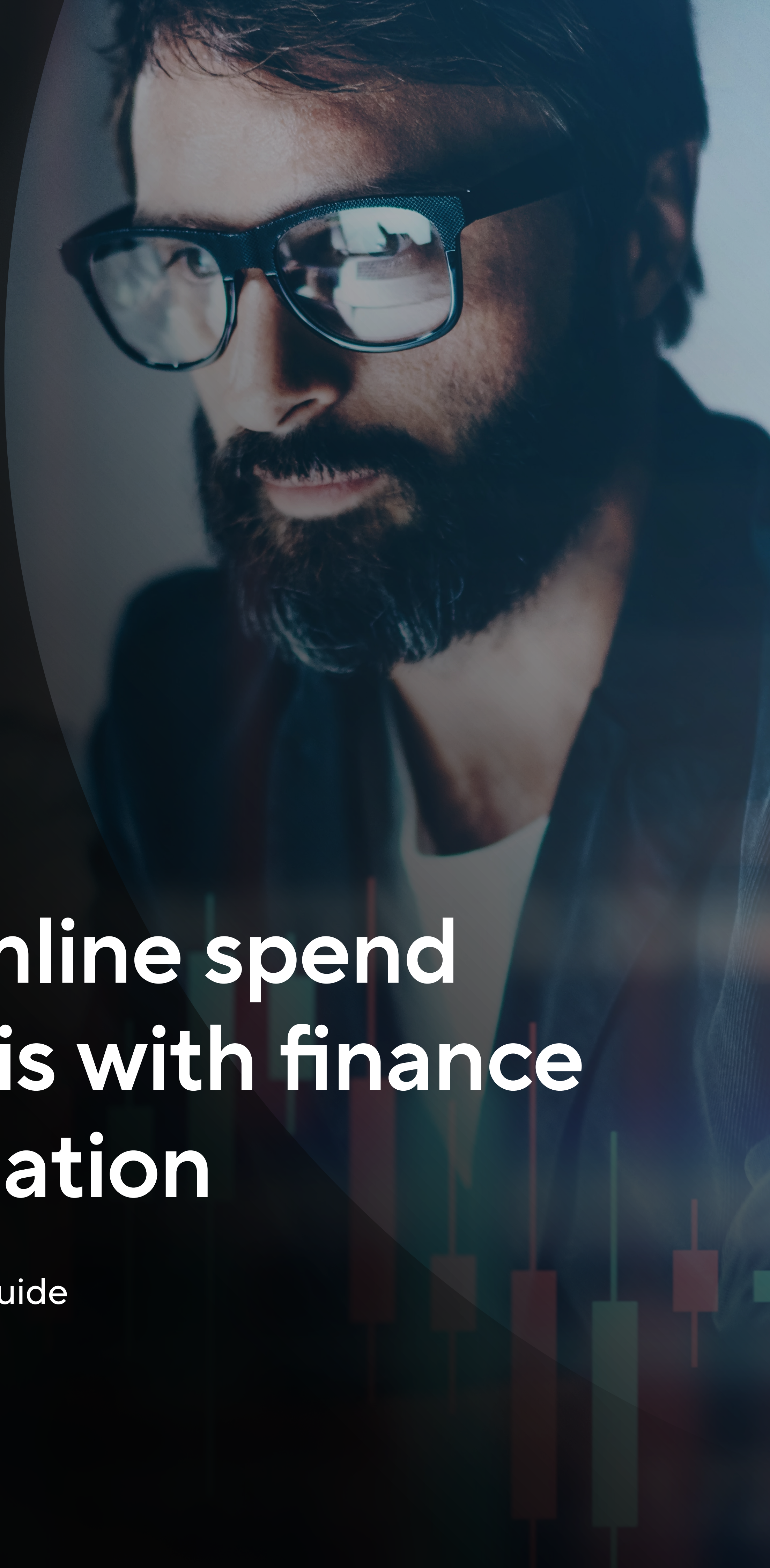


Streamline spend analysis with finance automation

The complete guide

Contents

Perhaps the numbers add up, departments have more or less stuck to their budgets, and your forecasts aren't too far off the mark – **a CFO can dream, right?**

But is the money you're spending working as hard as it possibly can to move the business forward? You won't know unless you take a look at what's going on beneath the surface.

