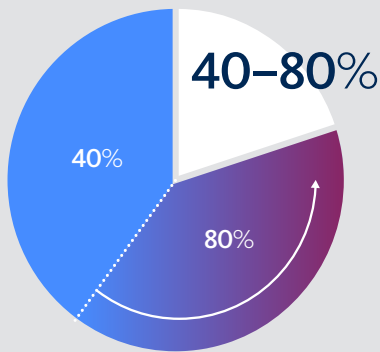


Slash your procurement spend in 2023 and beyond

Use the power of data to evaluate, consolidate and save



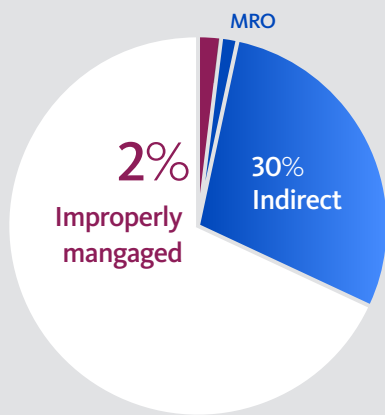


External spend typically represents **40-80%** of a company's total operating cost¹.

Procurement leaders have always played a pivotal role in driving their organizations forward — **optimizing external spend** with suppliers and building competitive advantage in terms of cost, quality, availability, and sustainability.

Considering that external spend typically represents [40-80%](#)¹ of a company's total operating cost, the role of an experienced and efficient procurement team cannot be overestimated.

As the past few years focused a lens on supply chain pressures, procurement teams responded in force — focusing on business continuity and operational resilience, customer satisfaction, levels of service and overall experience [over other objectives](#)².



Up to 2% of annual revenue for most corporations goes towards improperly managed spend, while up to 30% of revenue can go towards indirect spend. Maintenance, Repair and Operations (MRO) can comprise up to 5% of that spend³.

Four ways procurement leaders can use data to evaluate spend

As leaders ramp up for 2023 and pressures continue, it's crucial to start identifying new insights and opportunities that can build your competitive advantage. Here are four ways procurement leaders can use the power of data to evaluate spend, consolidate key areas of their operations, and save money moving forward.

1. Employ spend analytics

According to [Forbes](#)³ up to 2% of annual revenue for most corporations goes towards improperly managed spend, while up to 30% of revenue can go towards indirect spend. Consider then, that a critical function such as Maintenance, Repair and Operations (MRO) can comprise up to 5% of that spend. This can quickly become costly for a company of any size. As an example, a \$1B company could end up spending \$30M – \$50M per year on MRO alone.

Beyond just ever-tightening budgets, the focus on analyzing organizational spend has grown in recent years with a variety of influencing factors including supply chain challenges due to recent global events, and the availability of increased technology tools to gather actionable insights more quickly. No matter the rationale behind the effort, organizations recognize that collecting and reviewing data — along with detailed analysis — can drive a variety of performance and profitability improvements overall.

With an understanding of where your organization stands at a given point in time, spend analysis starts as a feather in the cap for building a more strategic procurement organization and driving measurable results over the short and long term. Spend analysis supports CPOs in the shift away from mere cost containment (or reduction) to positioning the procurement organization as a value-generating arm of the corporate function.



Gartner recently published their Decision Framework for Prioritizing Cost Optimization Initiatives⁴ that can help organizations manage and prioritize this work. They recommend focusing on initiatives based on a systematic approach that weighs several factors:

Potential financial benefit	Small: Potential to minimally improve cash flow or generate hard/soft savings	Medium: Potential to moderately improve cash or generate hard/soft savings	Large: Potential to significantly improve cash flow and generate hard/soft savings
Business impact	Negative: The initiative will have an adverse impact on business operations or customer satisfaction	None: The initiative will neither have a positive or negative impact on business operations	Positive: The initiative will have a positive impact on business operations
Time requirement	Long term: Savings may be realized either within months or not at all upon full implementation	Intermediate term: Expected savings can be realized within months of full implementation	Short term: Expected savings can be realized within weeks of full implementation
Degree of organizational risk	High: Initiative will create staff redundancies or reengineering of processes and structures	Moderate: Limited changes in roles, structures and processes	Low: No changes to staff or changes in organization and processes
Degree of technical risk	High: The initiative impacts highly complex systems or components and is a solution that is not adopted broadly in the industry	Moderate: The initiative affects some complex systems or components, but is an established solution currently in use in the industry	Low: Simple initiative that does not affect any complex systems or components, and one that is commonly used across the industry
Investment requirement	High: The initiative requires a large, upfront investment	Moderate: The initiative requires a moderate, upfront investment	Low/none: The initiative requires little to no upfront investment before savings can be realized

Creating a decision framework is just one of the important steps in the cost optimization process. Through the identification, collection, classification and analysis of complex spend data from across your organization, spend analysis can deliver:

- 1 Cost savings through greater spend visibility, process improvements and improved contract compliance
- 2 Deeper and more strategic supplier relationships
- 3 Improved buying power and more strategic sourcing
- 4 Procurement team efficiencies
- 5 Greater ability to identify and manage risk



Digitizing the procurement function — where information can be easily shared across the enterprise in real time — enables **greater visibility** and **better-informed decision making** for forward-thinking organizations.

