

Spend360

The Intelligent Spend Analysis Solution for Public Sector

Intuition is not a Strategy and does not have an ROI

Balancing Efficiencies with Effort	2
NI179, VfM and other Challenges	3
Spend360	5
Tactical or Strategic, but Repeatable	5
Spend Data driving Requisition-to-Pay	6
The Obstacles are Removed.....	6
Ease of Use.....	7
Classification is Key	7
The “Long Tail”, Fragmented Spend	8
A word on Outputs.....	8
The Business Case	8

Balancing Efficiencies with Effort



Spend360 is a solution which delivers insight into fragmented direct and indirect spend, allowing more of your spend to be brought “under management”.

Understanding then managing purchase costs is critical to Public Sector bodies in the same way as any other organisation.

Whether this is in support of Public Services Agreements, stimulation of the local economy or National Indicator 179, there are purchase costs in all aspects of public service delivery. Commodities, direct or outsourced services, temporary labour or more direct costs could form a large part of the overall cost of service delivery. Therefore changes in these costs can have significant positive or negative implications.

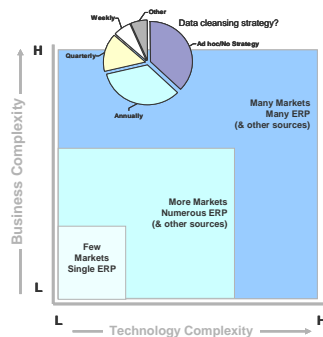
All government departments, whilst mindful of the need to make better use of resources by driving out waste and duplication, may face challenges in understanding in detail what these purchases are, what they cost, and who supplies them, in order to develop strategies to control, and then optimise them.

Meeting this challenge requires data collection, analysis, classification and reporting. The unique nature of public services means that data about spend and suppliers could be spread across a very large number of sources. These sources may have a wide variety and quality of data. This means it can be difficult to collect and analyse – meaning that it may not be easily and frequently done, or takes a large degree of effort which has to be balanced against the benefits, and a portfolio of other activities which may be equal priority.

In the definitions for the National Indicators this point is encapsulated in two phrases – “Timely information is crucial to effective performance management” and “The quality of data needs to be improved at the point of collection and reporting to ensure it is fit for purpose”.

According to the Chartered Institute of Purchasing and Supply anything up to 60% of spend may not be under management. Yet bringing it under management delivers significant, measureable fiscal and operational benefits – 5-20% category savings according to analysts Aberdeen Group – with savings going straight to operational or capital expenditure budgets and therefore, in the case of NI179 to cashable and realisable savings.

Spend360 can be key to obtaining these savings.



NI179, VfM, and other Challenges



The last Comprehensive Spending Review led to some challenging targets for Public Sector in the UK.

Some of these challenges involve efficiencies, direct savings, and value-for-money gains.

The aim of the Government's Value for Money (VfM) agenda is to ensure that the resources available to local government are used in the optimum way to deliver better public services according to local priorities. The challenges of the Value for Money agenda require innovation in service delivery, investment in technology, rationalisation of back office functions, and organisational development.

Delivering on these things means new partnerships have to be formed, new products acquired, new services delivered. Rather than rationalising the supplier base this might actually increase the supplier base. Without accurate and timely information on what is being bought from whom, under what conditions it may be the case that costs and processes increase – affecting cashable and non-cashable gains.

NI179 is clear in that it targets 3% annual efficiencies, all of which must be cash releasing.

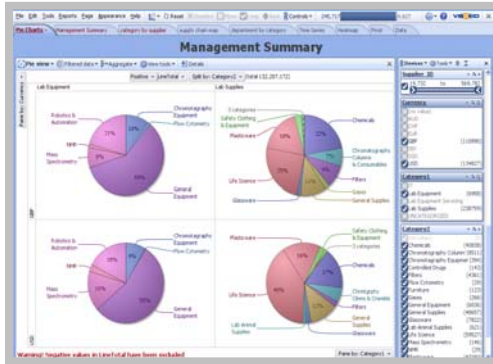
Procurement has a role to play in meeting these challenges and is already widely recognised as an area where contribution can be made to improve public services, without uncontrolled and unpredicted increases in costs.

On average, in the Councils' Annual Efficiency Statements summaries, the word "procurement" occurs 430 times. The word "savings" and "efficiencies" appears on average about the same amount of times.

Value for Money gains should be reported net of any additional investment and ongoing costs incurred for their implementation, must persist for at least two full financial years after the year they first accrue, be cash-releasing, and arise where there is an improved relationship between inputs and outputs for the delivery of a service, but without any deterioration of the overall effectiveness of that service.

