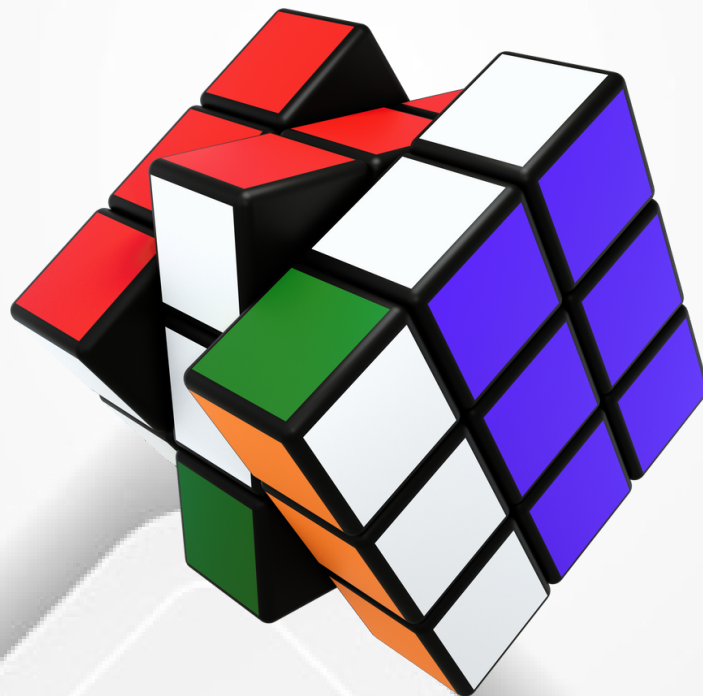


SPEND CUBE

A N A L Y S I S

VUE[™] WHITEPAPER SERIES





what is a spend cube?

A spend cube is an overview of a company's spend data presented as a three-dimensional cube. At the most basic level, this enables an organization to identify which cost center is spending money, the vendor they are spending it with, and what goods or services they are spending it on. As shown below, it can be represented as a basic cube or a complex model that could be conceptualized as a Rubik's cube*.

Using the Rubik's cube format allows for extra layers of information to be included, which will more accurately reflect the spend profiles at a higher level of detail. The Rubik's cube format then enables the cube to move from a rudimentary view (i.e., who bought what from where) to a much richer level of analysis illustrating multiple spend categories, cost centers, and vendors.

Understanding the spend cube is one of the first steps to comprehending total company spend. The next step is to populate the spend cube with the relevant data, giving the company a detailed spend breakdown.



Why Should You Care?

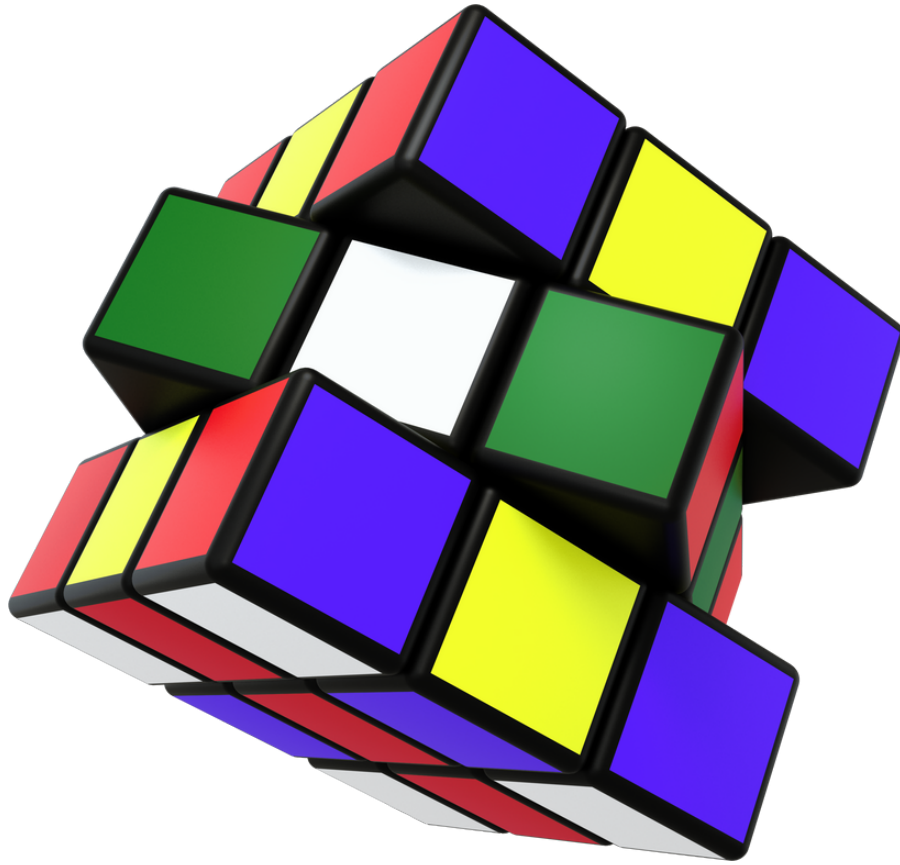
The data revealed by the spend cube supports the activities of the procurement team and enables them to deliver positive results for their company. Peter Drucker once said, "if you can't measure something, you can't improve it." **Populating the spend cube with the correct data gives procurement oversight of how and where a company's money is spent.** This transparency enables the procurement team to make the right decisions to deliver their goals.

