



## How to Obtain a Return on Your Spend Visibility

It is a widely accepted belief that the more visibility you have of your data, the greater the potential return-on-investment (ROI) you will receive from your analysis and monitoring efforts.

Spend visibility is typically classified into a number of levels, ranging from a low level (level one) through to a high level with much more detail and insight (level four). Yet, certain users of spend analytics solutions continue to believe that having their data only available at a superficial level will generate the same business value and ROI as that of users who have made the effort to integrate their data down to the deepest level of detail where all relevant information can be used.

However, this is far from accurate.

### Taking Your Spend Visibility to the Next Level

Rosslyn Data Technologies estimates that an organization with an annual turnover of \$1 billion can generate in excess of \$32 million by obtaining spend visibility at purchase order line item level (see Figure 1.). (Rosslyn Data Technologies estimates that \$400 million of spend is addressable of which \$320 million can be influenced through spend analysis. Therefore, by obtaining visibility of purchase orders at line item level, organizations can create 10% savings (or \$32 million from \$320 million.) This equates to 3.2% of \$1 billion total turnover.)

Every time you move through to the next visibility level, your organization can create an additional percentage of saving by accessing new insights from untapped data previously not obtainable.

Spend visibility level	Lowest level of spend visibility	Percentage of savings at each level of spend visibility	Savings at each level of spend visibility
1	Invoice header	1%	\$3.2 million
2	Supplier	2%	\$6.4 million
3	Invoice line	3%	\$9.6 million
4	Purchase Orders	4%	\$12.8 million
		<b>Total savings percentage: 10%</b>	<b>Total savings: \$32 million</b>

Figure 1. Savings Available at Each Spend Level

However, moving down to these levels is a costly endeavor if you are using a spend analysis tool that, by technological design, limits both the amount and detail of spend visibility possible.



---

Traditional spend analysis vendors such as Ariba, Coupa, Emptoris, BravoSolutions, Spikes Cavell and Zycus are able to give you varying degrees of visibility at levels one and two, using a combination of professional services to set up and manage the project.

Based on conversations with hundreds of organizations, it's our calculation that 60% of organizations have obtained spend visibility at levels one and two. Only 40% are exploiting line item data from invoices or purchase orders. This is a huge lost opportunity, as it means that 60% of organizations are missing out on achieving up to \$22.4 million in savings.

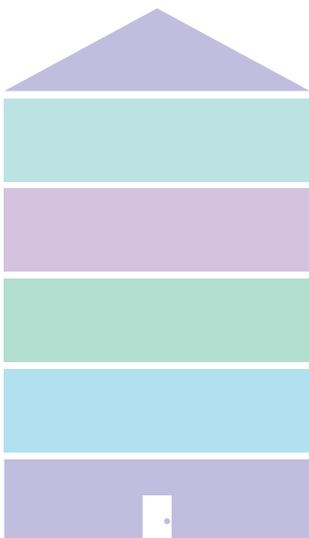
Rosslyn Data Technologies has taken a different approach that starts with giving you visibility at all four levels, from the very start, using patent-pending technologies to automate the integration, cleansing and enrichment (ICE) of your data from a single cloud-based data management and analytics platform.

This means you have all the detailed, line item information you need to develop a factbased spend strategy.

It is important to point out that spend visibility is more than just having sight of as much data as possible. What's key to turning spend analysis into spend insight and subsequently business value is knowing (and understanding) how much data is classified correctly and at what level. Once this is understood, you can benchmark progress and make informed, data-driven strategies moving forwards. Hence, data quality, and having the ability to drill down into information flexibly, and on-the-fly, is the difference between minimizing and maximizing savings.

## Building Your Data House

This paper has been laid out using a house as the analogy, with levels of spend visibility corresponding to each floor. The more you move down through individual floors, starting in the narrow attic, the more you'll see because there is more space to view items (data) neatly stored in rooms. (Hugh Cox, Rosslyn Data Technologies Chief Data Officers, writes about this phenomenon in a blog post titled, "[What you need to know about data integration and procurement dashboards.](#)")



# Spend on the first floor

(spend visibility one)

There is little to no value in solely analyzing your data at supplier level. There is no genuine categorization of spend, no cost center data, no chart of accounts data and really no point in carrying out this exercise, except to confirm who your largest suppliers are in order to potentially carry out a (limited) accounts payable audit.

