

## SPEND ANALYSIS

### Spend Analysis Challenges

The current economic environment has put unprecedented pressure on organisations to obtain detailed, actionable information about their costs. With revenues likely to stay flat or possibly decline the only way to maintain (or even grow) profit is to focus on direct and indirect costs. Due to the gearing of most organisations small percentage reductions in costs can have dramatic impacts on cash generation and profit. Spend Analysis looks at an organisations' spend with its suppliers. Good Spend Analysis should encompass ALL spend, with ALL suppliers. 90% of organisations have neither complete nor repeatable Spend Analysis. This means that not all spend is “under management”. **According to the Chartered Institute of Purchasing and Supply anything up to 60% of costs in a business may not be “under management”** – meaning they are not proactively managed – after all, how many suppliers can 1 person manage? **91% of purchasing professionals agree they require more data in order to better meet targets to optimise spend with suppliers. Capturing then correctly classifying spend enables more spend to be brought “under management” releasing stored financial benefit in many organisations.** The challenges to getting it and it hitting the bottom line are typically:

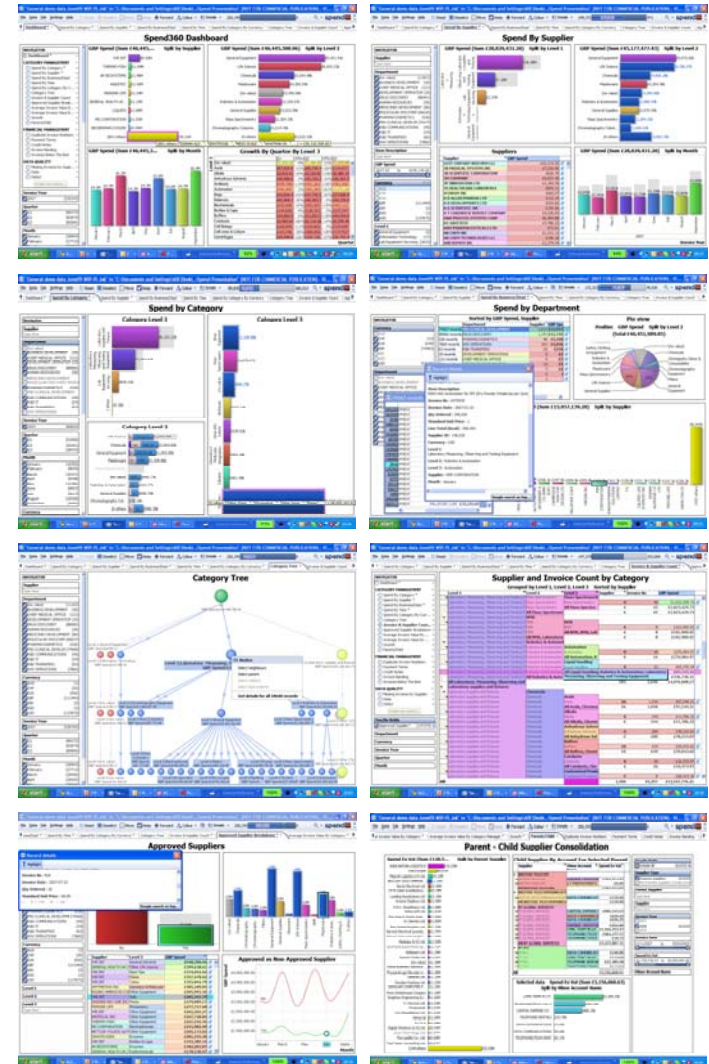
- **No easy access to spend data sources (on average greater than 9 in any organisation and some case hundreds).**
- **Dissimilarities in, and poor quality of, spend data.**
- **Inability to enrich data by classification, normalisation, aggregation, transformation etc.**
- **Lack of time and unavailability of Procurement and IT resources to understand, build and maintain a comprehensive, dynamic and usable solution.**

### Spend Analysis Benefits

The benefits of better Spend Analysis accrue to Finance as well as Procurement. With more accurate information about your suppliers and what they supply organisations can release stored financial benefit and target cost reduction activities better. This amplifies the opportunity for efficiencies and savings to deliver fiscal benefits to the bottom line. Whether you consider yourself to be average or “best-in-class” there is always opportunity to continue improvement. As examples, more accurate spend data underpins:

- **Bringing more spend “under management” – saving 15-20% per category**
- **Reductions in “maverick” spend**
- **ROI on downstream activities such as auctions**
- **ROI on downstream sourcing activities and CatMan processes**
- **Inventory and Supplier Relationship/Risk Management programmes**
- **The preservation or generation of Cash**
- **Impacts on key financial measurements such Profit, Working Capital, Return on Capital Employed and EPS**

Visibility of detailed, comprehensive spend data ensures positive financial impacts are maximised.



