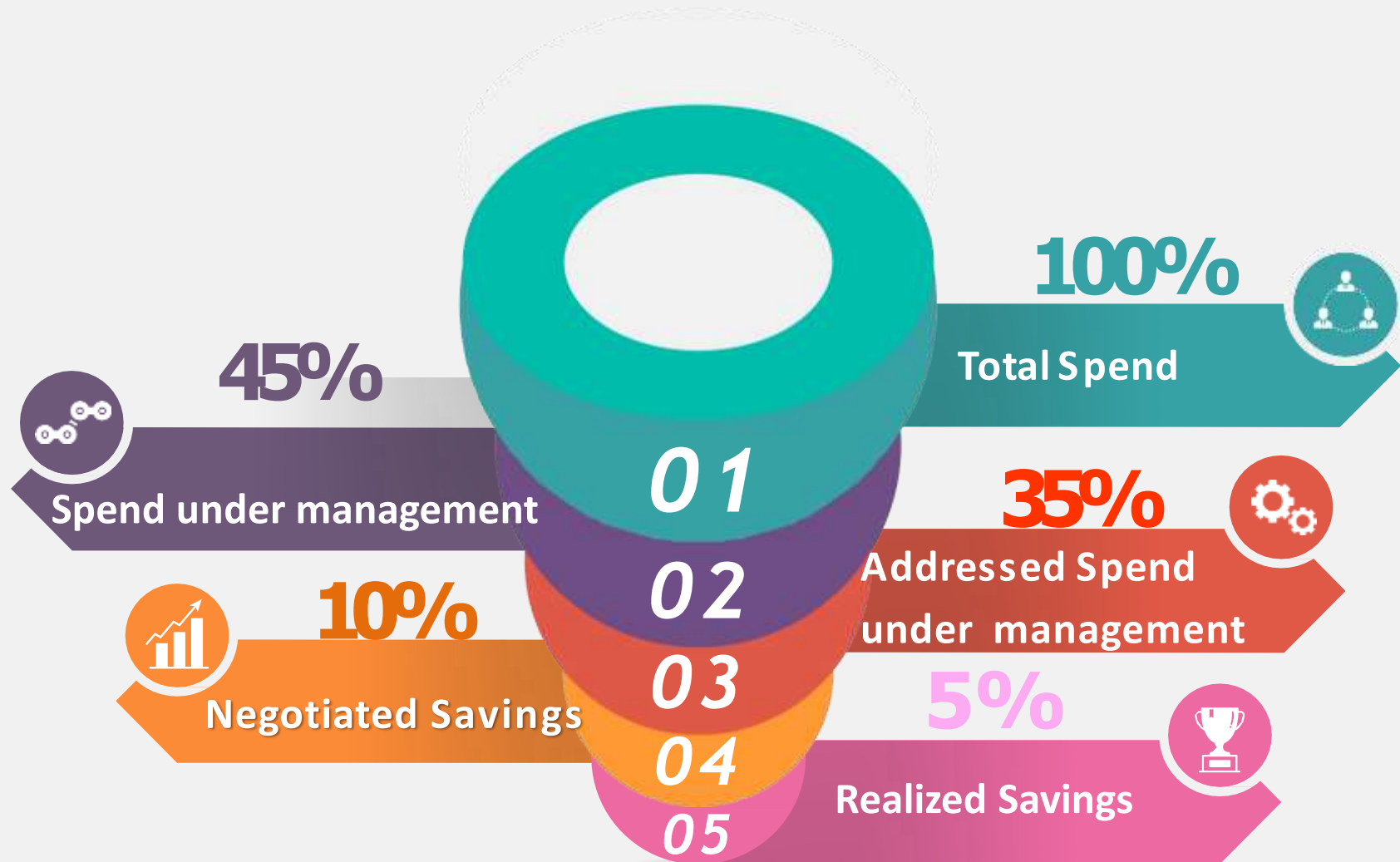


# 5 Layers of Spend+Savings Pie

## - *The Procurement funnel*



# Spend under management

Spend under management is the volume of spend in an organization managed by the procurement team. Ideally it is:

- Spend going through procurement
- Spend under contract and under a sourcing plan
- Spend strategically reviewed and proactively reviewed by procurement, to ensure the use of all contracted rates , terms benefits and SLAs

# Addressed Spend under management

The Addressable spend consists of every dollar that the organization spend which can be impacted through sourcing. It comprises every last dollar that an organization spends with commercial suppliers

*It's important to clarify that addressable spend means all sourceable spend and not simply the products and services that are strategically sourced by procurement professionals.*

