



The Total Spend Analysis Solution

Unleash the value of your procurement data; get it to work with you and for you; build the insight to put procurement effort where it will deliver the best results.

Make your procurement data work for you...

All organisations have considerable amounts of spend data and know that if this data is reviewed and interrogated with a structured analysis, it can yield a range of opportunities for procurement efficiencies and tangible cash savings. This challenge is widely recognised and many organisations have tried to use a range of reporting approaches to develop an understanding of the spend data available. For some this has yielded savings opportunities but equally has highlighted the need for additional analysis capabilities to fully realise the potential value.

Conventionally there are a number of barriers to achieving a deeper, more granular, meaningful analysis. These barriers often mean that the only options available are 'intelligent guesswork' and time and resource consuming 'leg work'. Neither produces a completely satisfactory result. So a substantial range of opportunities go undiscovered, or the full value of the opportunities addressed is often unrealised. The greatest challenge to any spend analysis project is the format, availability, and quality of spend data.

Our experience and capability in dealing with these issues is considerable and greatly enhanced through Coding International as part of the @UK group. This, combined with the unique intelligence within our SpendInsight™ tool means that we can rapidly deliver a highly granular meaningful analysis with tools which provide the means for improving the quality of the data available. The higher the quality of data available for analysis, the greater the number and value of the savings opportunities will be identified.

Through our unique combination of capabilities and our SpendInsight™ tool we can rapidly reduce and ultimately remove the guess work and leg work from spend analysis, enabling the procurement professional to focus on the activities which fully address the savings opportunities that exist.

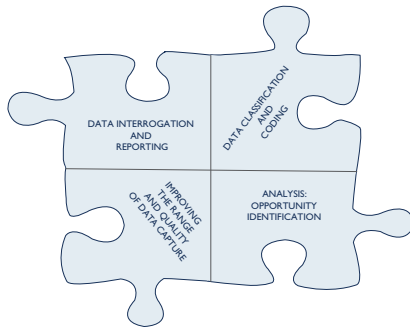
SpendInsight™ gives the ability to identify seven key areas of savings opportunities

1. The same product bought from the same supplier at various prices; **price variance**
2. Same product bought frequently in small amounts; **order consolidation**
3. The same product bought from differing suppliers at various prices; **price comparison**
4. Differing products with the same functional role; **product consolidation**
5. The same product from the same supplier from differing parts of the company; **price bench marking**
6. Products bought off contract when one exists; **contract adherence**
7. Framework / Hub contracts available but not used; **contract opportunities**

Once the analysis is complete the results are presented back through a web front end which can be tailored to focus on the customer's exact requirements. This gives the ability to clearly see each opportunity and its relative size and value to the organisation. The process can then be monitored and easily repeated every month to measure changes or view and track trends.

Achieving insight through analysis

Creating tangible value out of spend analysis requires a simple structured approach that focuses on the aspects that matter and delivers a pragmatic solution quickly. Through SpendInsight™ @UK has delivered this by concentrating on three core areas adding a fourth to provide value added options. This is illustrated in the diagram below.



1. **Data Interrogation and Reporting:** The SpendInsight™ solution is based on a fully web enabled reporting suite with unlimited MS Excel downloads in a comprehensive and flexible reporting MS Excel workbook. The analysis data base enables the collation of all needed procurement data, and is flexible enough to deal with missing or poor quality data sources. Recommended data sources are Accounts Payable, purchase order data, and contract and catalogue data. We can work with one or more of these sources and provide tools that will, over time, consistently improve the quality of the base data.
2. **Data Classification and Coding:** Enriching the content in the analysis database through standardised classification and codification is a key aspect of enabling value added analysis. We utilise an internationally recognised product coding system that enables us to provide classification and coding right down to line level. Coding International is part of the @UK Group and has over 30 years experience in coding practice. This means the @UK group can do more than just category level coding.
3. **Analysis: Opportunity Identification:** SpendInsight™ has the capability to deliver a rich level of analysis rapidly. SpendInsight™ naturally identifies seven key areas of savings opportunities:
 - a. **Price Variance:** the same product bought from the same supplier at differing prices
 - b. **Order Consolidation:** the same product bought frequently in small amounts, where volume discounts could either be negotiated or utilised
 - c. **Price Comparison:** the same product bought from differing suppliers at varying prices

- d. **Product Consolidation:** differing products purchased with the same functional role, where standardisation would deliver savings
- e. **Price Benchmarking:** understanding the average price paid for a product by many organisations (based on our knowledgebase) adjusted for time and quantity – rapidly identifying where savings could be negotiated and providing information to support the procurement professional
- f. **Contract adherence:** products bought off contract where a contract exists and could or and should have been used
- g. **Contract opportunities:** framework or hub contracts that could have been used that would have delivered savings.

