Spend Analytics â€“ a precursor to Strategic Sourcing

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Strategic sourcing is the process of identifying, evaluating, negotiating, and implementing the optimal mix of goods and services that best support the objectives of the enterprise.

Globalization and dependence of organizations on the world economy has added to the sourcing challenges faced by the organization. Today procurement's role is not to source the product/service from the low cost supplier or for that matter conduct a reverse auction and award the bid to the lowest cost supplier.

Times today demand procurement to look out at suppliers globally and evaluate the suppliers on a number of parameters which could have an impact on the functioning of the organization. This article shows the importance of spend analytics for organizations embarking on the path of strategic sourcing.

Spend analysis is nothing but the process of extracting and collating spend data, analyzing it and using it for reporting trends and opportunities. Spend analysis tools helps CPOs and CFOs gain insights into what their company buys and from whom.

Spend analysis solution enables end users to scan through volumes of data to find a savings opportunity. However before finding a savings opportunities, the first step for companies to obtain visibility into spend, is to establish a common nomenclature for all the purchases made within the organization. A clean source of data is essential for a successful spend analysis output.

For data cleansing a pre-requisite is an automated classification tool that makes your data comprehensible. This classification tool needs to handle data that is multi-lingual, contains misspelled words, cryptic data and even abbreviations.

Clean, unduplicated and classified data will enable procurement professionals to,

â€¢ Extract spend data from multiple internal systems

â€¢ Cleanse & Classify spend data

â€¢ Enrich, Analyze & Report spend data

A granular level data allows the analytics tool to read the data and provide a comprehensive overview of your spend. This coupled with ability to perform what if analysis provides areas where savings opportunities can be mined.

Visibility provides procurement professional's details of their historical spend based on the categories, suppliers, geography etc. This is crucial information which will help the procurement professional to plan their future sourcing activities.

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