# Negotiated Savings

Negotiated Savings = Costs at List Price – Costs at Contract Price

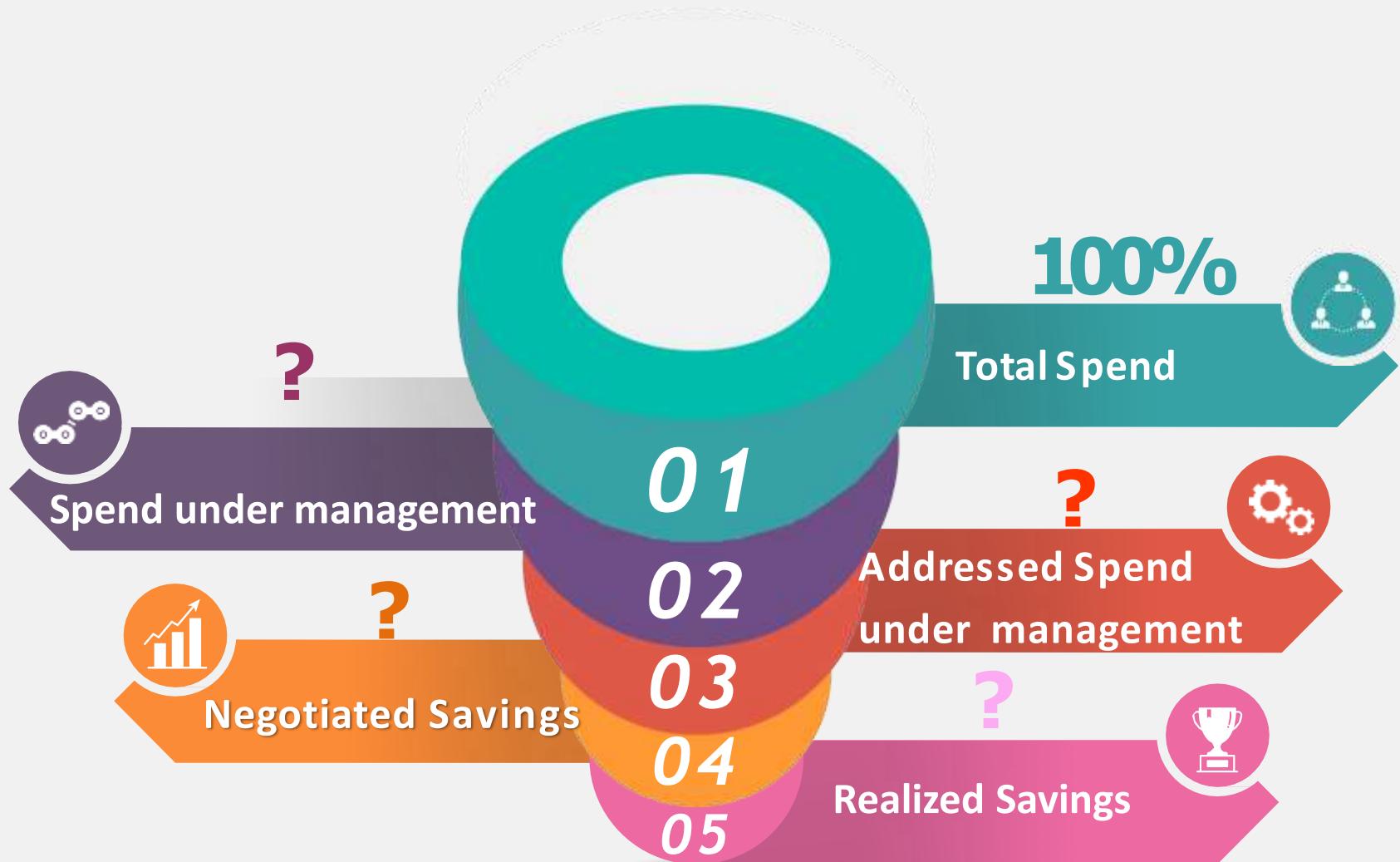
Procurement Department typically report their cost savings when a contract has been signed. At that point, those cost savings are considered “Negotiated Savings”.

# Realized Savings

Realized savings are calculated at the end of a fiscal year after goods and services have been bought. Often “Realized Savings” are less than “Negotiated Savings”. This occurs due to any or all of the below reasons:

- Prices varied from assumptions and the supplier bills more than agreed price.
- End user compliance was less than 100% and they bought from non contracted suppliers at higher prices.

# What's your percentages at all levels?



100%

Total Spend

?

Spend under management

01

?

Addressed Spend  
under management

02

?

Negotiated Savings

03

?

Realized Savings

04

05