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Tail spend management

Questions and answers

Which of Capita's procurement offerings are you seeing most interest in?

While our 'work-alongside' sourcing support model, where we add either capacity or specialist capabilities to our clients' own procurement team, remains the main area of interest for clients, we have also seen a significant growth in interest in our tail spend management solution.

What is tail spend management?

Typically, an organisation will strategically manage circa 80% of its total third party spend. The remaining 20% can be too fragmented and low value to justify diverting scarce resources to manage it.

This 'Tail Spend' is comprised of a large volume of low value transactions, not covered by corporate contracts, and tends to be spread across a wide range of categories and suppliers. While it does not lend itself to category management or strategic procurement approaches, it adds up to a significant amount of spend.

Effective tail spend management can provide an incremental stream of savings, driving value from low value spend, as well as providing improved control and compliance.

What is driving the growth in interest in tail spend management?

Unlike interest in our sourcing support solutions, which are typically driven by a desire to maximise savings from sourcing activity, the interest in tail spend management is being driven by our clients' desire to increase compliance, both to procurement processes and to the utilisation of existing contracts.

There are also additional benefits from reduced internal costs, and from removing some of the more administrative roles from the internal procurement function, enabling them to focus on more strategic work.

And why are clients interested in improving compliance?

Besides the potential to deliver additional savings, there is a recognition that out of control 'maverick' spending leaves our clients open to an increased level of third party risk, which is becoming an increasingly important factor across all sectors.

How does better management of the tail spend reduce third party risk?

In our experience, the drive to improve compliance, coupled with better use of spend analytics in the tail spend, will drive down the number of suppliers being utilised, pointing a greater volume of spend to approved suppliers.

This means that our clients have a better understanding of their supply base and have less 'one time vendor' activity with lesser known, unmanaged suppliers, enabling clients to make better and more informed procurement decisions.



Find out more...

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Procurement, its what we add that makes the difference