

HW3

Spend Analysis

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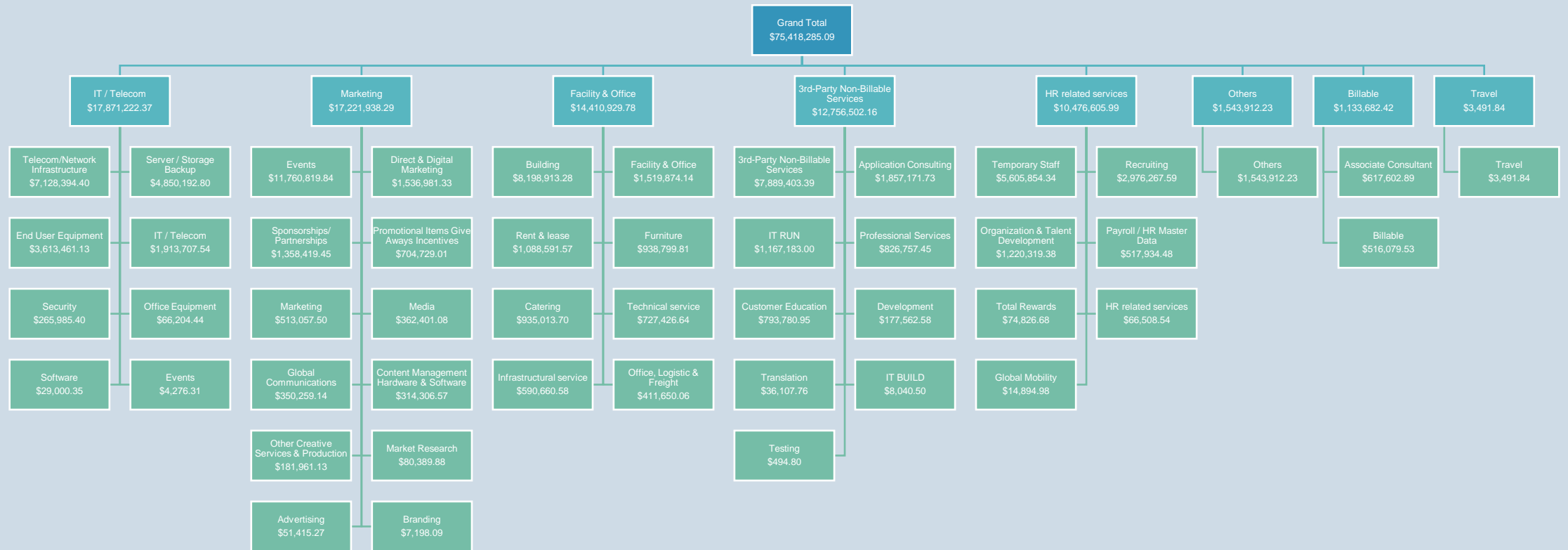