Spend360 can help meet these criteria. It can be used by Public bodies to help them manage and control direct and indirect costs, contracted costs, identify unmanaged costs and provide a platform for aggregation, rationalisation, shared services, and framework contracts.

NI179, VfM, and other Challenges (cont.)



Central, Local, Defense, NHS – all Government institutions conduct 3rd party spending.

All share the same value for money, sustainability, and developmental objectives, but experiences and capabilities vary widely. The results of efforts to optimise spending vary too, as evidenced by OGC's Procurement Capability Reviews, or Councils' interim statements on efficiency gains.

Results vary because data on which to make informed decisions may be unavailable or inaccurate. The uniqueness of much of public service delivery, the proliferation of source data in disparate systems, makes data collection a challenge – which is why one body can save many thousands of pounds on transport, adult services, highways, and housing, whilst another may not.

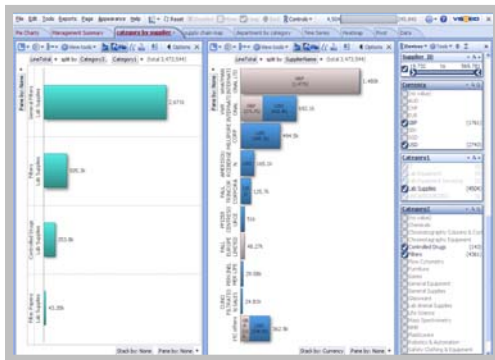
Using category management techniques, the OGC has worked closely with departments and the wider public sector to establish central contracts that could be used across Government. How do you know whether to use them, whether they are working, and what realisable benefits they are delivering?

Capital and operating budgets often contain diverse elements – temporary labour, construction, managed services, IT and so on. The aim in gaining efficiencies is to look for economies of scale and set these against a set of additional decision criteria such as environmental or economic development.

Once you understand your own requirements it can be difficult to maintain a real time knowledge of which suppliers have been bought by which other suppliers. That is to say even if you can aggregate your spend, you may still be placing your orders with two divisions of the same company. It is therefore also important to understand not just what was bought, but what the nature of your suppliers relationships is as far as possible.

Spend360 assists in addressing all of these challenges directly – aiding not only delivery of VfM savings against targets - but also indirectly, through the ability to know more about your suppliers. This can feed development, sustainability, diversification, innovation, empowerment, and partnerships.

Spend360 can identify, on-demand, opportunities to make savings, focus your efforts, achieve efficiency savings, measure results, and, where required lead or participate in, partnerships and agreements with similar agencies or local suppliers.



Spend360

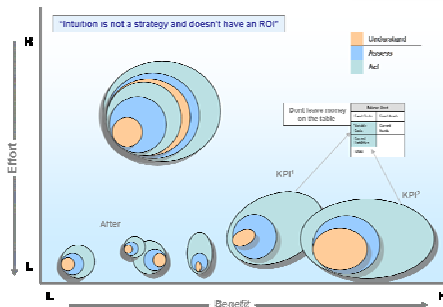
Accurate spend data is the foundation of many downstream activities such as Master Data Management, Maverick Spend reduction, Supplier rationalisation, e-Procurement, and other Key Performance Indicator-driven programmes.

These activities normally form part of a wider strategy in the commercial world, but in Public Sector, there are additional implications – such as using the outputs for collaborative reasons, to identify value-for-money, to feed shared-services, for community development and so on.

Our unique expert system automatically classifies spend against your own ontology or UNSPSC, giving you the ability to view and act upon spend data in a matter of days.

By removing the barriers to accurate, timely and repeatable spend analysis you can execute quickly so that Return on Investment in our solution can often be measured in weeks or months at the most.

Removing or reducing the traditional barriers to spend analysis this means that downstream activities driven by more accurate spend data are likely to deliver results faster too. This in turn means that the challenges of understanding, then bringing under management, more of your spend are reduced.



Tactical or Strategic, but Repeatable

Spend360 can be adopted tactically or strategically. Most importantly within days you can determine where savings can be made in your purchasing activity. Reducing the barriers to adoption and then repeated use are a key part of Spend360's design.

This means a number of things. Spend360 can be adopted by a department or a complete body and can be justified as an infrequent activity or as a key part of repeatable organisation-wide cost reduction and optimisation programme.

Spend360 scales with demand in terms of pricing and returns, but also in terms of usage. You can start small or have a local independent, on-demand footprint servicing distributed users, customising their views of their own category or management data.