A selection of Spend360 outputs - the main dashboard, spend by supplier, spend by category, a sample category tree, approved and non-approved supplier, and supplier parent/child relationship

## The Spend360 Solution

Spend360 addresses the challenges outlined above. By breaking down the barriers to collecting spend data, enriching and classifying it, users can use the complete spend profile to drive savings to the bottom line. Using a unique artificial intelligence approach delivers the following:

- **Completeness** – Spend360 takes the complete profile, normalises, enriches and classifies it – effectively reducing the need for costly, inefficient and time consuming rules-based integration and transformation of raw data.
- **Accuracy** – enriching your data, driving up the quality, and accurately classifying your spend to your own hierarchy and/or UNSPSC ensures data represents spend profiles as you want them, maximising benefits for users, departments, divisions and complete enterprises.
- **Granularity** – taking the complete spend record, enriching and classifying it ensures that wherever supporting detail is required to capture a savings opportunity or address a process error it is available in no more than 2 clicks
- **Timeliness** – without an ERP-sized investment, turnaround from collection to enrichment and usability is measure in days or weeks and not months.
- **Usability** - In addition to providing 27 out-of-the-box reports, Spend360 provides powerful customisation for power-users to create their own reports, as well as the ability to create email, PDF and Powerpoint output to share and present to other parts of the organisation. The standard reports provide Procurement and Finance perspectives on the spend data.

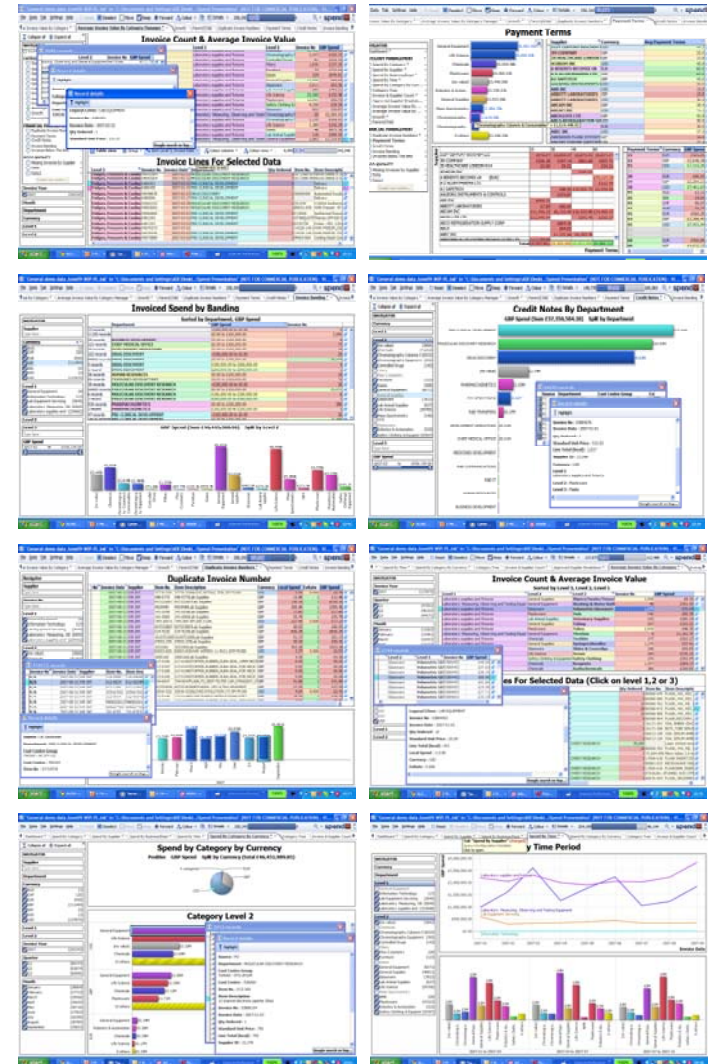
## Spend360 Architecture

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, is inaccurate, not detailed enough, or 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%**.

Flexibility as to how source data is captured and a **virtually zero footprint** also reduces barriers to adoption and usage.

