

Tail Spend Management for a Global Chemical Company



Customized dashboards offered actionable insights on the procurement of tail materials, facilitating decision-making across various levels of the organization. Additionally, end-to-end automation of data integration and visualization processes was implemented to enhance efficiency. The delivered insights and recommendations led to client savings of 5-6% through renegotiation and an 8-12% reduction in price differences between contracted and non-contracted suppliers, resulting in an overall savings of EUR 60Mn for the client in the first year.



Impressed by the professionalism and efficiency demonstrated by the STATXO team throughout the project. Their strategic recommendations significantly enhanced our procurement processes. The structured approach helped us to achieve savings.“

- Director, Supply Chain

Q CASE FOR CHANGE

- A global chemical firm based in the UK with a presence in 40+ countries and EUR 7 Bn+ revenue wanted to gain better **control on the sourcing of tail materials** at the global level
- The client had ~10,000+ SKUs constituting approx. EUR 800Mn tail-spend. Tail-spend was managed in a fragmented way and **off-contract spending was very high**. Additionally, the business processes were non-standard, and process compliance was low. Lack of data linkages between systems & products and **no-vendor hierarchy** created significant challenges for the client and drove up their tail spend

🚪 SHARED VISION

- To **standardize data, streamline processes, identify & categorize tail spend**, and provide **market insights** and industry **best practices** for boosting efficiency and managing tail spend effectively. Our goal was to **drive savings, reduce complexity & supplier base, and drive additional TCO benefits**
- To carry out a thorough analysis & categorization of tail-spend, identify **tail-spend trends & drivers**, and perform a detailed supplier & specifications cleansing



📌 FEASIBLE PLAN

- **Integrate and standardize data** available from sources, such as ERP systems and card transactions. Standardization of missing information and cleansing of supplier-level data into a database to make it analysis-ready
- Followed a **3-phased approach** to manage tail spend – firstly by **assessing** the tail spend problem thoroughly to enable analysis and classification of tail spend. Secondly, **preparing appropriate strategies** to tackle the problem, and lastly, **implementing** the solutions & tracking the improvement in tail-spend performance
- Bucket SKUs (~1,000+) into attractive bundles and map those into a 2*2 matrix to segment the strategic & tactical categories (*based on spend value, frequency, and other parameters*) for suppliers, and categorize tail-spend into typologies to design a **customized strategy**

✅ CAPABILITY TO DELIVER

- Developed a series of **customizable and interactive visual dashboards** containing actionable insights assisting in driving decisions across levels.
- End-to-end steps of **data integration and visualization** were automated to achieve efficiencies
- Delivered recommendations on the formulation of demand consolidation, supplier base optimization, purchase policy, and deep-down analysis & categorization of tail-spend, acting upon which the client achieved **savings of 5-6%** by renegotiating through reverse auctions, **8-12% price difference** between contracted and non-contracted supplier prices, an overall **savings of EUR 60 Mn** in the first year