2) Digitize sourcing and procurement

Buying silos are never ideal but have developed in many organizations for a variety of reasons: business units operating separately on purpose, M&A activity, poor interdepartmental communication or simply the need to acquire goods or services quickly in one area of the business.

It goes without saying but digitizing the procurement function — where information can be easily shared across the enterprise in real time — enables greater visibility and better-informed decision making for forward-thinking organizations. Gone are the days when companies could remain competitive by consolidating their buying power to drive better pricing, rebates and volume discounts. Today, more and more organizations are viewing their procurement operation as a strategic driver for better financial results. Digital connectivity has become fundamental for success in today's financial climate.

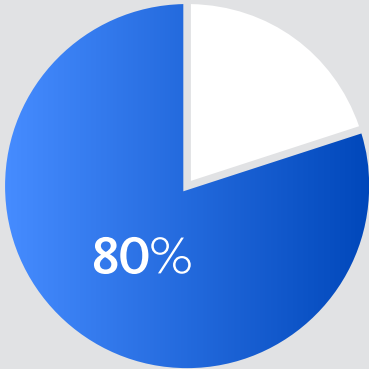
Centralized sourcing and procurement are still valuable — as its sole aim is to minimize duplicate contracts that exist across different business units or geographies, synchronize billing cycles, streamline goods receipt, and better plan for any future M&A activities or consolidation that could impact purchasing. However, when combined with digital connectivity — where all of the key stakeholders across the procurement enterprise have real-time access to relevant information and manual processes are automated — organizations begin to create a new operating model and a richer paradigm for success.

3) Conduct regular contract audits

Spending time up front on regular contract audits gives your procurement team the opportunity to identify contract compliance issues before they become major liabilities. If this isn't already part of your standard operations, quick start the auditing process with a few simple steps:

- 1 Establish a contract depository for both current and archived contracts and agreements.
- 2 Assign a team to conduct a monthly review of existing contract end dates, looking several months out to avoid accidental (and often costly) auto-renewals.
- 3 Conduct a monthly reporting review to identify price variances, payment term abnormalities and overpayments across your enterprise. Ensure that any price increases align with contract terms.

When you start conducting regular audits, you're likely to find some big savings and opportunity areas. Use this information as a baseline and empower your procurement team to set goals and achieve measurable results both over the short and long term. Keep in mind the largest savings are often found in the tail spend. Attention to detail with even the smallest vendor relationships can really add up over time.



80% of high-performing procurement organizations distinguish between strategic and operational models⁴.

4) Speed your results through strategic partnerships

Harvard Business Review research shows that [80% of high-performing procurement organizations distinguish between strategic and operational models](#)⁵. These suggestions for savings in 2023 make logical sense, but actually putting them into practice is likely not so quick and easy. Busy procurement teams at most organizations don't always have enough time or resources to get strategic about data, consolidate systems and take action to make a measurable impact. The quickest way to get results is to work with a partner you can trust to do much (if not all) of the legwork for you.

For example, by outsourcing supplier management to a trusted partner can help you:

- 1 Facilitate and manage relationships with preferred suppliers
- 2 Conduct semi-annual supplier performance reviews with your procurement team(s)
- 3 Ensure SLAs are in place and met
- 4 Engage and work with integrators to improve processes and align to preferred partners while reducing direct buy costs

Then, if you need to consolidate systems or bring on a new tool, your internal resources can spend their time focused on these core initiatives — while getting your back office in order with the help of strategic partners to deliver both short- and long-term, data-driven results.



Conclusion

As this white paper illustrates, a balanced approach to analyzing procurement spend is more important now than ever. For finance organizations to cope with the ongoing pressures created by disruptions, stock-outs, inflation, and widespread political instability, Procurement teams need greater insights into their category spend. This requires investments into digitizing critical operations, committing to regular contract audits. The right strategic partner can help future-proof your organization to be prepared for any potential headwinds.

About Conduent

On behalf of businesses and governments, Conduent helps transform finance, accounting and procurement processes by automating and streamlining mission-critical operations powered by the latest AI, ML and automation technologies to reduce costs, drive efficiencies, and improve quality, while creating a more personalized end-user experience.

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Talk to Conduent

Conduent is a strategic partner to global organizations, transforming finance, accounting and procurement processes by automating and streamlining mission critical operations. Our solutions are powered by the latest AI and ML technologies to reduce costs, drive efficiencies, and improve quality.

Our Category Managers and Sourcing experts are quickly scaling and delivering sourcing savings by analyzing spend across targeted categories that allow us to provide recommendations and opportunities for quick wins (e.g, IT, Facilities, Cap Ex, third-party Spend) and beyond.

▶ Learn more on our website about Conduent's [Finance, Accounting and Procurement Services](#), or call 1-844-ONE-CNDT to connect with an expert.

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