A complete spend cube analysis of the whole company across all categories will reveal the following essential information:

- Total company spend
- Spend by category, starting with a split of direct and indirect categories at a high level
- The number of suppliers in each category
- The amount that is spent with each supplier

Once this data is available, it will be possible to carry out a Pareto analysis to identify where the most opportunity areas lie, enabling the procurement team to focus on maximizing benefits for their company.

Pinpointing which departments or cost centers are the critical spend drivers allows the procurement team to determine areas of spend they can influence directly and alternative approaches.



**For organizations with a cost focus,
it is especially critical to develop a
complete and credible spend cube.**



Spend Cube Benefits

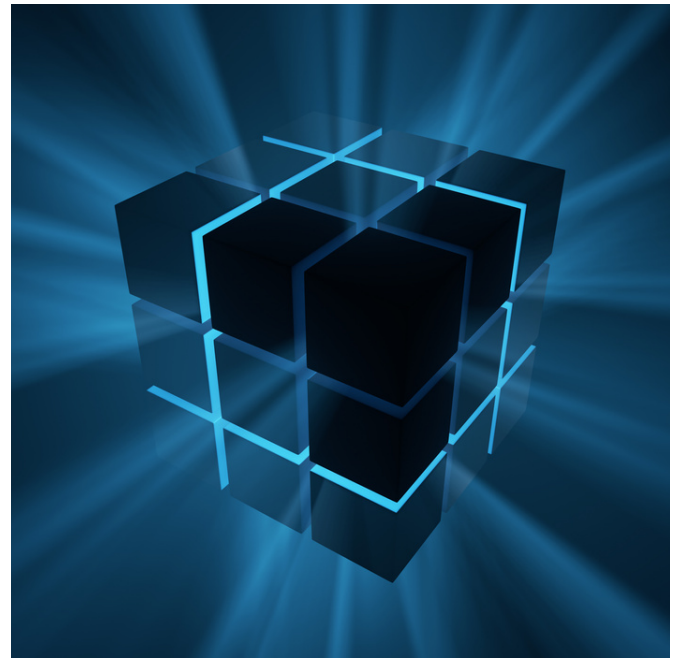
A populated spend cube can provide **insights that define the procurement strategy**. Knowing where to focus delivers the highest level of potential opportunities:

- **Identify deliverable cost savings**
- **Increased efficiencies**
- **Data-based category management**
- **Reduction of suppliers, tail spend, and maverick spend**
- **Improved supplier relationship management with strategic suppliers**
- **Improved working capital management**
- **Data-based review of the procure-to-pay process**

Understanding the data allows procurement to focus on actions that deliver the highest level of in line with company strategy. The spend cube can highlight significant opportunities that procurement organizations can act on quickly – allowing sourcing teams to pick the low-hanging fruit. After capitalizing on these immediate opportunities, procurement groups can work through the additional, medium to longer-term areas of benefit to support company performance.

Conclusion

Performing spend cube analyses on a regular and ongoing basis drives actionable value. Monthly is the ideal interval from a continuous performance measurement perspective, but procurement teams can carry out this exercise quarterly and annually. Carrying out the spend cube analysis process is also a positive step toward a fuller overview of spend data that can enhance the information available to steer the shorter-term positive actions and longer-term procurement strategy to support overall company performance.



About ProcureVue™

ProcureVue™ works with its clients to analyze their spend data.

The first step is to cleanse the data, as any analysis exercise using dirty data will, by default, deliver muddled results. Once cleansed, the data is then harmonized, categorized, and enriched. A data analysis exercise is effectively a snapshot of a company's performance at the time when completed. The populated spend cube is the initial result of this analysis.

ProcureVue™ can transform this data into easily digestible visualized insights and provide a list of quick-hitting items that procurement can engage on immediately.

The bionic approach that ProcureVue™ offers means we can work with senior leadership and stakeholders to develop the best strategy that fits the business needs at that time, supporting your organization from concept to negotiations to completion.



SPEND CUBE ANALYSIS
WRITTEN BY: ANDY SYMMONDS