"Anything up to 60% of spend may be uncontrolled"
 Chartered Institute of Purchasing and Supply

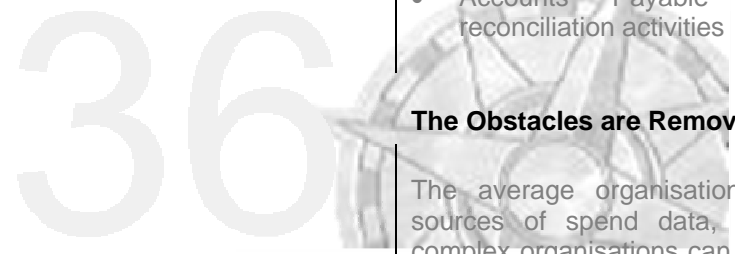
The most overlooked cost issues in typical global sourcing cost models that erode savings: the hidden cost of internal obstacles and the increased sourcing process costs. Lack of attention to such issues can cut global sourcing savings from 25% down dramatically - to as low as 4%.

Procurement Strategy Council

Spend Data driving Requisition-to-Pay

Downstream benefits of more accurate spend data apart from facilitating negotiations and contract compliance include:

- Improvements in procurement processes
- Improvements in supplier relationships and risk management
- Improvements in operational cashflow due to better invoice management, less incorrect paperwork, over or underpayments, rebate claims etc
- Ability to detect duplication and patterns in data for fiscal compliance or governance e.g. duplicate payments, PO mismanagement etc
- Accounts Payable benefits with fewer reconciliation activities



The Obstacles are Removed

The average organisation has in excess of 10 sources of spend data, whilst the largest, most complex organisations can have spend data residing in many more than this.

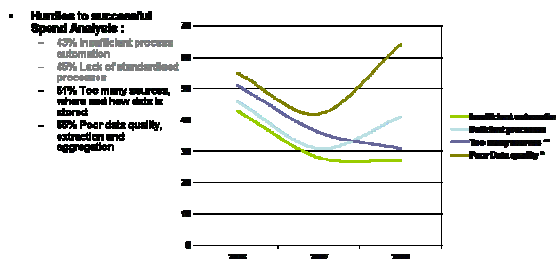
With multiple ways to access and refresh data, according to your organisation's needs, Spend360 can be implemented in a way that means access to underlying spend data is no longer a challenge, and is superior to latent, rules-based, IT-centric business intelligence solutions, or multiple ERP transactional reports.

Spend360 works from the bottom up and can accommodate multiple data sets, allowing you to consolidate, aggregate data, drill down, drill across, and report against the entire universe of your spend data. Where required we have a drag and drop re-classification capability to reduce exceptions.

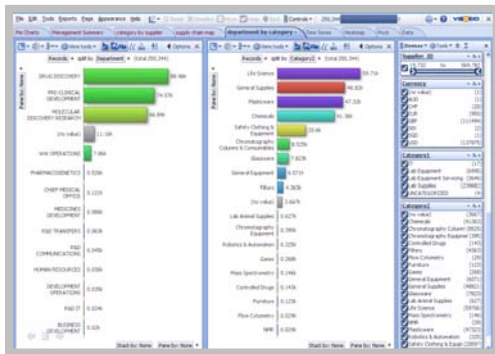
This means that summary information for managers is easily obtained, whilst more detailed departmental, operating unit, category, or sub-category information can also be used.

Spend360 also allows for cleansing of data in a way that matches your organisation. Most importantly we can classify data which has not been cleansed.

This means that you can still run legitimate spend analysis programmes based on Spend360 output and embark on data cleansing during, or after, you have begun to reap the rewards of accurate spend analysis tactics.



Source : Aberdeen Group



Ease of Use

Spend360 delivers a powerful set of reports straight from the box, but also a user-friendly interface to create your own reports.

This helps macro analysis as well as micro analysis.

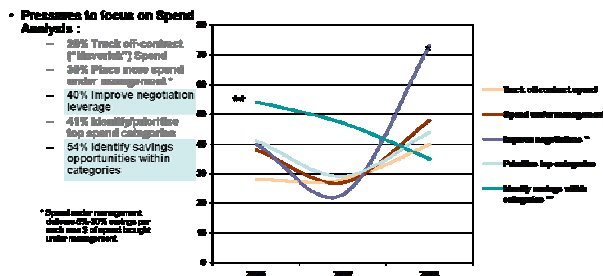
Transitioning from an environment where spend analysis is difficult or not done, to one where it can be done “on-demand” can mean that a lot of new information is derived which requires immediate action in order to capture the benefits and savings in downstream processes such as supplier rationalisations, contract negotiations and so on.

It is therefore important for users to be able to see high level information and then drill down to a level of detail required at their own pace, and in line KPI's and their ability to execute on the results of the analysis.

Spend360 allows users of all abilities to create, personalise, analyse, export as a much or as little as required. This means that Spend360 can be used by the most advanced users and organisations, as well as those who perhaps have not had the benefit of large resources to determine and manage spend.

This ability to determine the level of granularity of information reduces barriers to adoption and use, meaning Spend360 can be used as part of a programme of actions which organisations need to execute to determine and control costs.

