

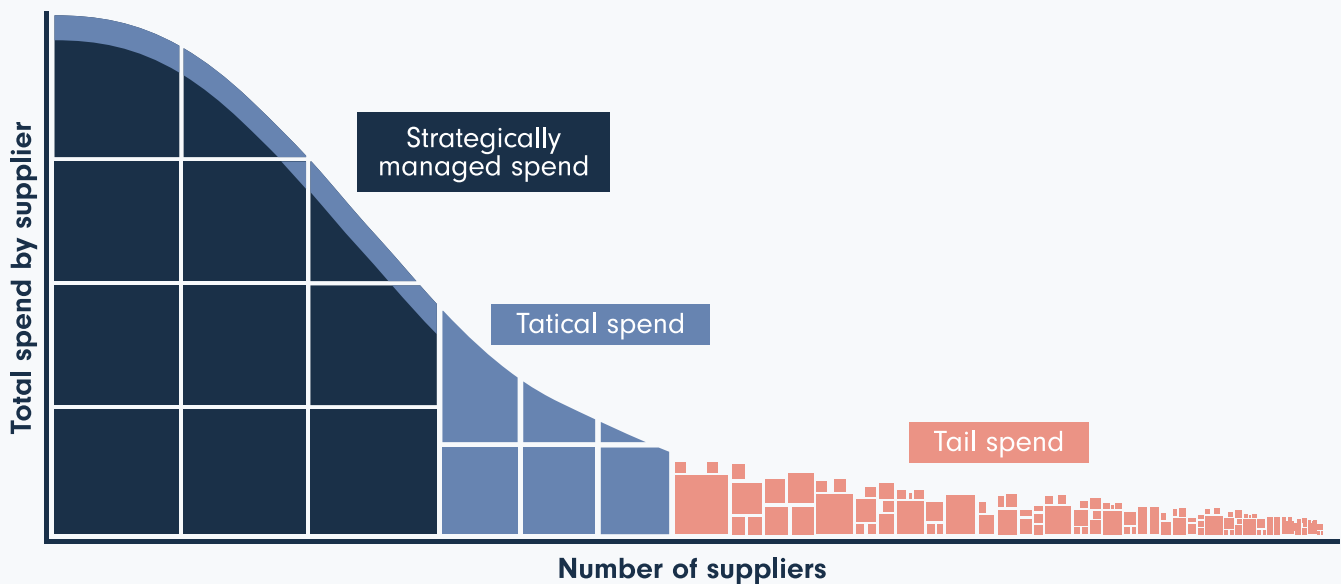


Your guide to tail spend management

What is tail spend management?

Tail spend management focuses on identifying, analysing, and controlling the low-value, high-volume purchases that often fall outside of traditional procurement processes. For public sector and housing organisations, tackling this spend is a strategic imperative. While individually insignificant, these purchases can collectively represent up to 20% of total expenditure, creating hidden risks and missed opportunities for savings. Effective management aims to reduce costs, improve efficiency, and gain better visibility and control over company-wide spending.

Tail spend management



How do you define tail spend?

There is no one-size-fits-all definition for tail spend. What constitutes tail spend in one department or category may not be the same in another, because every organisation's spending profile is unique. These purchases are often too small to go through a formal procurement process and are not frequent enough to be included in cataloged systems.

Tail spend can include everything from maverick spend to misclassified purchases. It's crucial to define what tail spend means for your organisation. Here are some common definitions:

- **Spend threshold:** Any vendor with an annual spend below an arbitrarily defined number, which could range from £10k to £1 million depending on the organisation's size.
- **The 80/20 rule (Pareto principle):** Procurement teams naturally focus on large, strategic contracts where the biggest savings are. This often leaves around 20% of the budget unmanaged. This "long tail" of spend typically consists of 80% of transactions but only 20% of the total spend value.

Why is it important for your organisation?

Managing tail spend directly addresses key challenges faced by housing, local authority, education and the wider public sectors, such as budget constraints, skills shortages, and the need for greater transparency.

Key benefits include:

- **Cost reduction:** By identifying and controlling these unmanaged purchases, organisations can uncover significant savings that contribute directly to delivering value for money.
- **Improved efficiency:** Streamlining processes and using technology to automate purchasing can reduce administrative burden that leads to improved efficiencies and freeing up under-resourced teams to focus on more strategic, high-value activities.
- **Better visibility:** Gaining a clear view of all organisational spending allows for more informed decision-making.
- **Reduced supplier risk:** A structured approach helps control, monitor, and track all transactions, preventing rogue spending and limiting unethical or non-compliant purchasing behavior.

Tail spend examples:

Office supplies

Basic maintenance services

Ad-hoc repairs and operational parts (MRO)

Materials not central to core operations

One-off consultancy or training services

6 key actions to manage tail spend

A structured approach is key to bringing this fragmented spend under control.

- 1 Spend analysis:** Conduct a thorough spend analysis to identify and categorise tail spend purchases across all departments
- 2 Define tail spend:** Clearly define what constitutes tail spend within your organisation to ensure everyone is aligned.
- 3 Implement controls:** Establish clear purchasing controls, set spending limits, and use guided buying systems to ensure compliance.
- 4 Leverage technology:** Utilise software and systems to track transactions, stay within budgets, and gain real-time visibility.
- 5 Streamline processes:** Simplify internal processes to make it easier for teams to manage tail spend without creating unnecessary administrative burdens.
- 6 Focus on automation:** Automate repetitive tasks and processes to reduce manual effort, improve data accuracy, and increase efficiency.

Implementing tail spend management

A phased “crawl, walk, run” approach is often most effective. Start by identifying one business unit or category with a significant tail spend issue and roll out a pilot program. Ensure key stakeholders are bought-in and that any new technology, such as an automated sourcing platform, is connected to your existing systems.

Once you have demonstrated success and identified the benefits, you can increase the scope. Introduce more automation to capture structured data and create a positive feedback loop. With a proven business case, you can then roll out the programme across all business units, fully automating tail spend management and giving your procurement team valuable time back to focus on strategic initiatives.

A new approach to a persistent challenge

Managing long-tail spend is a persistent challenge for many procurement teams and not always a clear priority. It can be time-consuming and resource-intensive. Consider what can be done in-house and where you might rely on experts who utilise automation techniques like AI-driven spend classification. The latest analytics solutions provide a level of visibility into data that is impossible to achieve manually. The best results are often achieved when you don't tackle tail spend alone.





Let us help you take control of your tail spend

Managing tail spend doesn't have to be a drain on your time or resources. Our consultancy team works with housing, local authority, and education organisations to bring structure, visibility, and efficiency to fragmented spend.

Whether you're just starting out or ready to scale your approach, we'll guide you through every step - from spend analysis and process design to automation and stakeholder engagement.

Get in touch to explore how we can support your organisation in turning tail spend into strategic value.



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