

# Control Your Spend with Spend Analytics



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*Know What You're Spending And Where*

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In many industries, costs are skyrocketing, but that doesn't mean your company must raise rates or grow its customer base to keep up with current profit levels. While it's important to consistently grow your business, of course, there's more you can do on the operational side to keep your profit growing despite rising industry costs. The power lies in procurement - optimizing the process to contain costs throughout the supply chain and its management. With the right technology in place to support strategic sourcing, you can also use spend analytics to give yourself a competitive advantage.

While many industries have technology to manage their purchasing, contracts, and vendors, a lot of the time the systems are fragmented and don't provide

spend data visibility across the departments and various business locations. That lack of visibility could be what's stopping you from making significant improvements to the bottom line without focusing more efforts on customer acquisition or considering a price increase.

Spend analytics gives you the tools and data you need to control costs and helps you gain visibility into how your spending impacts your company's performance. Take a look at various ways you can use the information to your advantage.

## **Find Potential Savings**

By identifying the specific areas of spend in your business, you can segment the spend by supplier, to help you understand the sources that provide the best savings opportunities. You can use the data to negotiate cost savings with your suppliers, from higher discounts to consolidating purchases with suppliers that give you the best pricing or overall terms.

## **Learn Aggregate Spend**

With spend analytics data, you get to see everything as the big picture, so you can understand how it affects your company's overall performance. You can use the information to assist with strategic planning. You'll more clearly understand what your organization buys, who they buy it from, and how they purchase it. The increased visibility allows you to get actionable insights on your current procurement processes so you can streamline your operations.

## **Evaluate Supplier Performance**

Your spend analysis will give you the ability to evaluate your supply chain so you can find over-dependencies, risks, quality issues, and more. You can assign and rank the key performance indicators (KPIs) that are most important to your organization, and then use this as a measurement against your supply chain to

determine which suppliers are the ones you want to maintain strong relationships with and the ones you want to improve with or replace completely for better supplier management. You may find that your supply base needs to expand for better sourcing and cost reduction.

*Supplier scorecards are an essential part of evaluating the effectiveness and efficiency of your supply chain. Use data from the spend analysis to help you complete the scorecard for each supplier you work with.*

## **Promote Contract Compliance**

When you award a contract to a vendor, you should regularly examine and negotiate it to ensure continued high value. Spend visibility and analysis provides a bit of contract compliance by ensuring that procurement teams are only shopping with preferred vendors, contract prices are adhered to, and the appropriate discounts are applied. Contract compliance is full of complexities and has the potential for waste if not properly monitored.

## **Improve Departmental Efficiency**

Sharing spend data across departments and business locations increases your savings. With spend analytics solutions, you can change the buying behavior of the entire organization since departments can see contract terms, preferred suppliers, and tools for improved spend management.

## **Benchmark Against Market Spend**

Creating your baseline, setting goals, and tracking your improvement is crucial to your success. Spend analysis tools can help create the internal benchmarks you need to monitor so you can keep an eye on procurement performance and adjust accordingly for continuous improvement.

## Analyze for Forecasting and Planning

If you know where the organization has been, you're that much more likely to get where you need to be. Visibility into spend trends empowers the company to make more informed decisions about supplier relationships to improve your procurement process.

Spend analytics solutions rely on big data from a number of data sources and artificial intelligence and machine learning to learn about your company and assist with projections. While they can provide a comprehensive view of what's going on within your organization, data accuracy is critical to its success.

To truly leverage spend analysis software, you'll need to shift from a tactical to a strategic approach when it comes to controlling costs. This means procurement must be viewed as a major contributor to your enhanced performance as an organization. With high-level detailed information, you'll find it's much easier to control procurement costs without significant effort. When the procurement teams know who their suppliers are, what they're spending, and how the supplier relationships impact the company mission, you can make a real impact on the bottom line with procurement. There will always be a challenge to do more with less, and spend analytics puts real-time data to work for you to strategically move your organization to the top of your industry.

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