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**Visibility into Enterprise Spending Most Critical to Improving Strategic Sourcing
Still, Half of Companies in CCMI Survey Using Spend Analysis Only “Sometimes”**

ALEXANDRIA, Va. – January 29, 2004 – Gaining visibility into spending across multiple locations or divisions is the top “single action” that companies can take to help significantly improve their strategic sourcing performance. Yet, half of companies are using spend analysis only “sometimes” today, and a significant minority are not using it at all. Capital Consulting & Management, Inc. (CCMI) today released these and other findings from its recent “Strategic Sourcing and Spend Analysis Best Practices Survey” of 400-plus purchasing managers and corporate executives.

While gaining visibility is seen as the most critical single element to improving sourcing, respondents also say increased use of cross-functional teams, added supplier performance monitoring and better tools to ensure contract compliance would contribute substantially to sourcing success. All of the above elements are key components of spend analysis, a set of tools and methodologies designed to help leverage purchasing power and control expenditures with external suppliers.

Companies identified clear roles for spend analysis within best-in-class procurement: two-thirds of respondents want to enable more centralized sourcing across multiple divisions and locations in order to achieve added cost reduction and increased spending control. Others cite support for supplier negotiations, enhanced compliance monitoring with negotiated contracts, consolidating the supplier base, standardizing product usage, and managing demand levels as key objectives.

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Overall, spend analysis is only selectively used today. About half of companies report using spend analysis only “sometimes” -- typically when data is already easily available or when the spending magnitude is large. Additionally, one-third use spend data “all the time” to help set the baseline for strategic sourcing, RFPs, auctions and related activities, and 14 percent use spend data “infrequently” or “not at all.”

The CCMI survey provides a portrait of the state of spend analysis today:

- Three-fourths of companies rely “moderately or extensively” on desktop spreadsheets and databases, and half rely on their Information Technology (IT) departments to access corporate systems and build customized reports.
- Companies face multiple challenges in effectively using spend analysis, with inability to get data from disparate systems, lack of analytical tools to identify improvement opportunities, and lack of time to devote to spend analysis activities all noted as “significant or major” challenges for at least three in 10 respondents.
- Only about 20 percent of companies report using dedicated spend analysis tools and software today.

“The manual and time-consuming efforts being used by many companies today are poorly suited to meeting the challenges of strategic sourcing and the goals of having best-in-class procurement,” said Scott Elliff, president of CCMI. “More systematic methods and more sophisticated tools need to be utilized in order to unlock the full value that is available.”

Exponential growth in spend analysis is likely over the next several years, according to plans and expectations outlined by respondents to the CCMI survey:

- Nearly 90 percent of companies expect to deploy spend analysis on an enterprise-wide basis over the next three years, compared to only 44 percent who are able to use spend data across locations or divisions today.
- Two-thirds of companies are pursuing initiatives to increase the use of spend analysis tools and capabilities. Implementation is in process for nearly half this group, while the balance are either evaluating alternative solutions or are in planning and budgeting stages.

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- Reliance on existing ERP systems and internal data warehouses is the primary method that companies anticipate using to meet spend analysis objectives. Two-thirds of companies list these tactics as key priorities, while about one-fourth anticipate increased use of dedicated spend analysis software tools.

“With the coming explosion in spend analysis, many companies will be able to pursue and achieve substantial improvements in their strategic sourcing performance,” said Elliff.

“However, the expected reliance on ERP systems may prove challenging, as many ERP systems have historically been unable to provide the level of detailed source data and analytical methods required to enable superior spend analysis activities.”

Supply & Demand Chain Executive magazine co-sponsored this survey. An executive summary of the full survey results is available by contacting CCMI at info@ccmiservices.com or 703-370-2607.

About Capital Consulting & Management, Inc. (CCMI)

Since 1995, CCMI has been developing and implementing supply chain process improvements that help clients reduce costs, shorten cycle times, strengthen operational capabilities, and refine strategy, while yielding improved performance on key financial measures. Overall, CCMI has helped clients save more than \$2 billion in annual operating costs and inventories, with typical reductions of 15 percent or more in procurement, manufacturing, transportation, logistics, order fulfillment and related areas. CCMI has had a leading role on projects for clients such as Amgen, Amtrak, AT&T, General Electric, Kmart, Lucent Technologies, NexPress Solutions, Sara Lee, SkyJet and Zenith Electronics, and has also served a number of middle market and private firms. For more information on CCMI, please visit www.ccmiservices.com.

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