Figure 2. Savings Available at Each Spend Level

Spend visibility level	Lowest level of spend visibility	Type of spend visibility	Categorization level	Maximum spend visibility level savings
1	Invoice header	You have visibility of how much you are spending, with whom and on what.	No true categorization is possible. UNSPSC Level 1 (at best)	\$3.2 million
				<b>Total savings: \$3.2 million</b>

# Moving to the second floor

(spend visibility two)

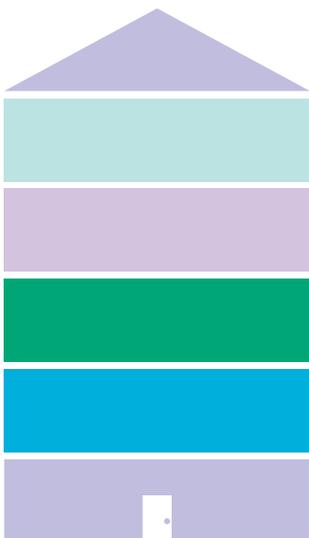
Having associated detailed supplier information with spend, the potential for analysis has dramatically increased. The data can immediately give access to the following:

- Address cleansing and matching
  - Confirming accuracy / existence of information
- Address Geo-coding
  - Association with known location attributes
- PESTLE Risks – Political, Economic, Sociological, Technological, Legal and Environmental
- Company information
  - Official Name
  - Parent Name
  - Line of Business
  - Credit Score
  - Over 100 other potential dimensions

This level of information also allows for a more in-depth analysis of potential anomalous payments or fraud.

Figure 3. Spend Visibility Level Two

Spend visibility level	Lowest level of spend visibility	Type of spend visibility	Categorization level	Maximum spend visibility level savings
1	Invoice header	You have visibility of how much you are spending, with whom and on what.	No true categorization is possible. UNSPSC Level 1 (at best)	\$3.2 million
2	Supplier	At this level, you can start to enrich your spend data with external information such as parent-child relationships.	Categorization is limited to by supplier at UNSPSC level 2	\$6.4 million
				<b>Total savings: \$9.6 million</b>



# Moving to the third floor

(spend visibility three)

On the third floor a whole new level of information (and insight) is made available. The relationship between the line item transaction and the relevant dimensions / groupings increases dramatically. Data can now be understood on the basis of:

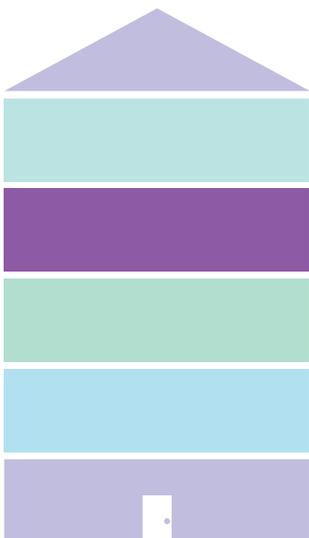
- Chart of accounts
  - Even hierarchical GL code structures
- Cost centres
- Profit centres
- Purchase Order line relationship established

One of the key items available, only from this level onwards, is the line item descriptive text. This is the second most useful piece of data to aid the accurate categorization / classification of the underlying spend.

This level of information also allows for a more in-depth analysis of potential anomalous payments or fraud.

Figure 4. Spend Visibility Level Three

Spend visibility level	Lowest level of spend visibility	Type of spend visibility	Categorization level	Maximum spend visibility level savings
1	Invoice header	You have visibility of how much you are spending, with whom and on what.	No true categorization is possible. UNSPSC Level 1 (at best)	\$3.2 million
2	Supplier	At this level, you can start to enrich your spend data with external information such as parent-child relationships.	Categorization is limited to by supplier at UNSPSC level 2	\$6.4 million
3	Invoice line	Your visibility includes chart of accounts, description of text from invoice line, cost and profit centers and business units	Categorization is extensive UNSPSC level 3-4.	\$9.6 million
				<b>Total savings: \$19.2 million</b>



# Moving to the fourth floor

(spend visibility four)

At this level of our building the complete picture of the spend labyrinth is visible. The addition of the Purchase Order information, marrying up to the invoice line by line (as found in SAP) allows for an accurate and complete analysis of the data provided. There are, however, several caveats that may preclude a client from reaching a comprehensive and accurate analysis of spending.

A lack of discipline and efficiency within whereby purchase order generation are seen as optional, and where correct processes and procedures for the generation of purchase orders are not followed and not monitored. Having access to data that has been input following best practices we are able to confirm:

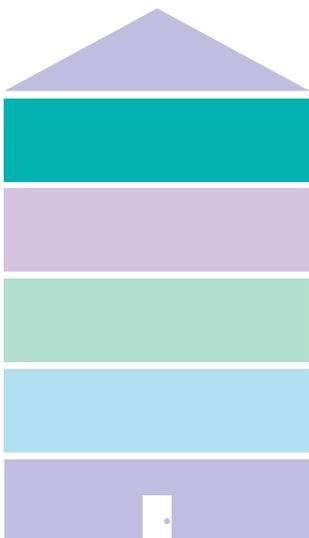
- Material Group Codes – predefined lists of goods and services
- Material Numbers – low level lists of goods and services
- Manufacturer part numbers – for those companies where this is important
- Unit pricing analysis using:
  - Units of Measure (UOM)
  - Quantity
  - Unit price – in agreed currency

It is possible to analyze all of the spend across a multitude of disparate data sets and compare prices for all available goods and services to ensure that best prices are being sought and adherence to contractual terms observed.