4. **Improving the range and quality of data capture:** In addition to providing the core analysis we are able to provide a range of value added services that can be used to enhance the quality of data captured including purchase to pay and marketplace solutions that will enhance purchase order data and catalogue data accuracy. Building upon the initial analysis, using these toolsets can significantly increase the value and range of opportunities that can be identified by enabling analysis through more detailed and targeted data.

Developing SpendInsight™

To deliver against this vision, @UK PLC embarked on a three year Knowledge Transfer Partnership (KTP) working with the Universities of London and Reading to develop an advanced system. This partnership has translated academic research into an industry solution. The next step was to work closely with a launch customer to get the system fit for purpose. The NHS London Procurement Programme (LPP) joined the team and helped develop the system for their 73 London Trusts. The objective was clear and simple,

To deliver an end to end solution which could take raw data, enrich it, translate it into meaningful information, track it and repeat the process regularly. All to be done much quicker and more cost effectively than before

To ensure @UK PLC could best meet these requirements they acquired a specialist product coding company with over 30 years practical experience and understanding of the coding practice. They knew from their work on purchasing benchmark systems that effective spend analysis requires item level classification. This gives a core database of product information which enables the enrichment of data and the ability to provide descriptions at item not just category level. Putting academic specialists together with @UK PLC's expertise has meant delivery of what they believe to be a leading edge spend analysis solution.



Achieving customer value: The LPP experience, linking analysis to savings delivery...

Within London there are 73 Trusts representing over 25% of NHS spend, they range in capability from excellent (well deployed eProcurement and consistent coding of products) to helpless (no idea what they buy, can't identify top 10 suppliers and no product coding). LPP started by focusing on spend analysis as it was clear that there had to be substantial savings across the trusts, but without data it was impossible to identify where to start. @UK worked with LPP to refine our spend analysis solution to best meet the needs of the procurement community, particularly in terms of reports as the buyers reporting requirements changed as they engaged more closely with their data.

Even with a small number of trusts analysed it was clear that the anticipation of significant potential savings was correct. However it was also obvious that with a completely fragmented back office infrastructure across London, that there was nowhere to 'hard wire' the emerging savings and direct requisitioners to best value/contracted goods and services.

The outputs from the SpendInsight™ spend analysis tool begin the process of moving from knowledge to action, from savings potential to savings achievement. As well as a web based front end there is also an Excel data pack, which can be used off line. These contain the reports on the 7 key areas of savings. The SpendInsight™ tool is also able to automate the production of an optimized catalogue as a starting point for eProcurement content, supporting the procurement professional in redirecting spend.

The value of Spend Analysis to LPP

The 'pan-London' spend analysis project has changed the understanding of achievable benefits and potential savings from soft process savings to hard cashable savings and provided a tangible reason to move forward with improved eProcurement quickly to realize the identified benefits and savings.

The spend analysis has also provided good planning data for decisions around the roll out of eProcurement and the requirements from deployed systems – which suppliers/users/goods and services should be targeted in the different phases. This supports and compliments the key insight @UK has developed around both user and supplier adoption for successful eProcurement; that roll out should be based around key commodities that users will both buy, and in which they can quickly achieve demonstrable benefits from eProcurement.

This increases both user and supplier acceptance of the change to eProcurement as both are able to rapidly see and achieve results. Building true ePayments in to the picture as LPP are doing increases the advantages to both buyer and supplier by speeding up payments and enhancing savings.

What does this mean for the LPP Trusts?

Alongside the LPP spend analysis work @UK and Barclaycard had been reviewing our joint experiences of eProcurement (both pCards and Marketplaces). The insights being identified through the work with LPP indicated a clear opportunity for a joint proposition which took all of our learning and created a solution unique in the eProcurement market.

With no budget available to create an overarching infrastructure for London, an innovative commercial solution was developed and proposed by Barclaycard and @UK, and as a result LPP has contracted via the GPC framework for an integrated pCard and Marketplace solution which could effectively self fund and provide the infrastructure that London required. All NHS organizations are able to take advantage of this contract.

The solution will support payment by card and also flow of information into finance systems for payment by BACS, so there is no limitation on what the buying organisation can use it for. There will be centralised catalogue information available and preloaded as part of the solution (OGC, NHS Supply Chain and LPP). LPP have a centralised team who will work with each trust to identify benefits and plan for implementation. Barclaycard will undertake the work of contacting the suppliers and helping them to switch on their existing capability (this may be with any bank not just Barclays), or discussing with them what they need to do to take card payments. @UK will support both organisations and the trusts and provide technical and integration services as required.

