

Don't get left behind: Put yourself in a position to control and optimize your supplier tail now and see substantial effects already in 2025

The supplier tail is a matter of very specific characteristics. This supplier segment resembles an organism which to a large extent leads its own life without much external control. The number of suppliers is high as is the level of fragmentation, both of which are factors that certainly in themselves are making control challenging. In addition, you have suppliers being added, suppliers fading out, growing suppliers and shrinking suppliers. Combine that with all the external factors such as raw material fluctuations, inflation, the suppliers' own agendas etc. and you are left with a segment of suppliers that is very hard to get under control in a structured way.



The consequence of this lack of control – which hence also is an integral part of the “supplier tail problem” – is threefold. To put it bluntly:

1. You pay too much
2. You pay too fast
3. You sit on excessive risk

These consequences are natural coming out of an uncontrolled organism where each supplier wants to charge you as much as possible, get paid as fast as possible and take on as little risk as possible in the process.

At DigiProc we believe in taming this organism through two activities: **control** and **optimization**.

Control

It all starts with control. Before you have achieved a hygiene level here where you have a basic transparency as to what your supplier tail looks like, identifying any potential in this supplier segment will be like looking for a needle in a haystack. Such basic transparency means to know how many new suppliers that are being added to your supplier base per month, which suppliers have grown by 100%+ in the past year, which suppliers are getting paid after 10 days, which suppliers have not accepted your company's Code of Conduct to mention a few. The analytics required to achieve such basic transparency is not advanced (far from in fact) but it is rarely done for the simple reason that most companies have no tools available to do anything about the insights coming out of the analyses.

There is a huge potential to start to capture the very low hanging fruits in terms of price reductions, working capital improvements and risk mitigation in the tail if such analytics is completed efficiently, systematically and purpose driven towards identifying exactly what it is intended to do (i.e. to identify saving potential, working capital improvements and risk mitigation in the supplier tail). If the analysis is not specifically geared towards identifying potential in that specific segment (with its very specific characteristics) you will not be able to achieve the required control.

Optimize

Once you have achieved basic control (and only then) can you start to optimize. Optimization of the supplier tail requires some additional special characteristics. First and foremost, it has to be brutally efficient. You have to be able to address very high numbers of suppliers with accuracy around the various issues (You pay too much, You pay too fast, you sit on excessive risk) that come out of the analytics and control activity. To enable such high level of efficiency you must deploy a very uniform approach where the addressed suppliers preferable are in a position to be compliant with a uniformly structured ask. You then have to make sure that you are in a position to track and follow up on the compliance to what has been agreed with your suppliers.

None of above is trivial but new technologies are moving in fast and to pick the low hanging fruits of the supplier tail has never been easier than it is today. At DigiProc our sole focus is on deploying great technology to control and optimize tail spend and we know both the magnitude of the optimization potential and how to get it.

Don't miss out on the future of procurement. By leveraging focused analytics to achieve control, you can transform the “tail problem” to the “tail opportunity” by optimizing your supplier tail.

So, let's roll up our sleeves and get ready for 2025!



We manage your supplier tail

We help companies to take control of and optimize their supplier tail. With visibility and continuous actions, we reduce cost, improve cash flow and increase compliance.

Addressing your supplier tail has never been easier!