The complete purchase order (PO) approval processes and procedures can be observed in action to establish where procedural inefficiencies and or fraud may be occurring.

Figure 4. Spend Visibility Level Four

Spend visibility level	Lowest level of spend visibility	Type of spend visibility	Categorization level	Maximum spend visibility level savings
1	Invoice header	You have visibility of how much you are spending, with whom and on what.	No true categorization is possible. UNSPSC Level 1 (at best)	\$3.2 million
2	Supplier	At this level, you can start to enrich your spend data with external information such as parent-child relationships.	Categorization is limited to by supplier at UNSPSC level 2	\$6.4 million
3	Invoice line	Your visibility includes chart of accounts, description of text from invoice line, cost and profit centers and business units	Categorization is extensive UNSPSC level 3-4.	\$9.6 million
4	Purchase orders	You have complete detailed including product item number, requisition order number and unit price.	Categorization is complete at UNSPSC level 3 – 4 with highest confidence	\$12.8 million
				<b>Total savings: \$32 million</b>



---

## Conclusion

Rosslyn Data Technologies has developed a model of how organizations can sequence the business application of spend analysis to drive short, medium and long-term value. By doing this, organizations with an annual turnover of \$1 billion, and an addressable spend of \$400 million, can generate in excess of \$32 million by obtaining spend visibility at purchase order level.

Rosslyn Data Technologies was the first to prove the return-on-investment for spend analysis, demonstrating how a number of our clients could identify and deliver savings in as little as eight weeks.

This paper validates that you can generate a return on a level of spend visibility. The more data you have at a greater detail level, the more savings you're able to create. You can apply insight to a plethora of business questions beyond just knowing who you are spending money with, on what and at what price.

## Spend Visibility Levels: In Practice

We have provided here a practical user guide of how you can deliver savings at each level of spend visibility totalling \$32 million. We have also provided other applications of data at each level of spend visibility.

There are a number of success factors that will ensure that you can optimize the savings opportunities found in your data. These include:

- Having a taxonomy that accurately reflects your organization's purchasing of goods and services
- Accurately extracting and integrating line-item spend data from your ERP systems
- Fully integrating contracts with your spend data and being able to monitor thresholds

Figure 6. How to achieve savings at each level of spend visibility

Spend visibility level	Lowest level of spend visibility	Maximum spend visibility level savings	How to generate savings	Projected savings
1	Invoice header	\$3.2 million		
			Conduct a supplier level categorization	\$
			Undertake a high level overpayment analysis	\$\$
			Undertake a high level invoice consolidation exercise	\$
			Conduct a payment efficiency review to improve payment procedures	\$\$
2	Supplier	\$6.4 million		
			Improved categorization potential due to inclusion of detailed external data sources such as BVD, Experian, Equifax, LexisNexis and Dun & Bradstreet	\$\$\$
			Obtain an integrated view of supplier and opportunities by enriching spend data with geo-location information	\$
			Mitigate risks and increase savings opportunities by including parent-child relationships	\$\$\$
			Identify supply chain risks such as entity status, ownership, exposure to natural disasters and other geo-political events	\$
			Identify exposure to environmental risk (carbon, water) and relevant legislation	\$
3	Invoice line	\$9.6 million		
			Additional line item information enables detailed categorization and classification	\$\$\$
			Monitoring of savings initiatives by cost / profit centers and business units	\$\$
			Analysis of data through chart of accounts / GL codes provides greater financial reporting of spend	\$\$
4	Purchase orders	\$12.8 million		
			Using the most detailed purchasing information available, your classification / categorization has now reached its optimum level	\$\$\$
			Price variance analysis through the integrated quantify, unit price and unit of measure allows for like for like price comparisons across the company	\$\$\$\$
			Access to manufacturing part numbers provides the option to source goods directly from manufacturers where possible	\$\$
			Analysis and reporting by material group and material numbers	\$

---

Want to learn more about how to obtain a return on your spend visibility?  
[Contact us](#) or visit our [website](#) for more information.

---

Rosslyn Data Technologies (AIM: RDT) exists to challenge the traditional methods of managing and exploiting data. We have designed some smart and intuitive technologies that allow you instantly connect and organize your company's data like never before. You are now able to create your own business insights using our data platform that features simple, consumer friendly self-service tools to integrate, cleanse and enrich information.

## Rosslyn Data Technologies

### **Corporate Headquarters**

Fox Court,  
14 Grays Inn Road,  
London,  
WC1X 8HN  
UK  
T: +44 (0) 203 285 8008

### **US Office**

332 S Michigan Ave  
Chicago, IL 60604  
T: +1 312-375-4834