And that's where **spend analysis** comes in.

The **American Productivity and Quality Centre (APQC)** reckons spend analysis could save a business with $5 billion in revenue a cool $11 million a year (approximately £9.6 million) in procurement costs. That's a potential saving of 57% – significant at any time, let alone in **the current climate**.

Yet, spend analysis remains low on most finance teams' priority lists.

And who can blame them?

Spend analysis is time-consuming and laborious. And while finance teams are increasingly being expected to join the strategic conversation, most finance degrees only deal with the operational side of things. Which means your staff have to learn how to do spend analysis on the job, juggling it alongside the myriad of other business-critical tasks that fill up their work day.

As it happens, finance automation can handle most spend analysis prep work. So, integrating regular, thorough spend analysis into the finance function is not only possible, but can also be fairly straightforward.

In this e-book, we'll take a deep dive into:

- What spend analysis is
- Why it's hugely important for businesses
- How to do it in three easy-steps
- How finance automation can help simplify and speed up the process, so you can do less busy work and get straight to the fun part – **the number crunching**

Let's go!

What is spend analysis?

Spend analysis puts your business spending under the microscope so you can understand it better and get more visibility. When you carry out a spend analysis, you take a detailed look at where your money is going.

This allows you to answer five key questions:

1. How much money are you spending?
2. What are you spending the money on?
3. Who is spending the most (and least)?
4. Is the way you're spending the best use of your business's resources?
5. How can you make smarter use of your resources and bring spending under control?

There are various levels of analysis in business finance, but spend analysis is the foundation, because it's descriptive and diagnostic.

By studying how people across your organisation are spending money, and answering the five key questions we've outlined above, you can:

- **Spot trends**
- **Identify issues that may be hurting your bottom line**
- **Glean insights into how your business spends money, and the steps you could take to make sure everyone uses resources more efficiently**

Why carry out spend analysis?

There are as many reasons to conduct a spend analysis as the day is long. But when you really get down to it, spend analysis is about measurement, control, and improvement. **Says Chris Argent, Generation CFO's Managing Director:**

'Spend analysis helps you find efficiencies and economies that improve the way you spend money. It's about understanding issues you may not even be aware of, fixing them, and, so, bringing your spending under control.'

Put simply, the aim of spend analysis is to discover areas where you might be wasting money so you can go in and make changes.

You may already have an inkling that something's wrong, but not an exact idea of the extent of the problem. Or you may uncover issues you might not have even realised were there. Either way, spend analysis flags these up so you can intervene. And this helps you make sure you're extracting as much value as possible from every penny you spend.

Spend analysis also gives you a more accurate snapshot of your spending. Armed with this data, you can budget and forecast more accurately and help your business's leadership team make better-informed decisions.

How to conduct spend analysis?

Our simple 3-step approach:

1. DATA COLLECTION
2. DATA CATEGORISATION
3. ANALYSIS

Step 1: Getting your sources together
It goes without saying, but the quality of your spend analysis depends on the quality of your data. As Argent puts it: 'The better the data you have to work with, the better the quality of your analysis.'

By contrast, if your data is incomplete or inaccurate, your analysis will also be incomplete and inaccurate. Garbage in, garbage out.

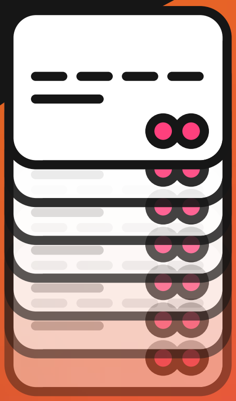
For most finance teams, the primary source of dependable spending data will be their accounting software. That said, depending on how you manage your spending, you'll also need the following to get a complete picture:

- **Employee expense reports**
- **Company credit card statements**
- **Summaries of departmental and project budgets**

Collecting accurate, up-to-date data is probably the most challenging and time-consuming part of the spend analysis process.

