



## SPEND ANALYTICS IN SUPPLY CHAIN MANAGEMENT

### Abstract

Ever since digital transformation and technological advancements found their way into the business sector, spend analytics has been on the rise. In 2020, the global spend analytics market was valued at \$1.61 billion and could grow to \$4.33 billion by 2026, at a CAGR of 17.9%. A comprehensive supply chain spend analysis model can monitor your organisation's data and any criticalities attached to it. This POV discusses the significance of spend analysis and how it aids in creating a proactive risk mitigation plan that, with the least downtime, identifies the most important assets, liabilities, and potential risks and breaches in your supply chain by cataloguing and processing business data.

## What is supply chain spend analysis?

Spend analysis in supply chain management is a discipline that deals with the cataloguing, integration, and analysis of a business' expenditure and procurement to provide crucial purchase and resource optimisation insights. Supply chain spend analysis detects supply chain gaps, eliminates waste and redundancy, finds inefficiencies, and roots out superfluous costs.<sup>[2]</sup> In other words, spend analysis provides insights to procurement teams about essential spend metrics by focusing on aspects such as:<sup>[2]</sup>

- Business units that demand the most and the least spends
- The organisation's purchase history and patterns
- Key vendors and suppliers under various spend categories
- Risky cost and supply classes

The main objectives of supply chain spend analysis are to identify opportunities for cost savings, strengthen strategic tie-ups, improve sourcing, and reduce the costs associated with procurement. Supply chain spend analysis is categorised into the following major segments:

**A Spend visibility:** Spend visibility is the ability to evaluate spends from various angles through clear spend data, KPIs, and other measures.

**Spend analysis:** Spend analysis is the process of posing inquiries about purchases and expenditures, locating the indicators that provide the answers, and developing strategies for cost- and performance-saving measures.

**Procurement process optimisation:** Procurement process optimisation takes the findings of the spend analysis and applies them to practice to improve strategic sourcing, which helps companies match their performance to their objectives.



## The benefits of supply chain spend analysis

Spend analytics has transformed into a key tool for the supply chain department, advising the leadership on ways to reduce spending through competitive procurement capacities. Spend analytics combines ample variables, giving the organisation strong assessment powers. Products, pricing, and vendor performance are some of the significant aspects consolidated for constructing a spend analysis framework, which provides a holistic picture of the areas for savings and improvement. A thorough supply chain spend analysis framework can generate enormous value and profits for a business. With the aid of spend analytics, a business can:

**Monitor and optimise procurement patterns:** With powerful supply chain spend analysis, companies can gain actionable insights into their procurement patterns. They can identify their spends, risks, and opportunities to minimise costs. Spend analysis can effectively improve visibility and transparency into purchase patterns and the amount of money companies spend while procuring

goods and services. This transparency can facilitate more informed spending decisions and help teams develop better initiatives.

**Plan effective spending and procurement strategies:** Spend analysis provides category managers with easier access to purchase data through user-friendly dashboards, charts, and other visual representations. Managers can discover areas that require improvement using a holistic perspective of a business' spending trends. Additionally, they can chalk out ways to enhance the business' spending habits and, subsequently, its overall financial health.

**Encourage long-term partnerships with vendors and suppliers:** Spend analysis aids businesses in preserving supplier partnerships that are most advantageous in terms of expenditure, quality, and quantity. Businesses can strengthen their supply chains by limiting the number of sub-optimal suppliers and fostering lasting relationships with only the most crucial vendors. Additionally, procurement

departments can reduce administrative costs while benefiting from competitive pricing and better payment terms.

**Improve profitability and savings:** The main goal of expenditure management is to find and seize possibilities for savings, and ultimately, boost the business' productivity. Spend management, for instance, provides insights into expenses incurred by an organisation as a whole. It assists in recognising and eliminating duplicative purchases and optimising large orders, resulting in immediate and long-term savings.

**Optimise supply chain networks and maximise long-term capabilities:** Companies can develop their supply chain procedures by understanding their organisation's overall and categorical spending trends to achieve long-term objectives. Procurement units can enhance their operations with respect to internal and external institutional bodies. Additionally, spend analysis can uncover and analyse historical trends to reduce errors.





