

# The no-nonsense spend analysis guide: get clear on where your money goes

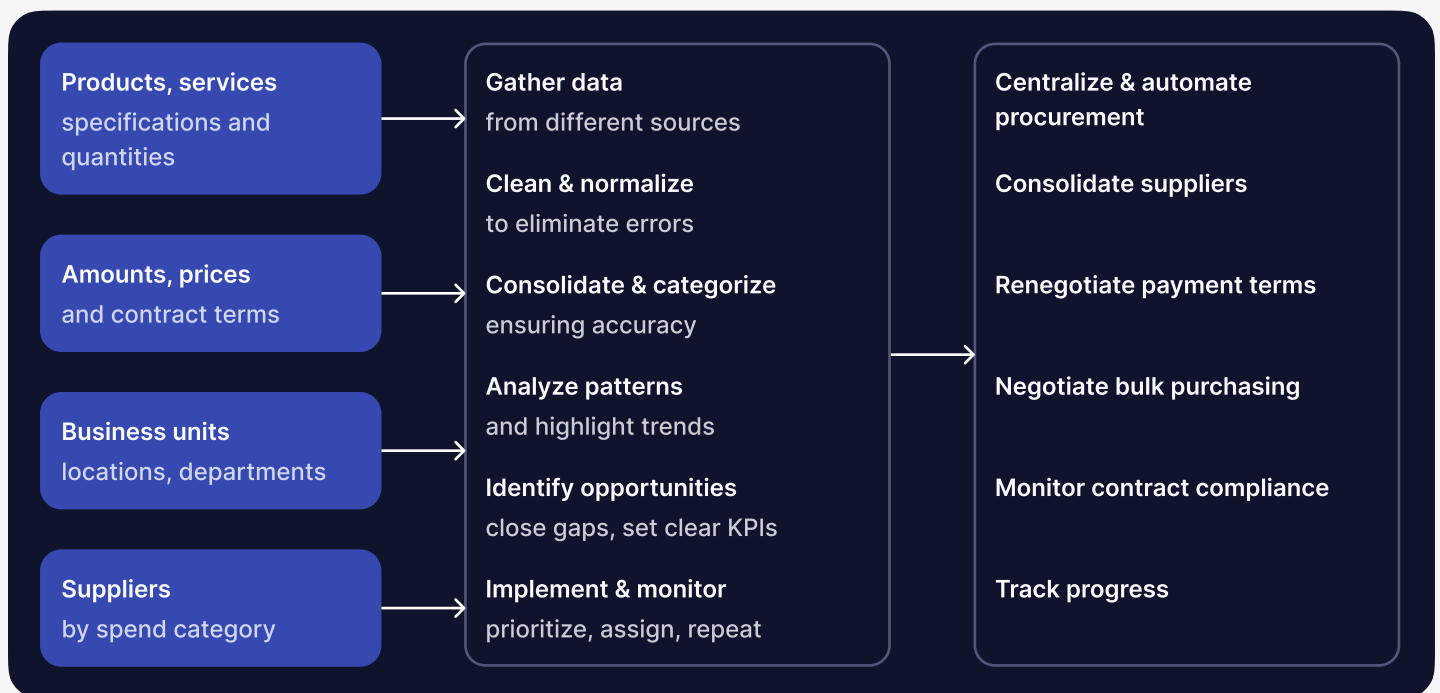
Want to stop wasting money and start making smarter purchasing decisions? That's what spend analysis is all about. It shows you exactly where your company's money is going — so you can cut the fluff, negotiate better deals, and stay in control.

**With the right data and tools, procurement teams can:**

Spot off-contract purchases before they spiral.

- Negotiate from a place of power with real pricing insights.
- Plan budgets with facts, not guesses.
- Save money by consolidating suppliers.
- Lower risk by avoiding supplier dependency.

No fluff, just practical steps and templates to help you get started fast.



## Step 1: Gather data

Key data sources:

- **ERP & accounting systems** (SAP, NetSuite, QuickBooks, Xero).
- **Invoices & purchase orders** (digital and paper records).
- **P-card & credit card statements, reimbursements.**
- **Supplier contracts** (pricing agreements, discounts, terms).



**Standardize data formatting early to avoid mismatches across systems.**

## Common challenges & solutions:

Challenge	Solution
Inconsistent data formats	Standardize CSV/Excel files before analysis.
Missing supplier information	Cross-check with vendor master data.
Uncategorized spends	Use UNSPSC or custom category mapping.

## Step 2: Clean & normalize

Cleaning actions:

- **Remove duplicates** to prevent data distortion.
- **Standardize supplier names** (e.g., "AB" vs. "Amazon Business").
- **Categorize transactions** into spend types (direct, indirect, CapEx, OpEx, etc.).
- **Use drop-down lists** for consistent data entry (via Excel's Data Validation feature).
- **Fill missing values** to ensure complete reporting.
- **Regularly update** the spend dataset to maintain accuracy.



Standardize supplier categories across all departments for accurate reporting.

