

THE SPARK

Sourcing and Procurement Flash Report

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DATA ANALYTICS

The Devil is in the Data: Leveraging Spend Analytics in a Post-Pandemic Business Environment

As most businesses exit an 18-month period of constrained profit margins, identifying new initiatives to reduce costs has become a priority for many leaders in the post-pandemic business environment. Core to these initiatives is procurement's role to diagnose and execute on savings opportunities for goods-not-for-resale (GNFR) and indirect expenses. On average, these expenses represent anywhere between 11%-20% of a company's annual revenue, so reducing or eliminating even a fraction of these costs can significantly increase profitability.

To gain an objective understanding of these emerging opportunities and the readiness of businesses to leverage them, LogicSource partnered with Coresight Research to survey more than 200 North-American retail and CPG executives. The results were undeniable: access to accurate, actionable data remains the bedrock of any successful cost reduction initiative.

While many leaders—nearly 91%—acknowledge the need for deep data and analytics on not-for-resale spending, few understand how to build value creation initiatives with the data once it's in front of them. A meager 29.5% of respondents stated that they knew how to apply their data and analytics in an impactful way. If leaders are serious about boosting profits by better managing GNFR costs, a couple things have to happen:

- + Build new procurement strategies that include access to intelligent spend analysis tools and expertise to unearth potentially lucrative niches of unmanaged indirect expenses
- + Make data-driven sourcing and purchasing decisions that facilitate more effective supplier relationship management to secure market rates and reduce costs.

Of course, this is easier said than done. Managing indirect expenses is a challenging undertaking. While sightlines on direct spend are often straight and clear, the sheer volume and variety of indirect suppliers and transactions make it difficult for leaders to decipher the bigger picture of their indirect spend, especially when few companies have the domain expertise needed to fully leverage the sector. Fortunately, most company's report similar challenges. With cleaner, more accurate data, renewed investment in enabling technologies, and the analytics expertise required to make their data actionable, leaders can create a clear and transparent way forward.

In the end, those who are motivated by the opportunity here are left in a unique and advantageous position. Retail and CPG companies almost unanimously report an understanding of the opportunity reduced GNFR spend presents, while fewer than one third of companies are taking any meaningful actions with the data. With the right commitment, technology, process, and expert assistance, companies can boost profit potential and emerge from the pandemic on the bleeding edge of their industry.

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