

Comparing Spend Analysis

Prescriptive Spend Analysis

Descriptive Spend Analysis

Predictive Spend Analysis



3 Types of Spend Analysis



Descriptive Spend Analysis

- Provide spend reports at various levels in an organization.
- Usually used in historical or retrospective review analysis.
- Heavily dependent on individual's ability and prone to human errors.

Benefits & Limitations

As it heavily relies on manual process, it is not always efficient and tends to be error prone.



Prescriptive Spend Analysis

- Often used in identifying corrective action based on the input spend data.
- Analysis is produced based on the prescriptive model that is built in the tools.

Benefits & Limitations

When a solid prescriptive model is built with the right input data, the results is almost error-free. However, the results may still require some customization to specific function and rules of an organization.



Predictive Spend Analysis

- Most advanced business analytics.
- Ability to extrapolate future spend data based on historical data of an organization.
- Require statistical skills from user to analyze the prediction confidence level.

Benefits & Limitations

The key to success is providing good input data to the tool. Although the prediction produced is fairly accurate, most CPO felt it is still not sufficient for making strategic decision.