## Operations in a supply chain spend analytics system

Spend analysis in supply chain management is vital to manage cost-saving opportunities, improve supplier relationships, optimise sourcing, and reduce procurement costs. Businesses can achieve this through a comprehensive framework that covers these stages:

**Data collection and creation of a unified database:** Data is the most crucial component of a spend analytics solution. A business' supply chain spend database often uses sources including invoices, historical spending data, inventory data, and vendor details. Compact and comprehensive spend data, along with KPIs and other measures, can provide a holistic view of the business' expenditures.

**Data integration across all supply chain channels:** Ensuring the exchange of data across all channels and integration of internal processes can reduce any potential gaps that may affect spend management.

**Data clean-up:** Regular data clean-up keeps the database updated, and teams can easily foresee problems that may arise. This helps managers to ideate with relevant solutions. Data clean-up entails eliminating errors, standardising data from its various sources, getting rid of duplicates and inaccurate entries, and identifying contacts that aren't complete or relevant. By totalling receipts, inventory, and other

factors, businesses can effectively detect double payments in duplicate entries.

**Data analysis and visualisation:** Analysis and visualisation of procurement data are crucial aspects of spend analysis. While there are ways to access augmented data, visualising it through dashboards and charts enables teams to have methodical reviews of specific areas of interest. Enterprises can develop strategies to analyse and control expenses and enrich back-end operations for better results.

**Categorisation of critical suppliers and vendors:** Analysing the supplier relationships could make way for the business' supply chain optimisation. Businesses should account for some elements – such as supplier performance, delivery times, response times, and service quality – to properly assess the risks and classify third parties according to their level of importance. Better relationships with your suppliers translate into better procurement strategies and make it simpler to notice production line gaps and potential issues.

**Spend analysis report generation:** A comprehensive spend analysis report is essential for teams to study past processes and solutions. By generating a spend analysis report, you can evaluate your spend and supply networks and see

where it is going, where you can carry out improvements, which vendors you should retain and which ones to not retain. You can improve your decision-making using different spend analysis software and tools.

**Supply chain process optimisation:** The spend analysis outcomes can further optimise supply chain operations to develop potential procurement performances. Businesses can create better strategies to meet short- and long-term business aims by pinpointing areas where they can cut costs and grow the business.\*

By performing spend analysis, businesses can compare the estimated cost of a product or service to the price that is actually being paid, accounting for the price, pay rates, overhead, and profit margin. Engineering teams provide the necessary work, procurement sets the price of the materials, and the supply chain forecasts the labour costs and anticipated profit margin. The outcomes of a supply chain spend analysis provide a precise overall estimate of how much you are overspending and assists in future negotiations with suppliers or vendors. You can also find opportunities for redesign or a more cost-effective supplier while maintaining quality.

## Conclusion

Leading supply chain spend analysis services use tools such as enterprise-grade AI, spend classification, and opportunity identification to offer key insights into your business' supply and procurement ecosystem for superior supply chain management. While supply chain spend analysis operations can be demanding, AI-enabled solutions could relieve the resources of huge pressures. It is crucial to thoroughly understand your organisation's needs. Creative and future-ready solutions have proven to change the tides for global enterprises. This is the boost that enterprises need to focus on their high-priority objectives.

\*For organisations on the digital transformation journey, agility is key in responding to a rapidly changing technology and business landscape. Now more than ever, it is crucial to deliver and exceed organisational expectations with a robust digital mindset backed by innovation. Enabling businesses to sense, learn, respond, and evolve like living organisms will be imperative for business excellence. A comprehensive yet modular suite of services is doing precisely that. Equipping organisations with intuitive decision-making automatically at scale, actionable insights based on real-time solutions, anytime/anywhere experience, and in-depth data visibility across functions leading to hyper-productivity, Live Enterprise is building connected organisations that are innovating collaboratively for the future.

## References

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**Meta title:** Supply Chain Spend Analytics | Infosys BPM

**Meta description:** Infosys BPM experts discuss the various operations involved in a robust supply chain spend analysis model for businesses to cut costs and improve profits.

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