The data may be all over the place, even in relatively small organisations, which can create a huge administrative burden.

88% OF SPREADSHEETS HAVE AT LEAST ONE MISTAKE



AT ONE POINT, 70 DIFFERENT CARDS GOING AROUND

For example, Plymouth College of Art's Director of Finance Mark Taylor told us that, at one point, they had 70 different cards going around. For finance, this 'was quite a laborious process: downloading information, splitting it up, sending it to users, getting them to attach receipts and send it back, and then importing it to the filing system.'

Largely manual processes are also at risk of having errors that may skew the data. Case in point, 88% of spreadsheets have at least one mistake.

How do you make the process more manageable?

Argent suggests the following:

- **Set goals**
- **Start small**

Argent explains: 'To get the most out of a spend analysis, you need to know what you want to get out of it. Why are you doing it? What's the goal? Do you want more visibility? To find and eliminate waste? To save money? Knowing this will help you narrow your focus.'

But that's not enough

If you're unfamiliar with spend analysis, your data mostly comes from manual sources, and your scope is too ambitious, there's a risk it'll go off the rails. So it's best to start with something manageable, such as an analysis of your variable spending.

Variable spending is day-to-day spending that doesn't go through procurement. It includes expenses such as stationery and other office supplies, books, software subscriptions, and IT equipment.

43% OF BUSINESSES VARIABLE SPENDING MAKES UP 1% TO 5% OF OVERALL BUDGET

For approximately half of businesses – 43% – variable spending makes up between 1% to 5% of their overall budget, with T&E (travel and entertainment) making up a further 1% to 2%. This means it's small enough to let you perfect the process without falling down a rabbit hole. But a few tweaks can free up a hefty chunk of cash for other areas of your business. Says Argent:

'A good way to get your feet wet is to analyse an area with high impact but low effort. This has two advantages. Firstly, you can learn and develop your process without getting bogged down into too much time-consuming admin. And, secondly, it's a quick win.

With variable spend, for instance, the amounts may be small relative to your overall spending. But seeing an immediate difference to your bottom line will help build a strong business case for doing it on a larger scale. And because you'll have gone through the process before, you'll be more mindful of the pitfalls.'

TRAVEL & ENTERTAINMENT MAKING UP A FURTHER 1% TO 2%

Step 2: Organising the data
Getting the raw data together is half the battle. But for your analysis to get anywhere, you have to organise everything so it makes sense.

Most accounting software programs can categorise transactions for you. However, credit card providers' online systems don't always integrate with accounting software, which means you might have to input them manually. Similarly, your accounting program may not import spreadsheets automatically, either.

If this is the case – and you've inputted and categorised the transactions by hand – it's worth double-checking to make sure there are no mistakes.

As with data collection, this step is tedious and time-consuming. You'll need to go over every bit of data, clean things up, fix inaccuracies, and track down any missing documentation.

The upside is that it's also where everything starts coming together. You may begin noticing patterns and identifying wider issues. So it's worth being as painstaking and methodical as possible.

Step 3: Crunching the numbers
You have all the data you need, nice and organised. Now for the fun part: figuring out what it all actually means. This is where you:

- **Understand how you're spending money**
- **Look for ways to improve**
- **Identify opportunities for savings**
- **Make sure you're meeting legal, accounting, and regulatory requirements**

“Are we wasting our money?

QUESTIONS TO ASK YOURSELF WHEN YOU CARRY OUT ANALYSIS

If you’re looking at variable spending, chances are redundant purchases will be the most obvious offenders. According to **Gartner**, cancelling duplicate software subscriptions could slash your IT bill by up to 30%.

But necessary day-to-day items can also rack up large bills. And this is usually down to a lack of visibility and accountability.

For example, UK businesses **collectively spent £722 million** on stationery just between April and June 2019. And an **OKI Systems survey** found that 52% of finance managers, CIOs, and IT managers couldn’t say how much money they spent on printing.

