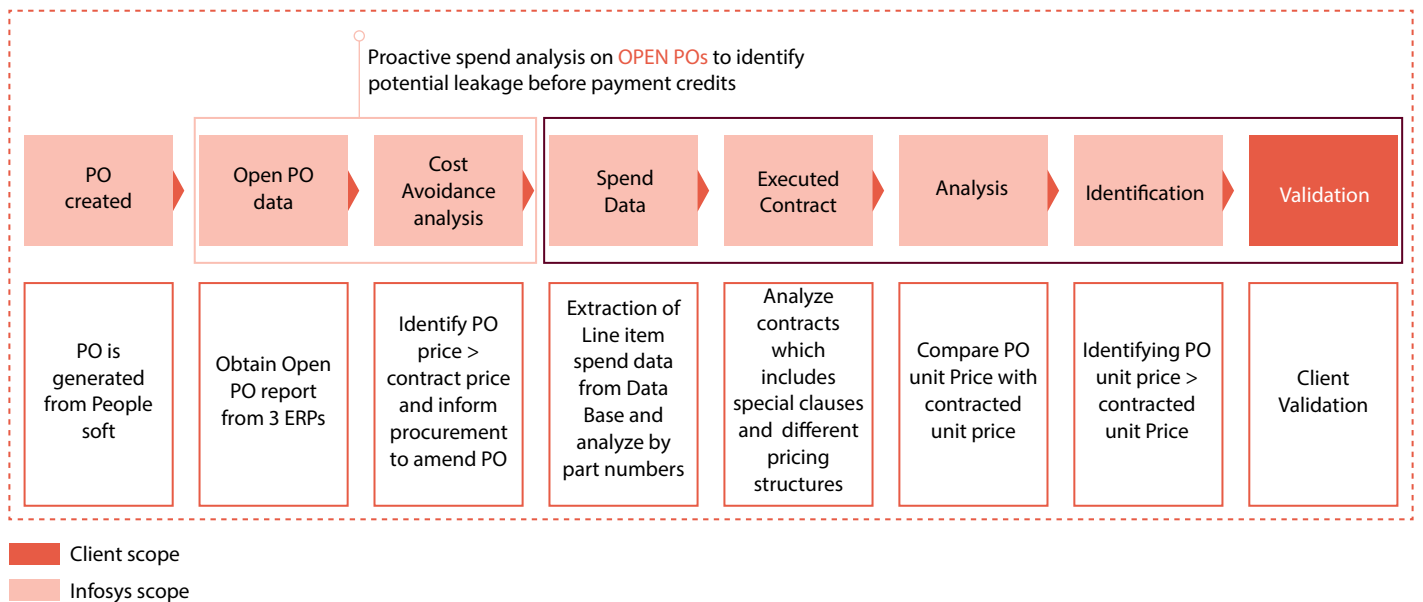
Also, payment discrepancies were being identified after the payouts were made to suppliers, and reversing these extra payouts was extremely challenging. To tackle this, Infosys BPM took a proactive approach and analyzed the open POs to identify potential leakage before payment credit.

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.

Analytics Process: After Improvement

Proactive spend analysis on OPEN POs to identify potential leakage before payment credits

PO created	Open PO data	Cost Avoidance analysis	Spend Data	Executed Contract	Analysis	Identification	Validation
PO is generated from People soft	Obtain Open PO report from 3 ERPs	Identify PO price > contract price and inform procurement to amend PO	Extraction of Line item spend data from Data Base and analyze by part numbers	Analyze contracts which includes special clauses and different pricing structures	Compare PO unit Price with contracted unit price	Identifying PO unit price > contracted unit Price	Client Validation

■ Client scope
■ Infosys scope

The whole project depended heavily on collaboration with category sourcing experts for continuous feedback on price volatility, procurement stakeholders for price variance analysis and approvals, and suppliers for credit realization agreement.

The phenomenal 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.

For more information, contact infosysbpm@infosys.com

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