In this way spend can be brought under management and actioned according to your own organisation's priorities.



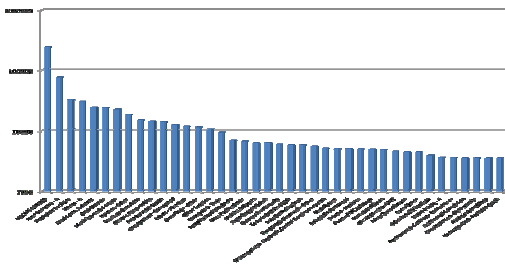
Source : Aberdeen Group

Classification is Key

Spend360 works by classifying spend against your entire data set. Nothing is ignored. Nothing is removed. This is critical to the nature and accuracy of spend analysis. Spend360 works from the bottom up, using all the data that is provided.

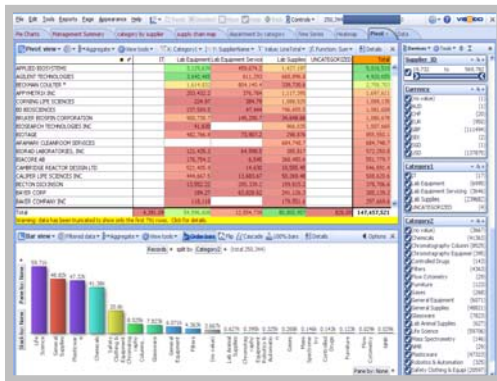
Rules-based approaches can work but are laborious to set up and maintain so Spend360 does not use a rules-based approach. Spend360 uses intelligent logic, which, like any good expert system, learns and refines its classification capability the more data it sees.

The “Long Tail”, Fragmented Spend



The problem with spend data is that it does not form neat patterns which are easily analysed and presented. Spend data can be a lot of data, or could be sparse, is often erroneous, is unbalanced (one category much more prevalent than another), is unstandardised, and exhibits a “long tail”.

This means that top categories account for a large percentage of spend, with a relatively small number of suppliers, whilst there are perhaps many smaller categories of spend, infrequently, with many unknown suppliers. This fragmentation and the nature of the “long tail”, combined with the data capture difficulties and time consuming analysis required to obtain a full picture of spend, typically means that analysis is often restricted to the larger categories.



Spend360 allows access to the micro level, the real detail behind the fragmented spend. Managing spend via 1000 Purchase Orders with 1 supplier is different of course from managing spend via 1 Purchase Order with 1000 suppliers.

In order to determine what practical programmes to put in place a tool which delivers the complete 360 degree view of spend is required, ensuring that category managers, purchasing and supply chain professionals, as well as Finance are able to maximise spend performance without compromise.

A word on Outputs

It is likely that you know about your biggest suppliers and their ability to aid you getting 3% cashable savings. The problems lie in the other 80% of suppliers that supply 20% of your commodities, services or contracts.

Spend360 gives this insight, together with other information so you can see who ALL of your suppliers are, what ALL of your category spend is.

This information can then be fed into downstream programmes and services such as auctions and contract management systems, increasing their return on investment too.

If you do not have these capabilities then Spend360 can advise you.

The Business Case

Spend360 is a solution which delivers insight into fragmented direct and indirect spend without the need for an ERP-sized investment of time, resources and financing.

3rd party spend is part of cost of Public Service delivery which today is roughly £150bn. A business case for analysing spend data with Spend360 can be made whether you have an existing solution or not since it will identify areas where short, medium, and long term spend savings or optimisation can be made – immediately impacting the bottom line.

According to analysts at Aberdeen Group less than 20% of organisations have competent, automated spend analysis capabilities.

Many rely on transactional reports from ERP systems, or rules-based IT solutions relying on Business Analysts being able to accurately capture and relay a requirement to a data-warehousing specialist who then has to design, build and maintain a solution for probably what amounts to no more than 3-5% of a workforce.

However, it is that 3-5% of the workforce which is responsible for all of the purchase spend in the organisation – perhaps 70% or more of overall costs in some cases.

91% of Purchasing professionals acknowledge that they rely more heavily on data than 5 years ago. Spend360 gives them more actionable data. The design and architecture of Spend360 means that preliminary categorisation of spend can be done in a matter of days, replacing what currently takes months, or is not done at all.

This fact alone means that opportunities to make savings through optimisation of downstream activities such as auctions, supplier consolidation etc can be brought forward by months, increasing savings by, on average, 28%.

For an opportunity assessment, to find out more about Spend360, or to have someone call you to share experiences and explain the benefits of automated spend analysis in your organisation email Adrian.Lowther@DU360.Com or go to our contact page at WWW.DU360.COM.