Now that spend analysis has uncovered this waste, you can go in and make changes.

52%

couldn’t say how much they spent on printing

£722 million

spent on stationery in three months

“Do the numbers add up?

38% of employees admit to having committed expense fraud, but only 17% get caught, at a cost to British businesses of £1.9 billion a year.

The problem is that most expense fraud is subtle – a bit of extra mileage, a cheeky pint, or an inflated taxi fare. As a result, fraudulent spending can easily fall through the cracks.

Because spend analysis shows trends and patterns you might not have even noticed, it’s easier to home in on rogue spending. Why are a certain staff member’s expense claims always slightly higher than those of their teammates, for instance? Or why is the marketing manager spending money on items that aren’t related to their department?

Argent notes, though, that you don’t necessarily want to be a policeman. ‘If a team member is flouting the rules and buying stuff they shouldn’t, that’s one thing. But in some circumstances, it’s less about control and more about managing risk. Perhaps the spend is legitimate but you’re not sure if it should remain so. So the conversation would be more like: are we OK with this, or is it time to change our expense policy?’

Whatever the circumstances, spend analysis can help spark a timely discussion you might not have even realised you needed to have.

38%

of employees admit to having **committed expense fraud**

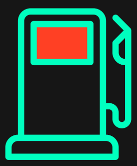
How can we start saving money?

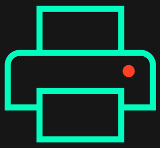
If you know how much of your money you're spending and on what, you can think about whether you're getting enough bang for your buck and take action if you aren't.

We've already discussed how cancelling duplicate software subscriptions and switching to an enterprise plan can save up to 30%. But spend analysis also gives you the opportunity to shop around for better deals or negotiate improved terms on your insurance, utilities, fuel, office supplies, IT equipment, online purchases, professional fees, and other ongoing spending.

Spend analysis can also uncover spikes in usage that you could use as leverage in negotiations. Let's say your staff always buy laptops, printers, and other IT equipment from the same vendor. Recently, you've been on a hiring spree, and this has increased your IT spend. You could try and negotiate a discount on the basis that you're generating significant sales volume.

Spend analysis gives you the opportunity **to shop around for better deals**





Are we budgeting accurately?

Find yourself constantly overshooting your budgets?

Spend analysis will show you exactly where the money is going. This means you can identify where teams are overspending and take steps to fix it.

Raising your spend analysis game...

...with finance automation

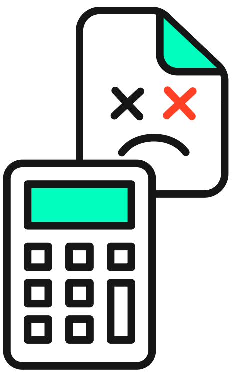
While setting goals and starting small can help make the data collection process more manageable, accuracy issues remain.

73% of participants in an **MHR Analytics poll** said they didn't trust their financial data. This has a knock-on effect on the frequency and quality of spend analysis. **Nick Levine, Finance & Strategy for Soldo** explains:

'Because it's not always possible to trust the data, spend analysis often either doesn't happen or happens poorly.'

The good news is that there are finance automation tools you can use to help you simplify the process, produce more accurate information, and, ultimately, help make your business more profitable. By collecting and categorising data in real time, these tools give you:

- **Greater real time visibility into your spending**
- **Improved analytics**
- **More control over your budgets**



73% DON'T TRUST THEIR FANANCIAL DATA

HITTING 20/20 VISION

By definition, spend analysis relies on historical data. If the data is collected manually, this creates two problems.

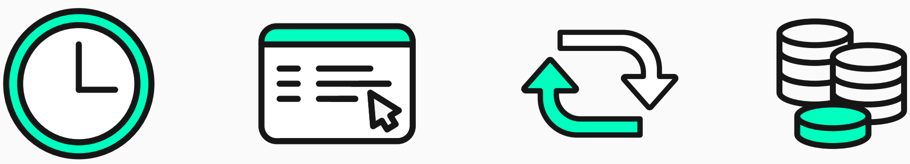
Firstly, manual processes are prone to human error. Mistakes skew the data and undermine trust in the whole exercise.

