

Spend Analysis 101: How, Why, and What To Do with the Data

Spend analysis is the process of cataloguing your aggregate business spend throughout your organisation, with the end goal of reducing expenses over the long term. If your company has different projects or divisions and recording is decentralised, conducting a spend analysis may be a challenge.

During a spend analysis, you identify, gather, categorise, and analyse everything your organisation spends, and then use that analysis to find areas where you can save money and increase efficiency. You may also reap other benefits, such as discovering unapproved spending, improving compliance, and shortening delivery cycles.

Put simply, spend analysis is pulling together your company's purchase history data from all sources to answer questions, improve efficiency, and build insight to inform future decisions:

- What is being purchased?
- Who is purchasing?
- What is the purpose of the purchase?
- Who are the suppliers?
- Are supplies being delivered as promised?
 - Quality assured?
 - Fairly priced?
 - Delivered in a timely manner?
- Can we do better?
 - Negotiate a better deal?
 - Change suppliers?
 - Faster delivery?

Having a handle on your [spend management](#) is critical for every financial aspect of business strategy, from hiring to product development. Once you know where your money goes, you can make better decisions about where and how it *should* be spent.

PurchaseControl's reports make spend analysis quick and easy to perform. Save your time for more value added tasks.

[Find Out How](#)



6 Simple Steps For Conducting a Spend Analysis

1. Identify and consolidate your spend data

Your data may be stored in a variety of places. In many cases, each department - or even each project within each department - has a separate budget and accounting system. Each of these separate sources may have its own internal process: accounts payable, general ledger, [eProcurement systems](#) or other financial software. The first step is to identify all invoices and payments from all sources, and consolidate everything into one central database.

2. Clean the data

Information coming from different sources will need to be standardised. Fields may need to be added, for example, to identify where the order originated or define the purpose of the order, and purchases from international sources may require currency conversion.

Once the data is standardised, duplicate entries should be compared to ensure double payments were not issued, and then eliminated.

3. Identify the scope of your spend analysis process

Determine the minimal time period - quarterly, yearly, or multiple years - that will return an accurate picture of your current spend and still allow you to identify all recurring expenses.

Companies with decentralised budgeting systems may also want to limit the scope of each

spend analysis process by department, division, or project.

4. **Create a supplier list**

Different departments may have similar requirements and use different suppliers. Identify the suppliers on your list with a tag or group designation in order to pull out and analyse prices, turnaround times, and other considerations. Identify the best suppliers and tag them preferred.

5. **Categorise expenses**

By breaking your spending into general categories, you'll be able to see exactly where your money goes. Be as specific as your situation demands, whether your company orders building supplies, outsources digital services, or sends engineers to assess damage in remote locations. Make a category for every major expense: Personnel, travel, outsourced programming, legal, manufacturing supplies, office supplies, etc.

6. **Analyse your data**

With company spend data consolidated, take a close look at how your money is spent and make appropriate changes and informed decisions about future spend. Keep your data up-to-date in order to remain on top.

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The Benefits of Spend Analysis

- **Direct savings**

All businesses are expected to maximise profits and minimise spend. You may realise unexpected savings with strategic sourcing by switching to preferred suppliers and negotiating volume discounts, by eliminating duplicate orders, or by reducing waste incurred by overbuying – which wastes money, man-hours, and storage space.

- **Resolve currency conversion issues**

Ordering overseas supplies incurs costs over and above price concerns. Once you factor in shipping costs and tariffs, are you saving money over local suppliers by ordering base materials from China? This is a good time to compare.

- **Identify maverick spend**

Some managers may order supplies that fall outside their approved budget, either intentionally or by mistake. If maverick spending is a widespread problem in your company, consider implementing a more controlled [centralised procurement process](#).

- **Ensure contract terms are being fulfilled**

Verify that suppliers are delivering on their contracts, including turnaround times, quantities, and quality.

- **Resolve over-payments**

Some suppliers will issue duplicate invoices if a payment is later than expected. Make sure you're only paying once for each shipment.

- **Avoid late or penalty fees**

Look for patterns in the data that indicate late payments, which can add up. When late or penalty fees occur, your company may lose preferred status with suppliers, and that will make them less willing to negotiate or answer customer service issues. You may also be missing out on contractual advance payment bonuses.

- **Manage risk**

Stave off potential vendor issues by keeping track of your vendors' annual revenue and credit score. Dealing with preferred vendors may put your supply chain and project progress at risk if the vendor fails. Your company is only as timely as its suppliers.

- **Ensure compliance**

Many industries face complicated compliance issues. Your business may be required by

company protocols, or state or federal government laws to comply with certain procedures. Government contractors, for example, may be required to get at least three quotes. Bid data and sourcing information can be stored in your database to make sure you don't run afoul of the law or betray your company policies.

- **Automate and improve internal systems**

Your spend analysis data can provide the basis for informed decisions on where you can improve processes. If your payment processing is consistently slow, you may consider an eProcurement System to streamline and speed up the process.

Keeping Your Spend Analysis Up-to-date

While initially consolidating company-wide data can be time-consuming, moving forward your records-keeping is clean, centralised, automated, and enriched with additional helpful data. With an automated PurchaseControl system, you can use [Budget Forecasting](#) to stay on top of every dime your organisation spends...and make sure it's spent efficiently.

PurchaseControl can help you automate and simplify your spend analysis processes

[Find Out How](#)



— About **PurchaseControl**

PurchaseControl is cloud based procurement software for business spend management. We empower businesses by providing greater transparency and oversight into the purchasing process. With PurchaseControl, you have the flexibility to manage how spend actually happens instead of how you wish it would happen.

The entire PurchaseControl team has experience within a range of businesses, and as such, we bring a practical, holistic approach to purchasing. We understand what it takes to run a business and apply that knowledge to make PurchaseControl as effective as possible for all users.

Learn more at www.purchasecontrol.com

— **Contacts**

EU Office Information

UK: +44 845 591 27 24

Ireland: +353 1 513 4623

enquiry@purchasecontrol.com

US Office Information

US: 800 737 5605

inquiry@purchasecontrol.com

Connect With Us

Facebook: <https://www.facebook.com/PurchaseControl/>

Twitter: <https://twitter.com/purchasecontrol/>

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