Spend Analysis is the process of collecting, cleansing, classifying, and analyzing expenditure data from all sources within the organization (i.e., purchasing card, eProcurement systems, etc.). The process analyzes the current, past, and forecasted expenditures to allow visibility of data by supplier, by commodity or service, and by department within the organization. Spend analysis can be used to make future management decisions by providing answers to such questions as: what was bought; when it was bought; where it was purchased; how many suppliers were used and how much was spent with each; how much was paid for the item

It is a great tool to achieve procurement function's strategic objective, including the following:

- **Leverage buying power to obtain best value in price and Total Cost of Ownership**
- **Reduce risks by balancing vendor portfolio**
- **Optimize centralized and decentralized buying authorization**

The Spend Analysis Process

1. Identify and Collect Spend Data
2. Cleanse, Group, and Categorize Spend Data
3. Create Process Automation
4. Analyze Spend Data
5. Compare the data with Procurement Policies and Objectives
6. Use the analysis to improve control and reduce cost

Use the Spend Analysis example (Excel file) to analyze sample data.