Secondly, because manual processes take time, spend analysis becomes a reactive exercise, rather than a proactive one.

It takes **60 minutes** for a single expense report to go from creation to payment – 45 minutes for an employee to create it, and 15 minutes for finance to process it – at an average cost of £14.80 per report.

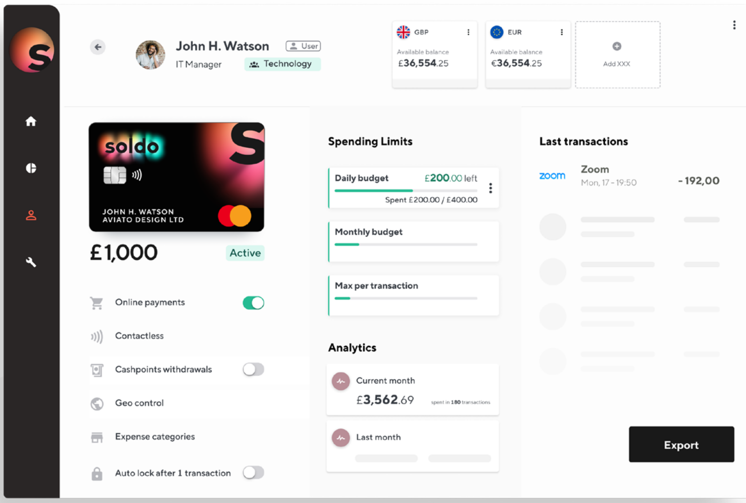
Alongside this, it takes the average business **six and a half days** to close out a financial month.

By the time you've prepped your data and carried out your spend analysis, it might be too late to course correct. You'll only be able to make changes after the fact.



60 MINUTES

PER REPORT FROM CREATION TO PAYMENT



In comparison, finance automation tools slash admin and give you real-time visibility, so you can spot issues as they happen. Soldo's platform, for instance, can categorise transactions automatically by one or any combination of the following:

- **User**
- **Merchant name**
- **Expense category**
- **Expense centre** – This is like a digital wallet that allows you to keep the funds for a specific project, departmental budget, or other cost centre (petty cash, for instance) separate. You can set it up so the money is transferred automatically on a pre-set date. And you can set limits, so transfers stop if the team goes over budget.

You can also create custom lists (accounting codes or nominal codes). These tag transactions using a pre-defined structure set by your team.

Buzzoole's Finance Manager Marco Valerio Izzo observes that this slashes admin significantly:

'In the past, expense reimbursement took one and a half days, and now it takes slightly more than half a business day.'

More to the point, you can log into the platform and get a snapshot of your spending at any time, instead of having to do the maths at the end of the month, quarter, or year.

IMPROVED VARIABLE SPEND ANALYSIS

T&E and variable spend are typically left in employees' hands because they're too small or infrequent to handle. But while this saves procurement's time, it creates its own set of challenges.

Employees will either have to be reimbursed, or use a company credit card, which creates additional admin. More to the point:

- **It's harder to pinpoint who spent how much and on what, so there's less accountability**
- **If different departments - or team members in the same department – don't communicate, purchases can quickly spiral out of control**

With Soldo, everyone gets their own prepaid card, so you can see exactly who spent how much and on what at any time. You can also block spending by merchant, category, or country, so you're in total control of what your team can – and can't – buy with their card.

TAKE CONTROL OVER DEPARTMENTAL AND PROJECT SPEND

If T&E and variable spend are hard to keep track of, it gets even trickier with departmental and project spend.

