

# What is Tail Spend?

## How do I control my Tail Spend?








The ongoing challenge for Public Sector procurement teams is to keep costs down, while ensuring their organisations have continual access to the products and services needed to drive their organisations forward. One of the areas of spend that is often overlooked is tail spend; and organisations high volume, low value day-to-day spend.

### What is Tail Spend?

The unmanaged or 'lightly' managed spend, typically 20% of the total spend with the following characteristics...



### Key Challenges to Managing Tail Spend

 <p><b>Misclassified Spending</b></p> <p>Items that are individually purchased and should be consolidated into existing supply contracts and competition systems</p>	 <p><b>Fragmented Spending</b></p> <p>Items that are repeatedly purchased by various parts of the organisation that could be consolidated into procurements and fall into the organisation's core spend based on the aggregate value of the buys.</p>	 <p><b>Maverick Spending</b></p> <p>Spending that falls outside of the organisation's procurement guidelines.</p>	 <p><b>Unaddressed Spending</b></p> <p>Spend items that have not been addressed by procurement in a reasonable period of time (generally considered to be two to three years).</p>
 <p><b>Unusual Spending</b></p> <p>High-value items that are new procurements or are procured only once, or so rarely that the organisation's procurement staff has no expertise in the area.</p>	 <p><b>Low Price, High Frequency</b></p> <p>Items that have low individual value, but in the aggregate over time, are a significant amount of spend as spot buys of like items are repeated, both within units and across the organisation.</p>	 <p><b>Low-Price, Low Frequency</b></p> <p>Items at the far end of the tail of spending.</p>	

### Setting up for Success

CCS Tail Spend Solution through

**OT GROUP**

**Supplier Efficiencies and Savings**

- Save on costs through more efficient supplier agreements
- Understand your tail-end and make informed spending decisions
- Cut down on the number of suppliers in your tail




**Process Efficiencies and Savings**

- Reduce the cycle purchase time
- Reduce the costs associated with buying from tail-end suppliers
- Drive additional benefits by stacking the solution with p-cards

**Increased Social Value**

- Channel spend towards SMEs and meet SME spend targets
- Direct spending to local suppliers, contributing to local economic growth
- Buy greener products and become a more sustainable organisation

### Typical Benefits Include:

 <p><b>Supplier Efficiencies</b></p> <ul style="list-style-type: none"> <li><b>10%</b> cost savings on average</li> <li><b>8%</b> average reduction in rogue spending</li> <li><b>63%</b> reduction in number of tail suppliers</li> </ul>	 <p><b>Process Efficiencies</b></p> <ul style="list-style-type: none"> <li><b>38%</b> reduction in purchase cycle time</li> <li><b>35%</b> reduction in transaction costs per transaction</li> <li><b>1-2%</b> additional savings through rebates</li> </ul>	 <p><b>Social Value</b></p> <ul style="list-style-type: none"> <li><b>38%</b> of in-scope tail spend going to SMEs</li> <li><b>84%</b> of spend going to local suppliers</li> <li><b>25pp*</b> average increase in purchases of green products</li> <li><b>16pp*</b> average increase in spend with diverse suppliers</li> </ul>
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\*pp means percentage points. If green purchasing goes up from 10% to 35%, this is a 25 percentage point increase, not a 25% increase.

Read the full report from CCS

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