Through this unique and innovative approach, the London trusts will have an enhanced and leading edge eProcurement solution rolled out in a progressive manner with real certainty from the spend analysis that they can place sufficient spend through the system to achieve the self funding levels for the infrastructure before it is deployed.



Seven key areas of savings in detail

Price Variance

When the same product is bought from the same supplier but at different prices. Of course price variance can be due simply to price changes, quantity related discount or from inconsistent use of contracts. Charging different prices for the same product can also occur. SpendInsight™ detects price variance in your data, and because you can drill down to your purchase order lines you can quickly and easily see why the price variance has occurred, and decide whether you need to take further action.

Order Consolidation

When orders for the same product from the same supplier are placed in quick succession. For frequently and repeatedly ordered products there may be an opportunity to achieve a lower unit price by placing a larger single order. Additionally, it may be possible to save on delivery charges. By showing your data in line-item detail you can easily see where these opportunities exist.

Price Comparison

When the same product is bought from different suppliers at different prices. Choosing the best supplier for a product is what many people perceive to be the main role of procurement, but with hundreds of suppliers and thousands of products this can be a lengthy process for little return. SpendInsight™ matches products across suppliers and it can suggest the best opportunities for switching supplier. Furthermore, because you can see the purchases over which the saving has been recorded you are equipped with the historical data you need to negotiate with suppliers and to support your decision making process.

Product Consolidation

When different products having the same functional role are bought from different suppliers at different prices. The eClass product classification system is a fundamental part of SpendInsight™ which automatically classifies products where a classification is not provided. Viewing all of the products you bought in a particular eClass class suggests opportunities for product consolidation, and because you can investigate right down to your purchase order lines you can evaluate the best opportunities.

Price Benchmark

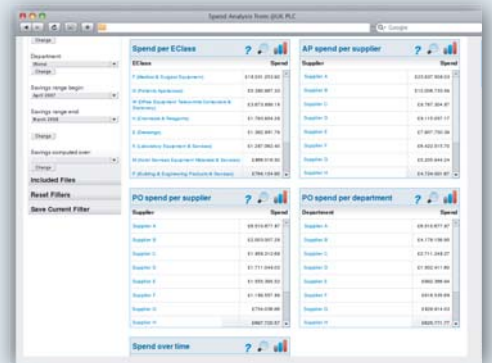
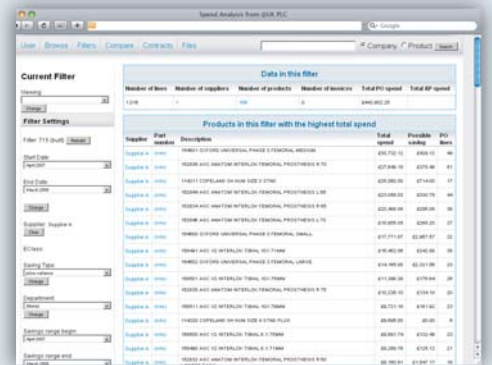
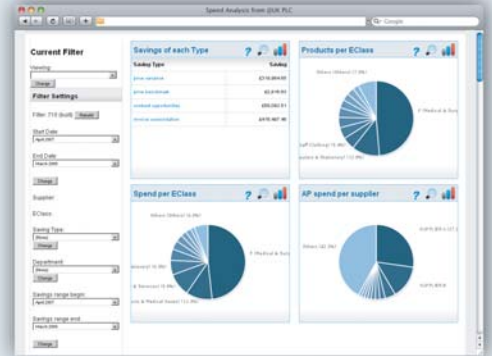
What is a fair price for a product, and how do you compare to everyone else? Price benchmark tells you the average price paid for a product; the average being taken over all purchasing organisations in our knowledge base, and adjusted for time and quantity. The price benchmark lets you quickly identify products where investigating savings opportunities is likely to be worthwhile, and provides data to support your negotiation of procurement contracts.

Contract Adherence

When you have negotiated contracts for purchasing products, did you use these contracts? Using knowledge of your contracts indicates where products that could have been bought on contract have not been.

Contract Opportunities

When contracts negotiated by third parties are available for your use, but you have not used them. SpendInsight™ knowledge base includes contracts from Supply Chain NHS Cat, PASA Contracts, and OGC Framework agreements



To find out more about @UK's SpendInsight™ please contact:

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Insight into Spend Analysis