Typically this is handled like so:

- **Every budget has a cost centre number**
- **Each department creates a spreadsheet with a breakdown of their costs**
- **The cost centre number shows which budget the department is spending from – theirs or the project**
- **Finance waits for the business's credit card provider to issue the monthly statement, identifies relevant transactions, and reconciles them**

Aside from being risky – you're not covered for fraud when someone whose name isn't on the card uses it – this is inefficient, time-intensive, and gets more unwieldy the more a company grows.

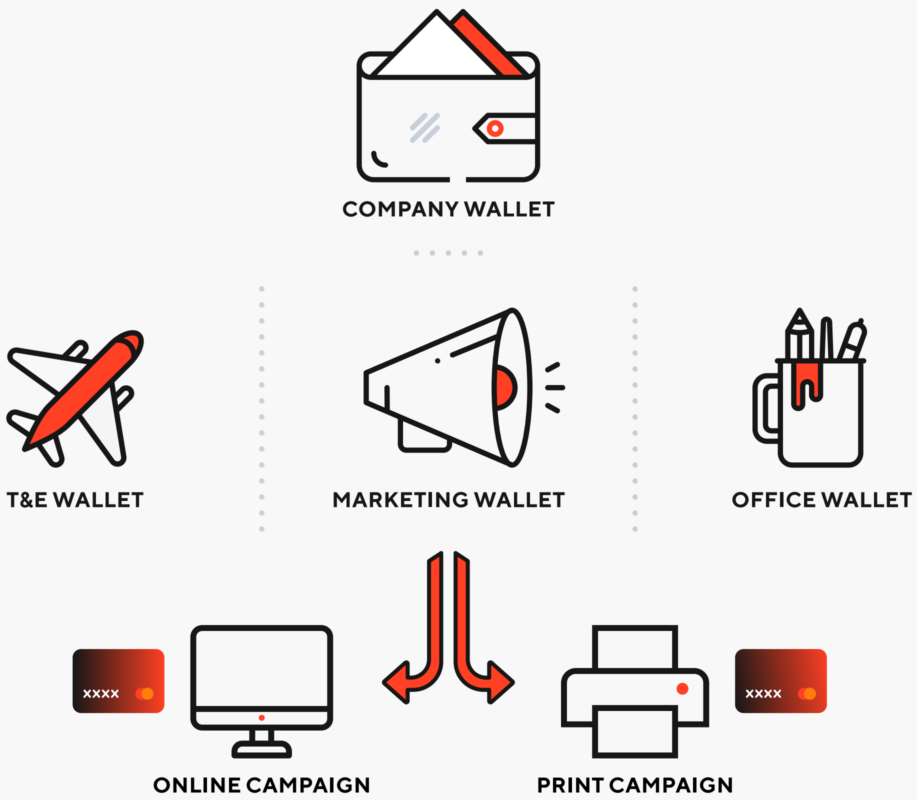
It's also not practical to give each department their own company credit card. Which means you can't categorise spend by project or department until you've trawled through the monthly statement and categorised every transaction.

Soldo's Finance Director Paul Murphy sums it up:

'Far from being the simple, straightforward expense management tool they're made out to be, credit cards are often a bureaucratic nightmare.'

Finance automation tools like Soldo solve this by letting you set up segregated wallets with multiple users. Each project gets its own wallet. So, you always know where the money's going, even if there are two different teams working on something together.

You can also set up an unlimited number of wallets, so it doesn't matter how complex your organisation is or how many projects you've got on.



How finance automation boosts your bottom line

Slash expenses by up to

20%

When we surveyed finance leaders to find out how company spend affects their business, only 22% said they use real-time data. This is a missed opportunity, because enabling data collection and categorisation in real time gives you unprecedented visibility into your spending, which allows you to make more timely, data-driven decisions.

Let's say someone keeps racking up three-figure bar tabs. If your processes are manual it may take several months' worth of reconciliations for you to even spot the problem.

In comparison, having real-time data allows you to nip the problem in the bud, before it hurts your profits.

Equally, if a team keeps going over budget, or variable spend is spiralling out of control, access to real time data allows you to intervene swiftly. The difference to your bottom line could be significant: managing variable spend in real time could slash your expenses by **up to 20%**.