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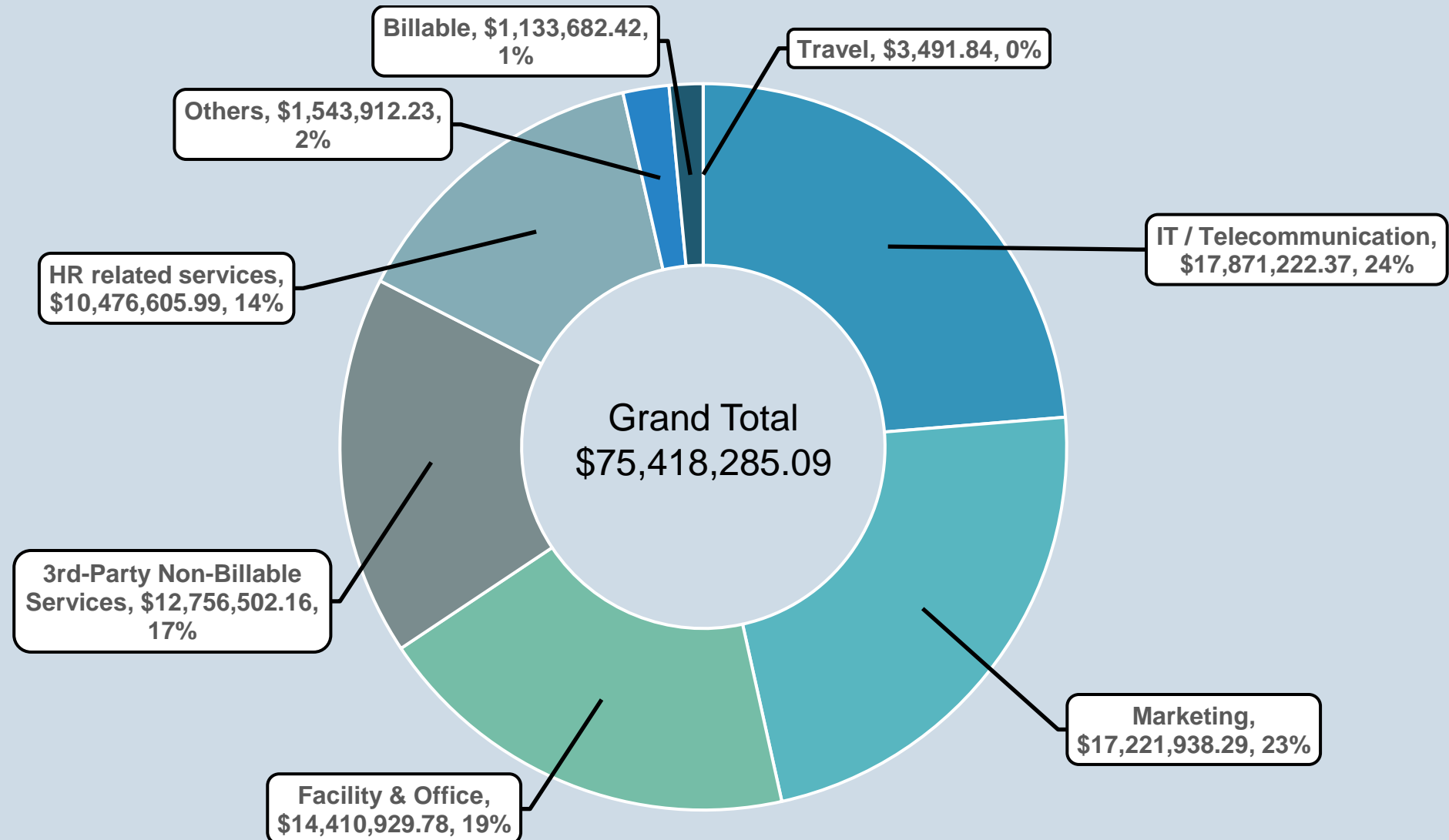
Spend Tree

