

CONTRACT SPEND MANAGEMENT Overview

Improve profitability and cashflow by collecting every rebate and discount due to your organisation

As an organisation, you need to establish long-term sources of supply for core goods and services.

You select your preferred suppliers because of their ability to deliver goods and services of the required quality, at an agreed price, to agreed volumes and according to agreed processes.

Achieving the best possible price is often dependent on claiming all of the rebates due to your organisation, and ensuring that discounts are consistently applied.

Very few organisations execute long-term trading contracts according to the terms of the agreement. Those that do find that savings can be as much as 10% of the cost of goods - a figure that can be taken straight to the bottom line.

To achieve this, you need to:

- ◆ **Forecast** your future purchases against each contract to project when your cost-of-goods will reduce.
- ◆ **Monitor** your purchases-to-date against the price 'break-points' of every contract to ensure that you get the agreed discounts.
- ◆ **Manage** your purchases to ensure that you receive all of the financial rewards and benefits to which you are contractually entitled.

The disciplines, processes and systems that enable your organisation to execute planned spending against negotiated contracts and agreements are known as **Contract Spend Management**.

By monitoring, managing and forecasting your spend against your agreements, Contract Spend Management gives you a lower cost-of-goods, improved financial and purchase planning, increased cash flow and improved profitability and ensures that you receive the rewards, rebates and discounts to which you are entitled.

Contract Spend Management tackles the three key areas of the effective purchase of goods and services.

- ◆ **Contract Definition** - ensuring that the commercial terms of all agreements are understood, defined, documented, stored & retrievable.
- ◆ **Spend Forecasting** - ensuring that the anticipated values and volumes are reflected in the terms of the contract; that realistic price break-points and incentives are in place; and that forecasts project spend against contractual commitments and rebates.
- ◆ **Compliance Measurement** - ensuring that spend performance is measured against contract so that every penny earned through incentives for each product and programme can be claimed.

Business Benefits

Improves the bottom line by identifying:

- ◆ Incorrectly priced invoices
- ◆ Missed discounts
- ◆ Missed rebates

Improves performance by delivering:

- ◆ Accurate rebate accruals
- ◆ Better spend information for improved contract renegotiation
- ◆ Notification of approaching incentive, discount and rebate triggers

Improves business methodologies:

- ◆ Spend analysis by any group of products
- ◆ True Cost Analysis
- ◆ Supplier and range rationalisation

Over the past few years, Category Spend Management technologies have arisen, which have been successful in allowing organisation to analyse their spend by category (stationery, meat, electricity, etc.), correlated against ledger codes.

However, the only effective way of obtaining an accurate picture of your current and projected position against contracts and incentives is to both:

- ◆ Track your spend by individual product against every line of each invoice that you receive, **and**
- ◆ Track your spend against the terms and conditions of your purchasing contracts and the incentives, rebates, etc. that you have negotiated with each supplier and for each product line.

PurchaseTeam is unique in providing true Contract Spend Management by:

1. Matching each invoice line item against the relevant commercial contracts to ensure that the applicable rebates and incentives have been applied.
2. Defining, monitoring and forecasting your contract spend against individual products (not just categories) so that you have an accurate picture of how much you have spent on each individual product or service and how much you are forecasted to spend,.
3. Continuously analysing, monitoring and calculating your spend by product and by contract to determine your **exact** spend against every contract incentive so that you can collect all of the rebates, incentives and price reductions that are due to you.

Only PurchaseTeam give you access to the exact product level information you need to effectively manage, monitor, control and forecast your purchasing against each contract to ensure that you collect every penny due to you.

To discover more about how PurchaseTeam can help you and your organisation visit www.purchaseteam.com or contact us at:

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