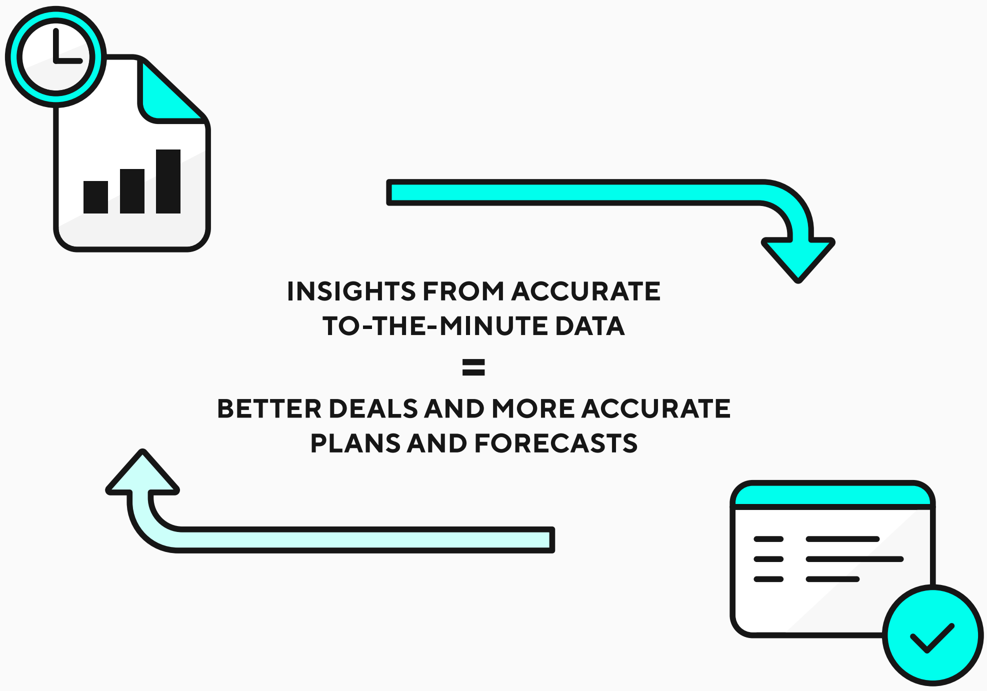
As **Get Your Guide's Head of Payments and Fraud Dennis Koehler** puts it, finance automation makes staying in control dead easy:

> *'I can set rules, decide who's allowed to do what, set up automatic instant funding, budgeting, and disable particular expense categories or geographical locations.'*

Finance automation tools also integrate with other software, allowing you to get even more functionality. For example, you can connect Soldo to accounting software such as Sage, Netsuite, or Xero and import variable spend and project-related transactions with a few clicks. This saves hours of manual data input.

APIs also allow you to link finance automation tools to business intelligence software or enterprise resource planning platforms such as Tableau, FinancialForce, or Microsoft Dynamics. And if you put your finance automation data through these tools, you can get even more value out of it.

Argent explains: 'With accurate records connected to systems that put that data to work, the possibilities are endless. It's not just about curbing waste. **If you have insights from accurate, to-the-minute data, you can strike better deals and make more accurate plans and forecasts.'**



Final word:
Automation is the future of finance

...is your business ready?

Soldo's CEO Carlo Gualandri observes:
'The finance function is the custodian of the fuel that powers the engine of business.'

Finance teams can see the whole picture. So it's not surprising that they're being asked to take on an ever more strategic role.

But the guidance finance can offer business leaders can only be as well-informed as the data it's based on. And, unfortunately, many of the tools and processes you're used to relying on to do the job simply can't meet the needs of today's businesses.

Finance automation tools can change the way you work by giving you access to accurate, real time data that'll unlock insights you've never had access to before. The upshot is a more valuable and fulfilling role for your team, and more agility and greater profitability for the business.

Everybody wins.

Want to learn more about how finance automation can help you streamline spend analysis and become more profitable?

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