Level 1

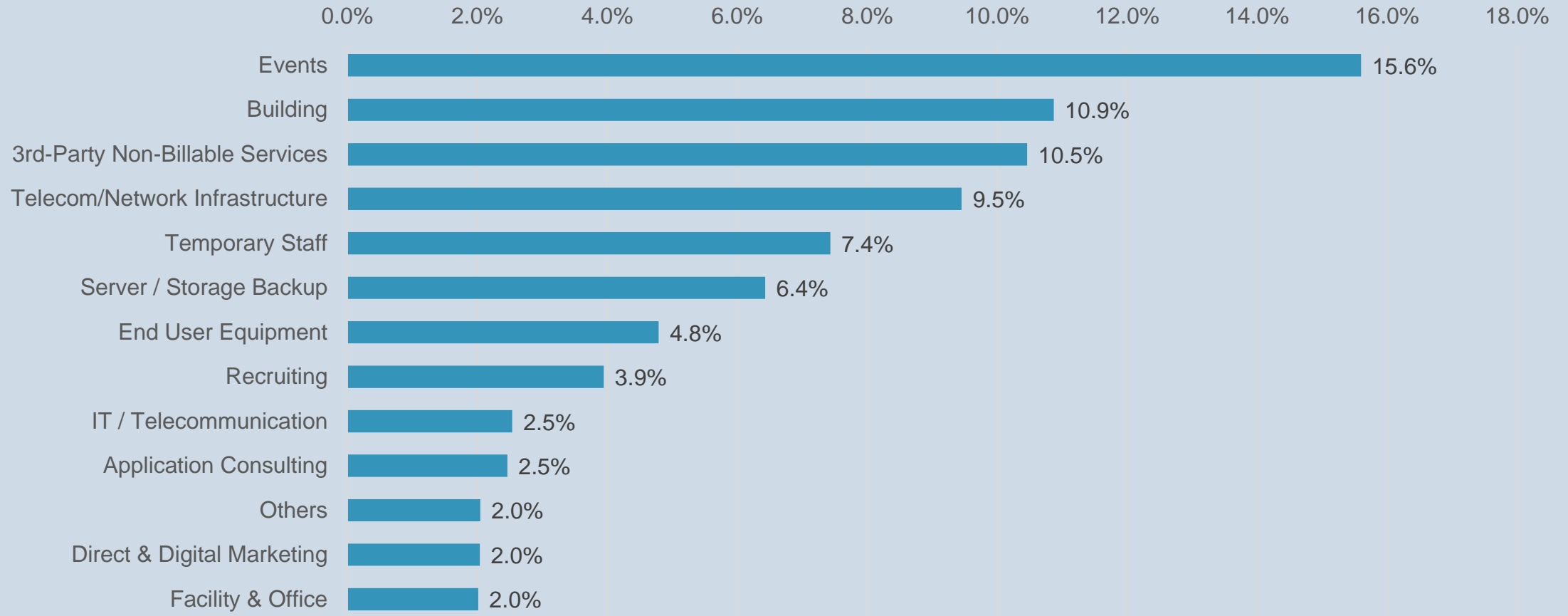
Level 2



Level 1 Category Spend Distribution



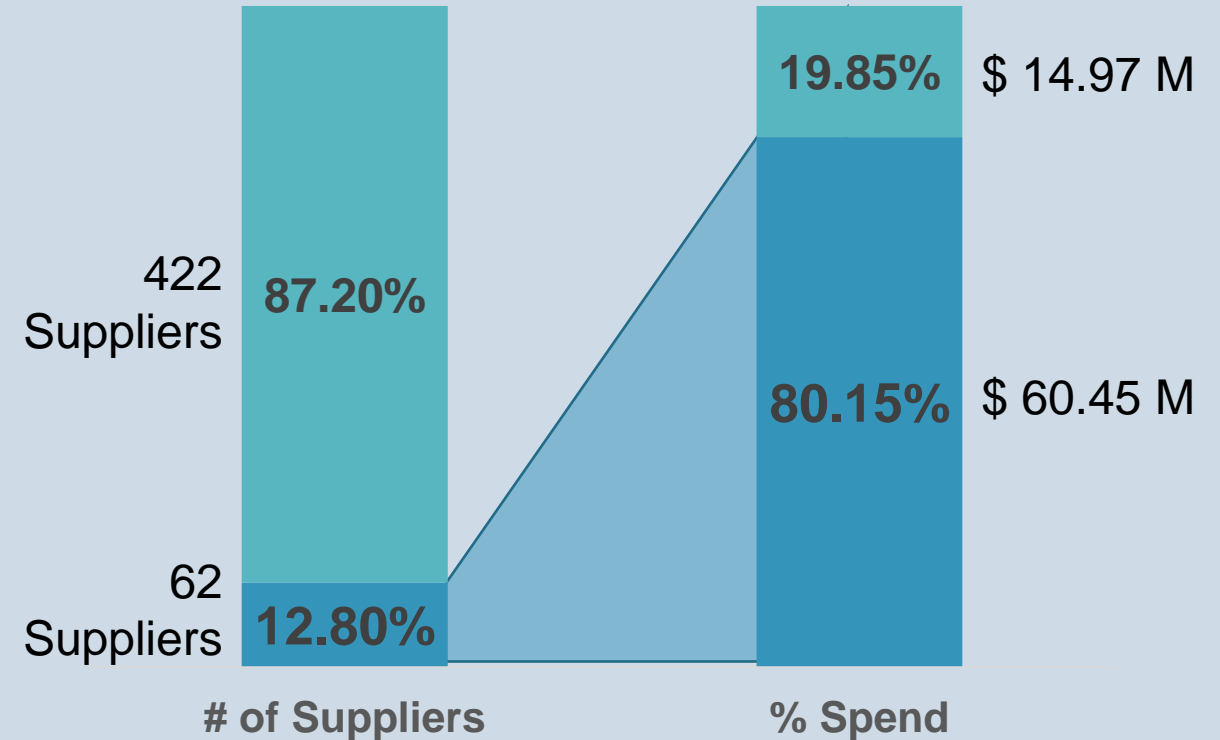
Level 2 category: Top 13 Categories account for 80% of spend