- **Push or Pull** – there are two models for populating the Spend360 application. Data can be “pushed”. This is low-tech, low cost, low impact and more do-able for many organisations. Alternatively data can be “pulled” from source systems. This is higher-tech, higher cost but ultimately automates the entire process making it part of the fabric of your enterprise.

Spend360 contains logic and expertise, to provide for different industry and category requirements, that automates many of the traditional task associated with answering seemingly simple questions about spend. This technology therefore means that outputs are more accurate, more detailed and more quickly available than traditional, in-house approaches.



A selection of Spend360 outputs – invoices by category manager, suppliers with multiple payment terms, credit notes by department, duplicate invoices, invoice detail by category, spend by currency, spending trends over time and period by period growth comparison.

## Spend360 Usability

Spend360 provides a desktop environment where ALL of the data required to understand and manage a category is provided. Since Spend360 captures ALL transaction data almost everything is selectable and searchable without having to leave the user environment. A few examples of key features are shown here.

**NAVIGATOR**

- Dashboard \*
- CATEGORY MANAGEMENT**
  - Spend By Category \*
  - Spend By Supplier \*
  - Spend By Business/Dept
  - Spend By Time
  - Spend By Category By C...
  - Category Tree
  - Invoice & Supplier Count
  - Approved Supplier Break...
  - Average Invoice Value B...
  - Average Invoice Value B...
  - Growth
  - Parent/Child
- FINANCIAL MANAGEMENT**
  - Duplicate Invoice Numbers
  - Payment Terms
  - Credit Notes
  - Invoice Banding
  - Invoices Below The Limit
- DATA QUALITY**
  - Missing Invoices by Supp...
  - Data
  - Data2

Invoice Year: 2007 (250343)

Quarter: Q1 (86573), Q2 (82874), Q3 (80896)

Month: January (28904), February (27713)

**Top level report navigation panel located on all screens**

Resources tabs and select or deselect options to include or exclude elements. This allows macro analysis in many permutations.

Dynamic, selectable components in most panels allows for immediate drill down into supporting detail. Here selecting a node in your category tree immediately shows the spend for that category but also other category elements and the ability to look at the micro level at transaction detail

**Category Level 1**

**Category Level 2**

- Life Science: USD (11.3), £1,665.58k
- Chemicals: £11, £2,004.60k
- General Equipment: USD (114), £1,852.80k
- Plasticware: USD, £1,329.86k
- Mass Spectrometry: (no value), USD, £345.77k
- Robotics & Automation: £1, £669.77k
- General Supplies: £1, £656.74k
- Chromatography Col: £39, £96.39k
- 10 others: £7, £996.39k

**Supplier**

Department

- (no value)
- BUSINESS DEVELOPMENT (20)
- CHIEF MEDICAL OFFICE (121)
- DEVELOPMENT OPERATION (35)
- DRUG DISCOVERY (88960)
- HUMAN RESOURCES (36)
- MEDICINES DEVELOPMENT
- MOLECULAR DISCOVERY RESEA
- PHARMACOGENETICS (526)
- PRE-CLINICAL DEVELOPMENT
- R&D COMMUNICATIONS (45)
- R&D IT (24)
- R&D TRANSFERS (63)
- WW OPERATIONS

Invoice Year: 2007 (89830)

Quarter: Q1 (31066), Q2 (30291), Q3 (28533)

Month: January (10765), February (9870), March (10371), April (9548), May (10786), June (9957), July (9017), August (10026), September (9490)

Currency

**31 Nodes**

- Select neighbours
- Select parent
- Select children
- Select descendants

Get details for all 10640 records

**171 records**

Source	Department	Cost Centre Group
227	PRE-CLINICAL DEVELOP	14472921 - UNB-RDWN
327		15852809
401		15852809
502		15952909
955	PRE-CLINICAL DEVELOP	SEVICKR-BSR - UNB-RDWN
1160	PRE-CLINICAL DEVELOP	708112 - LAS - RTP
2602		
8484		
9221		
12272		
12289		
12290		
12291		
12292		
12293		
12294		
12295		
20733		

**Record details**

Invoice No: 53929147  
 Invoice Date: 2007-01-17  
 Qty Ordered: 45  
 Standard Unit Price: 495  
 Line Total (local): 22,275  
 Supplier ID: 119,295  
 Currency: USD

Level 1: Laboratory supplies and fixtures  
 Level 2: Chemicals  
 Level 3: Organic Compounds  
 Supplier: ALFA AESAR