



How Spend Analytics

Clears a Path to Higher Ed Savings

Abstract

In the face of record tuition increases, reduced funding and budget cuts, higher education is banking on analytics to help them retain students, increase enrollment and stay competitive. In fact, Gartner names analytics as one of the top business trends in higher education, and BI/analytics as the number one Top Tech to Win among CIOs in the industry.¹

The academic benefits of analytics, including e-learning and student information systems, is core to the success of educational institutions. However, there's another area that colleges and universities are focusing on to free up more funds for students, research and their institutions — spend analytics. While 84 percent of procurement professionals in education state that analytics is more important today than two years ago, and senior leader interest in analytics is high, only a small percentage of procurement organizations are using analytics proactively, including for making predictions around spend.²

In this paper, we'll look at the benefits of spend analytics, the elements that make up successful spend analysis, and practical steps you can take to manage a higher percentage of spend in your own institution.



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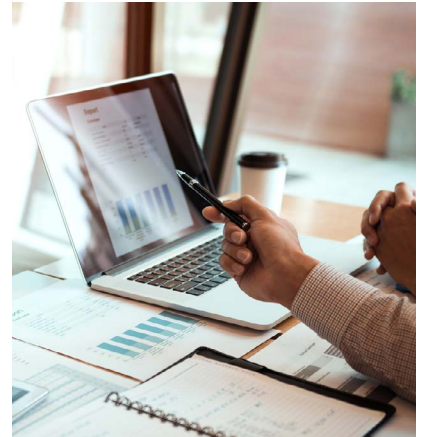
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Deeper Insights Drive better decisions



One of the biggest challenges any organization faces is consolidating data from various silos. Spend analysis tools facilitate this process and can help your college or university bring a higher volume of spend under management, make more strategic sourcing decisions and drive more spend on contract. You can also realize higher cost savings, and go beyond procurement to better understand how your spend affects your institution's finances and overall performance.

Here are some ways spend analytics provides the insights needed to make better decisions in a variety of areas:

- Identifying savings opportunities in sciences/research, construction, services, food, facilities and other areas.
- Engaging in strategic sourcing to take advantage of aggregate spend.
- Assessing supplier performance management to ensure highest value.
- Contract compliance for driving more spend under management.
- Financial planning analysis for better business outcomes.
- Benchmarking against market spend to stay competitive.
- Gaining greater visibility into departmental efficiency to drive improvements.
- Sharing meaningful information across campuses to increase savings.

“It was difficult to begin any kind of effective strategic sourcing initiative since we did not have a system in place that allowed us to view our spend collectively. We were particularly interested in spend analytics, and being able to see the whole picture.”

Angela Gregory Flynn, Director
of Purchasing and Contracts,
Tennessee Board of Regents

Without knowing where your spend is going, none of these benefits are possible. For example, the Tennessee Board of Regents wanted to get started with strategic sourcing initiatives so they could take advantage of aggregate purchasing for their 46 universities, community colleges and technology centers. However, because many of their institutions managed their own supplier relationships, they knew they couldn't move forward until they understood where each of their dollars were being spent.

After implementing a spend management solution, they had more visibility into their spend, and were able to make more informed decisions, negotiating better rates for all of their institutions.



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A Closer Look at Successful Spend Analysis

Before getting started with spend analysis, it's helpful to get an idea of how it all works. There are three main elements that must work together if you want to conduct a successful spend analysis.

- **Data Acquisition:** In many higher education systems, transactional data is typically scattered across university campuses, with each campus using different systems. It's important that you pull together data from each of your systems, including accounts payable, purchase order, supplier master, finance, pCard, travel and expense systems, and others so you can get a single source of truth around your spending.
- **Data Processing:** Once you've gathered your data, it's ready to be processed. At this stage, you'll need to blend together various types of sourcing, contract and other data, so it's important that your spend management system can easily

accept and process all of it. Define sourcing categories and taxonomies in a way that makes sense for your institution, and look for ways to improve and streamline. Industry standard taxonomies such as UNSPSC can provide a standard if you don't already have a structure in place. However, keep in mind that those standards were not designed to take advantage of strategic sourcing practices.

- **Reporting and Analysis:** One of the biggest challenges in spend analysis is the ability to get actionable insights from data. In many organizations, systems are inflexible, requiring the help of IT to run reports that are shared with only a few staff members. Instead, dashboards and data visualizations can help procurement share insights with the rest of the organization, and extend the value of analytics to the entire institution.³

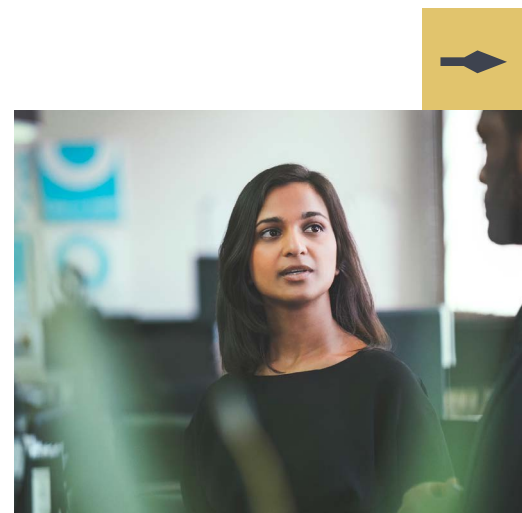
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Consolidate, Classify, Analyze and Save

Under its P200 program, the University of California (UC) system set a bold goal to save \$200 million annually in a five-year period. To understand how they could make changes in spending to support that goal, UC had to get a better understanding of their current spend. However, because each of their 10 campuses used different systems to record transactions, had different ways of describing the same items they were purchasing, and different ways of naming suppliers and spend categories, it was difficult to make comparisons to gain spending insights.

Using a spend analytics solution, UC was able to collect data across all campuses regardless of the enterprise system each campus was using, as well as classify that data based on a structure that worked best for their sourcing goals. As a result, in its third year the P200 program beat its \$200 million savings goal by \$69 million, and is on track to exceed \$300 million in savings in its final program year.⁴

To learn more about how you can use analytics to manage spend and save revenue, contact us today for a free consultation.



“Spend analysis has led to a sea change in terms of how we interact with and use spend data. Having fresh, accurate data at our fingertips at all times has allowed us to gain immediate insights at the aggregate, campus, category and departmental levels that before would have taken significant effort and man hours.”

Todd Wirsching,
Analytics and Reporting Manager,
University of California



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Sources

¹ Jan-Martin Lowendahl, "Top Business and Tech Trends Impacting Higher Education," Gartner Symposium/ITExpo 2017," January 3, 2018.

² "You Don't Know What You Don't Know About Spend Analytics in Education" JAGGAER webinar.

³ "Tennessee Board of Regents Streamlines Spend and Supplier Management," JAGGAER Case Study.

⁴ "University of California's \$200 Million Secret: Spend Analysis," JAGGAER Case Study.

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