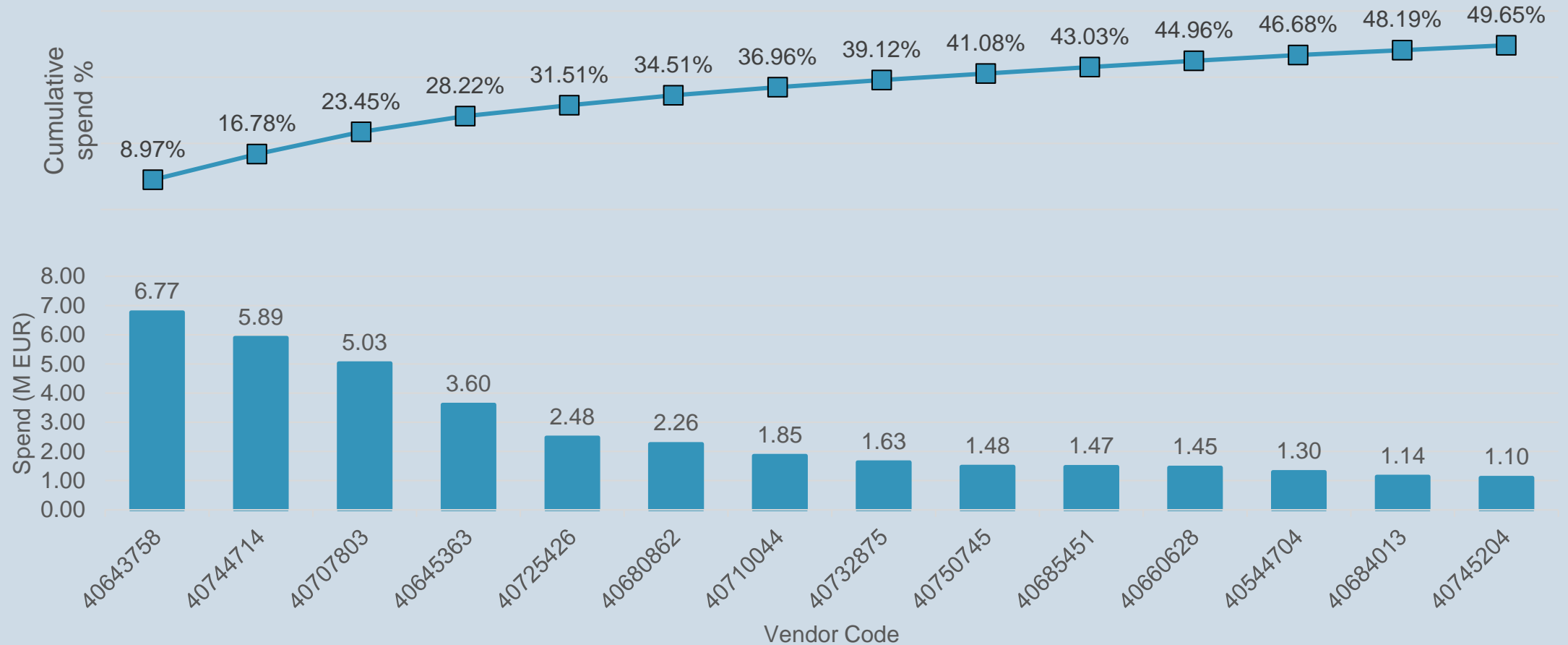
13 Categories account for **80.1%** of total spend, (**\$60.4 M** out of **\$75.4 M total spend**)

Supplier Fragmentation

- Total Spend: \$75 Million EUR
- Total Number Suppliers: 484
- 12.8 % of Suppliers (62 Suppliers)
 - Account for top 80.15 % (\$60.45 M EUR) of Total Spend
- 87.2 % Suppliers (422)
 - Account for remaining 19.85 % (\$14.97 M EUR) of Total Spend
- Only 12.8% of suppliers account for 80.15% of total spend

