



Procurement and Sourcing Spotlight

From Spend Visibility to Realized Value

What It Takes to Build an Effective Spend Engine

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Trusted Data • Cost Intelligence • AI-Enabled Analytics • Sourcing Execution

Spend Is a Major Value Lever, but Visibility Alone Is Not Enough

For many companies, third-party spend is one of the largest and most immediate opportunities to improve margins, working capital, and enterprise value. Yet fragmented systems, inconsistent data, and limited external cost intelligence make it difficult to determine where the organization is overpaying and which opportunities can be converted into realized savings.

Why Spend Remains Under-Managed

- **Fragmented data.** Purchasing information is spread across ERP, accounts payable, procurement, logistics, contract, and expense systems.
- **Inconsistent definitions.** Supplier names, item descriptions, categories, units of measure, and contract terms vary across locations and systems.
- **Limited market context.** Decisions often rely on historical prices and supplier quotes instead of independent indices, benchmarks, and should-cost estimates.
- **Execution gaps.** Savings are frequently identified but not translated into negotiated terms, purchasing compliance, and verified financial results.

What an Effective Spend Engine Does

A spend engine connects internal transaction data, external cost intelligence, advanced analytics, AI, sourcing expertise, and performance management in one end-to-end capability.

From Data to Realized Value

1 Build	2 Analyze	3 Act	4 Realize
Create a trusted, transaction-level spend foundation.	Identify and prioritize credible opportunities.	Match each opportunity to the right sourcing strategy.	Implement changes, drive adoption, and capture verified savings.

Build the Trusted Spend Foundation

The spend engine begins by consolidating transaction-level data from ERP, accounts payable, procurement, logistics, contract, and related systems into a common platform. Automated ingestion creates a repeatable, continuously refreshed view of purchasing activity across suppliers, products, categories, sites, business units, and portfolio companies.

Normalize and Enrich the Data

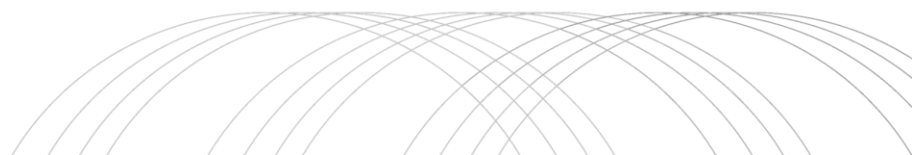
- Standardize supplier names, items, categories, units of measure, companies, locations, contracts, currencies, and applicable commercial terms.
- Create a common taxonomy and map comparable or equivalent products across systems and operating units.
- Preserve the underlying transactions so every conclusion can be traced back to source activity.

How AI Accelerates the Process

Rules	AI	Human Review
Aliases and mappings	Supplier and item classification	Validate high-value or uncertain results
Unit conversions and contract logic	Equivalent-product and SKU detection	Confirm comparability and cost assumptions
Validation and controls	Anomaly and pattern detection	Approve, override, and retain accountability

Add External Cost Intelligence

Internal data shows what the company paid. External data helps determine what it could or should be paying. Commodity and material indices, labor, energy, freight, foreign exchange, supplier data, and other benchmarks create an independent fact base for negotiations and sourcing decisions.



Apply Multiple Analytical Lenses

No single benchmark reveals every opportunity. The spend engine combines complementary analyses to identify price gaps, fragmentation, specification complexity, contract leakage, and unusual cost movements.

Analytical Lens	What It Identifies
Price Competitiveness	Price differences across sites, business units, and portfolio companies; external index and should-cost gaps; unusual price increases.
Purchasing Leverage	Fragmented spend that can be addressed through demand aggregation, supplier consolidation, or coordinated sourcing.
Product Optimization	Similar or unnecessary SKU variations that can be standardized, substituted, consolidated, or redesigned.
Contracts and Terms	Off-contract buying, inconsistent negotiated pricing, missed rebates, unfavorable payment terms, and expiring agreements.
Market Movements	Whether supplier pricing is moving appropriately relative to materials, labor, energy, freight, currency, and other cost drivers.
AI Pattern Detection	Anomalies, relationships, and potential opportunities not captured through predefined analyses.

Prioritize Realizable (Not Theoretical) Savings

$$\text{Realizable savings} = \text{Addressable spend} \times \text{Validated unit-price gap} \times \text{Realistic capture rate}$$

- **Addressable Spend:** The portion of spend that can realistically be influenced after contractual, technical, operational, regulatory, and supply-risk constraints.
- **Validated Unit-Price Gap:** The confirmed difference between current price and a credible target after adjusting for specifications, volume, quality, freight, service levels, and terms.
- **Realistic Capture Rate:** The estimated percentage of the validated price gap that can reasonably be converted into savings, based on a structured assessment of negotiation leverage, supplier alternatives, implementation requirements, business risk, contract timing, and expected purchasing compliance.

Turn Each Opportunity Into the Right Sourcing Action

Once an opportunity is validated, the spend engine identifies why the value gap exists and directs the organization toward the most appropriate response.

Compliance and Terms	Direct purchases to preferred suppliers; enforce negotiated prices, rebates, service levels, payment terms, and Incoterms.
Leverage and Negotiation	Aggregate demand, consolidate suppliers, and use internal benchmarks, external indices, and should-cost evidence to challenge pricing.
Competitive Sourcing	Run an RFQ or RFP when incumbent pricing is not competitive and qualified alternatives exist.
Product Optimization	Rationalize SKUs, standardize specifications, substitute materials, or redesign structurally expensive products.
Logistics Sourcing	Benchmark and source lanes, modes, carriers, freight classes, fuel surcharges, and accessorial charges.
Working Capital	Standardize or extend payment terms and coordinate commercial conditions across the enterprise.

Implementation Is Where Value Becomes Real

- Load new suppliers, prices, terms, and specifications into purchasing systems and communicate clear buying instructions.
- Monitor adoption and identify off-contract purchases, price leakage, and exceptions.
- Separate unit-price improvement from changes in volume, mix, demand, currency, and other factors.
- Track realized savings, rather than merely identified or projected savings, and refresh the opportunity pipeline as spend and market conditions change.

Analytics determine where the organization should act.

Sourcing expertise determines how it should act.

Performance management confirms whether the value was captured.

From One-Time Analysis to a Continuous Value Engine

An effective spend engine is more than a spend database, a benchmark, or a collection of analytics. Its value comes from integrating trusted internal data, external cost intelligence, AI-enabled analysis, sourcing expertise, and disciplined performance management into a continuous capability.

What Organizations Gain

- A unified, transaction-level view of spend across suppliers, products, categories, sites, business units, and portfolio companies.
- Credible target prices supported by internal comparisons, external benchmarks, and should-cost models.
- A prioritized pipeline based on value, feasibility, risk, and realistic capture potential.
- Execution pathways that connect each opportunity to negotiations, competitive sourcing, compliance, specification changes, or other actions.
- Ongoing verification that savings reach the financial statements and do not erode over time.

Especially Valuable in Complex Environments

This approach is particularly valuable for multi-location organizations and private equity portfolios, where fragmented systems and decentralized purchasing can obscure enterprise-wide leverage and cross-portfolio opportunities.

The result: lower costs, stronger margins, improved working capital, better supplier management, improved purchasing compliance, and a repeatable system for sustaining procurement performance.

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