## Step 3: Categorize

Classification methods:

- **By category:** IT, Marketing, HR, Logistics, etc.
- **By supplier:** Group vendors by industry (e.g., logistics, office supplies).
- **By GL code:** Map expenses to general ledger codes.



A hybrid approach (category + supplier) provides the most insights.

Category	Subcategory	Example
Direct Spend	Raw Materials	Steel, packaging
Indirect Spend	Office Supplies	Printers, laptops
Services	Consulting, Marketing	Agencies, SaaS tools
Logistics	Shipping, Warehousing	Freight, storage



**Template:** A Spend Data Consolidation Template (Excel) with columns for Date, Supplier, Product Category, Spend Category, Amount, Department, Location, Payment Terms, Quantity, and PO/Invoice Number.



## Step 4: Analyze patterns

Key metrics:

- **Total Spend by category & supplier** (Pareto analysis: 80% of spend often comes from 20% of suppliers).
- **Spend per business unit** (Who is spending the most?).
- **Contracted vs. non-contracted spend** (Compliance rate).
- **Supplier fragmentation** (How many suppliers presented for the same category?).
- **Year-over-year spend trends** (Is spending increasing or decreasing?).

Excel features for analysis:

- **Sorting & Filtering:** Easily find high-spend areas.
- **SUM & AVERAGE:** Quickly calculate total and average spend.
- **PivotTables:** Summarize data for better insights.
- **Conditional Formatting:** Highlight key trends and anomalies.

Advanced Excel formulas:

- **COUNTIF:** Count transactions for a specific supplier.
- **MAX:** Identify the highest spend per category.
- **VLOOKUP/INDEX MATCH:** Cross-reference data across multiple sheets.

Visualizing data:

- **Pie Charts:** Show spend distribution by category.
- **Line Charts:** Track spending trends over time.
- **Bar Charts:** Compare supplier costs.



A high supplier count for similar purchases may indicate a need for vendor consolidation.

## Step 5: Identify cost-saving & optimization opportunities

Key areas:

### 1. Payment terms & cash flow:

- ✓ Assess payment terms (30, 60, 90 days).
- ✓ Identify missed early payment discounts.
- ✓ Spot late payment penalties and negotiate better terms.



Renegotiating payment terms can free up cash flow.

### 2. Maverick Spending & Compliance:

- ✓ Identify purchases outside approved supplier lists.
- ✓ Track non-PO invoices (rogue spending).
- ✓ Measure policy compliance rates.



High maverick spending signals weak procurement controls.

### 3. Cost-Saving Initiatives:

- ✓ Consolidate vendors for volume discounts.
- ✓ Optimize purchase volumes to reduce costs.
- ✓ Automate procurement processes to cut manual errors and delays.



Even small process improvements can lead to significant savings over time.



**Template:** A Cost-Saving opportunity tracker to document identified savings areas and actions taken.



## Step 6: Implement & monitor changes

Execution plan:

- Align with finance & department heads to prioritize initiatives.
- Communicate insights to stakeholders.
- Update procurement policies based on findings.
- Track progress through monthly spend reviews.



Small process improvements can lead to significant savings over time.

## Final thoughts

Spend analysis isn't just about looking at numbers once a year. If done right, it becomes a system that continuously drives smarter decisions across procurement, finance, and operations. The templates and methods outlined in this guide give you a solid foundation—but manual analysis only goes so far.

To move beyond spreadsheets and truly stay on top of your spend, you need real-time visibility, streamlined workflows, and automated reporting. That's where technology steps in.

Here's what to do next:

- Use the templates to clean up and structure your spend data.
- Review it with your team to spot obvious inefficiencies and savings opportunities.
- Then, take the next step: automate the process.

# Check out Precoro

A leading procurement centralization and automation platform designed by procurement practitioners and built by experienced software engineers.

## Get everything you need for:

### • Centralization & Automation

Manual tasks that used to be exhaustively time-consuming and error-prone, can now be completed in minutes with automated workflows. From requesting to accounts payable and supplier management — every step is easy to track and manage in one place.

### • Visibility & Control

Businesses can leverage centralized dashboards with real-time insights into procurement activities across all company entities. With end-users having access to the platform both from the web and mobile app, procurement stakeholders can ensure total visibility into direct and indirect spend.

### • Savings

Centralized procurement processes and coherent data allow to leverage economies of scale, manage tail spend, and prevent maverick spending, ultimately leading to financial efficiency and savings.

✓ Multi-entity management

✓ Mobile-first approach

✓ Intake orchestration

✓ Preapproved catalogs

✓ Supplier management

✓ Customizable approvals

✓ AI-powered AP automation

✓ Business integrations & PunchOuts

✓ Multidimensional reporting

✓ Inventory management



# Spend smarter. Cut waste. Stay in control.

Make spend analysis something that works for you, not something you have to work on.

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## Why do procurement centralization and automation matter? We'll let the numbers tell

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OCR

powered by Google AI

3.5X

faster approvals

78%

faster purchasing cycle

Up to 5%

annual budget savings

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Onboard your team with no IT resources in

2-8 WEEKS.



See operational improvements in

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Enjoy your first measurable savings in

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