

Vendor spend as a percentage of revenue is climbing, exceeding revenue expectations in many industries and enterprises. Forecasts predict global IT spend to reach \$4.2T by end-of-year 2021, an increase of nearly 9% from 2020 (Gartner, 2021). These figures necessitate a sharp focus on the identification of true vendor spend so that it can be managed effectively.

Many organizations are challenged to accurately report IT spend because it's dispersed across the enterprise (McKinsey, 2021). Tracking down, aggregating, standardizing, and validating data from disparate financial systems is typically manual and always cumbersome and time-consuming while costly custom-built solutions bring their own set of difficulties and deficiencies.

Contributing to the challenges of vendor spend management is the limited visibility into third party purchases. Our data suggests that on average, 30% of vendor spend is done indirectly through resellers and system integrators. Identifying the vendor-to-reseller relationship is key to well-informed strategic spend initiatives but is onerous without a clear picture of the data.

Identifying shadow IT, business-led spend not managed through IT shared services, is also vital to capturing true vendor spend. Track Resources (2020) shares conservative estimates indicating that up to 40% of IT vendor spend can be attributed to shadow IT. Core Technologies (2020), in a survey of 200 IT decision makers and team operatives, found that Covid-19 has caused an exponential increase in shadow IT; the sudden shift to a remote workforce has challenged existing support mechanisms, giving rise to a significant increase in business unit spend on cloud-based SaaS, software downloads, and device purchases.

Shadow IT not only hides true spend, but it also compromises security, reliability, and organizational control, which adds significant costs to business operations. Forbes Insights, (2020) in collaboration with IBM, surveyed 353 executives across the globe and found that 21% of organizations experienced cyber events due to non-sanctioned IT resources, 13% of organizations have lost data or faced downtime due to incidents with their cloud-service provider, 58% of these incidents were security breaches, and 60% of organizations don't include shadow IT in their threat assessment.

If informing vendor spend management and exposing the risks that shadow IT introduces are the objectives, *knowing true vendor spend* is essential.

Parsing the material factors of vendor spend, e.g., OEM (original equipment manufacturer), parentage, purchasing channels (direct, indirect via a reseller or integrator), and categorization of spend to a standard taxonomy, is a non-linear process. The effort is complicated by missing and/or incomplete information, typos and other errors, corporate shorthand, and abbreviated descriptions. Additionally, enterprise financial systems often have different output formats, an initial hindrance to the reconciliation process. These factors cause delays due to the considerable groundwork required to manage them, with results losing value due to a lack of timely delivery.

CXO Nexus' patent pending **Nexus Automation Engine** combines AI, Advanced Analytics, and Intelligent Business Process Management with industry expertise to eliminate manual integration, normalization, and categorization of Enterprise Vendor Spend data. Intelligent automation accelerates time to value by promptly delivering current, accurate, and consistent results with *no FTE's required*. It frees valuable resources from the tedium of data processing to focus on actionable results.

The Nexus Automation Engine facilitates the interaction of automated processes to quickly produce consistent data that the AI can use to make decisions when and where they have the biggest impact.

Intelligent automation replaces manual processing with:

- Automated data conversion and integration
- Sophisticated data validation
- Scalability

Intelligent automation delivers:

- Normalized, reliable, and actionable data
- The evidence to define and substantiate objective measurements and realistic delivery times

How it works:

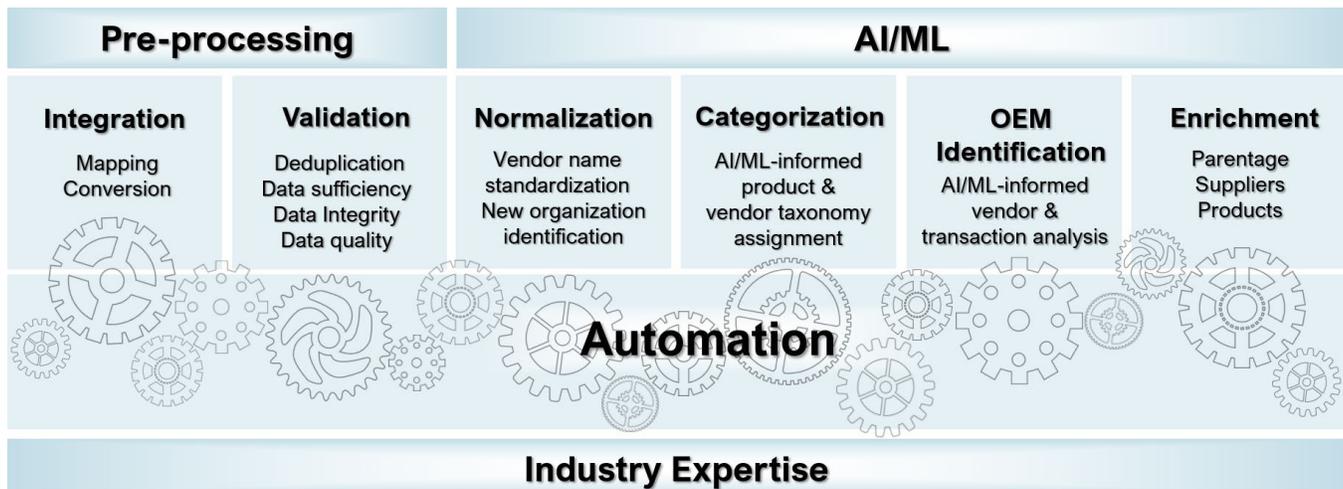
The Nexus Automation Engine process begins with the **anonymization** and **integration** of customer data. Automated **validation** of the input data is then done to ensure that all required fields are present and duplicates are removed. The quality of the data is then evaluated to ensure that it meets key standards, that incorrect values are identified, and that data in key fields is complete enough for the AI/ML to produce meaningful results. This is done in minutes, something that might take weeks or more for a human (or several humans) to do.

The next stage in the automated process invokes AI and ML to **normalize** vendor names and identify new organizations against the extensive CXO Nexus Organization Catalogue of parent and subsidiary companies. The Organization Catalogue is a database containing an evolving aggregation of vendors and organizations. New organizations are curated by QA analysts using interfaces backed by automation. They are then added to the Organization Catalogue and **enriched** with parentage and other pertinent information.

Vendor and product analysis follow next in the automated process. In this step, the AI/ML evaluates vendor names to identify OEMs, and product transaction descriptions are matched against the CXO Product Catalogue. The Product Catalogue contains an evolving aggregation of products and transaction data. New products and OEMs are fed back into the CXO Nexus Organization and Product Catalogues.

The final and crucial step in the automated process is to **categorize** products based upon a standard taxonomy. CXO Nexus applies the [Technology Business Management \(TBM\) taxonomy](#) for IT Spend (the CXO Nexus platform can be adapted to allow for multiple taxonomies). The AI analyzes transaction descriptions, product

information, vendor names, and other relevant identifiers to determine to which category a transaction belongs. As in the case of the **TBM taxonomy**, a product may fall into Compute, Application, Data, Platform, or any of several IT categories.



CXO Nexus’ solution takes advantage of the latest industry technology to facilitate scale and performance. Elastic compute and storage, in-memory computing, and fast caching accelerate our hyper-efficient processing.

Presentation of the data is available in multiple formats. CIO InCight Visualizer provides treemap and table views for which data can be filtered on any element in the source data, from category to transaction level detail. The CIO InCight Analyzer, a business analytics dashboard, provides access to the underlying data for detailed analysis and reporting: all data can be downloaded for integration into existing workflows.

At every step of the way, the Nexus Automation Engine creates exceptional value, delivering authoritative, comprehensive, and actionable results with speed and accuracy.

Check out some examples of the CXO Nexus monthly InCight Insider for highlights of the substantial benefits our clients have gained by using our flagship CIO InCight SaaS solution.

<https://cxonexus.com/unmasking-reseller-spend/>

<https://cxonexus.com/ma-fast-track-vendor-optimization/>

<https://cxonexus.com/the-importance-of-vendor-spend-categorization/>

[Subscribe to InCight Insider](#)