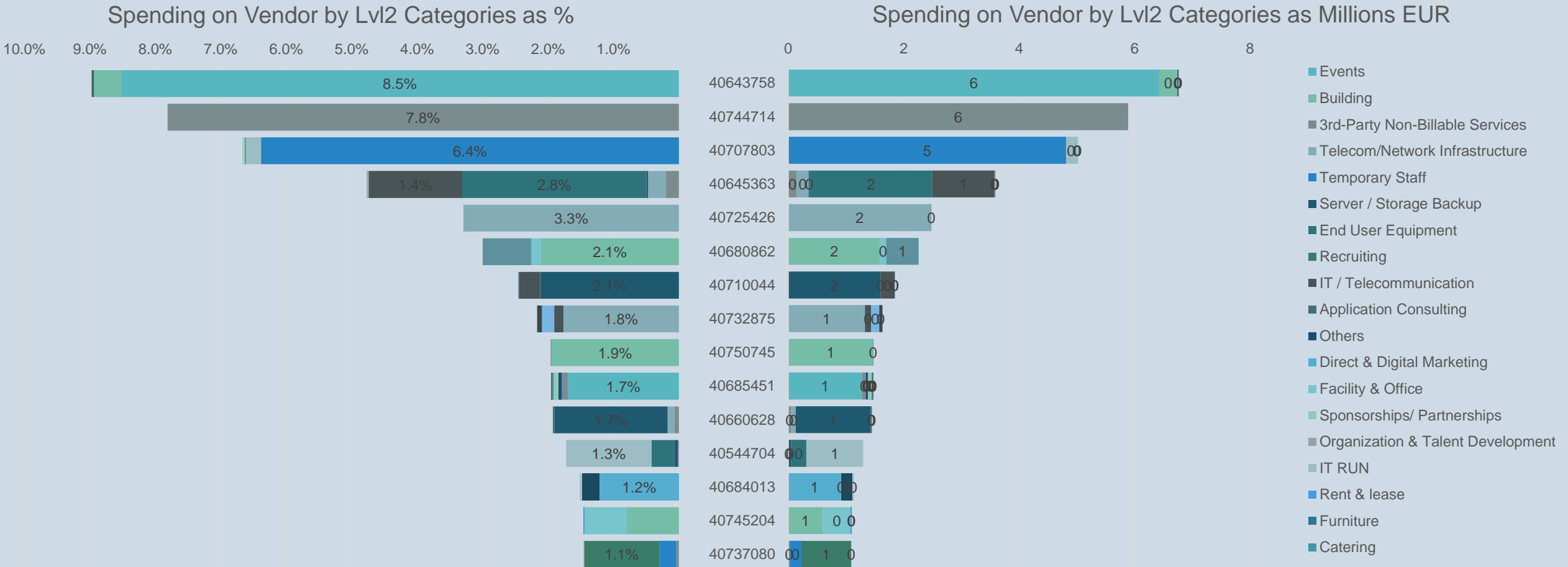


Top 14 Suppliers Account for 49.65% of Spend



Top 14 Vendors account for \$ 37.44 M EUR of Spending

Spend Distribution of Top 14 Suppliers or 50% spend by Level 2 Categories



Most of Top 14 Suppliers offer goods/services in single level 2 Category. Some vendors are used for multiple categories of services e.g. 40645363, 40544704, and 40680862

Level 1 IT/Telecom Category Sourcing Strategy

Financial Impact (Spend Amount)	High	Leverage Category	Strategic Category
		Materials Management	Supply Management
	Low	Tactical Category	Bottleneck Category
		Purchasing Management	Sourcing Management
		Low	High
		Supply Complexity	

Key Insights

By Vendors: (72 total)

- 10 Vendors account for 80.6% of spending in this category, or \$14.40 M EUR out of \$17.87 M EUR
- Vendor 40645363 accounts for \$3.45 M EUR, 19.3% in category. 2nd Place is Vendor 40725426, at \$2.48 M EUR (13.9%)
- Remaining 62 vendors account for \$3.47 M EUR (19.4%) of spending

Sourcing Strategies	Usable?
Demand Aggregation	Yes
Volume Leverage	Yes
Supplier Rationalization	No
Product Rationalization/ Standardization	Yes
Competitive Tender	Yes
eAuction	No
Supplier & Contract Management	Yes
eProcurement	Yes
Demand Management	No
Vendor-Managed System	No

Sourcing Opportunities:

- Strategic contract with vendor 40645363 for most-competitive pricing to leverage buying power
- Catalogue-based procurement
- Negotiation of group contracts for all group companies to leverage volumes
- Rationalization of number & type of equipment & accessories
- Replacement of most-expensive equipment with low-cost equipment with low-cost consumables
- In general, items in IT/Telecom are Leverage Category, with significant spends and a plethora of potential suppliers.
- With further standardization and higher volumes, can have suppliers compete with each other (bidding) and themselves (performance-based contracts)