



# **TAMING TAIL SPEND: CUTTING THE TAIL TO POWER SUSTAINABLE EBITDA GROWTH**

**Produced by LogicSource's Partner for OneMarket Technology**

This guide draws on decades of procurement expertise and analysis of \$150B+ in procurement spend data to provide actionable strategies for organizations seeking to optimize their tail spend management. The recommendations leverage LogicSource's proven experience in sourcing, procurement, and implementing innovative spend management solutions that drive operational efficiency, mitigate risk, and generate sustainable value across the enterprise.

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# EXECUTIVE SUMMARY

Tail Spend represents a significant operational challenge for procurement organizations, typically defined as the 20% of spend that encompasses 80% of suppliers and transaction volume. Though often dismissed as “not worth managing,” this unaddressed spend category presents substantial opportunities for cost control, risk mitigation, and productivity enhancement across the enterprise. This fragmented spending pattern stems from multiple factors:

- Behavioral drivers where employees prioritize job completion over procurement best practices
- Missing Procurement process where a product is purchased without the correct controls and governance
- Inadequate or poorly communicated purchasing policies
- Insufficient procurement resources to address lower-value transactions
- Disconnected buying channels across invoices, purchase orders, and corporate cards

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The impact of unmanaged Tail Spend extends beyond procurement to affect multiple organizational stakeholders:

- CFOs face challenges with spend visibility, policy compliance, and P2P efficiency
- COOs have to deal with wasted purchases and unused inventory – missing spend governance
- Legal departments encounter increased risk from unvetted contracts or no contracts and/or purchase orders at all, resulting in unfavorable terms
- CIOs must manage technology and security vulnerabilities from unauthorized purchases
- Employees experience productivity losses navigating unclear procurement processes

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Our framework for addressing Tail Spend applies five management strategies — eliminate, consolidate, aggregate, automate, and simplify — supported by procurement-specific improvement levers focused on-demand control, smarter buying, and policy compliance. Implementation opportunities range from demand management and supplier consolidation to e-procurement catalogs and automated invoicing.

This guide provides a comprehensive methodology to assess your organization’s Tail Spend profile, including contract analysis, spend data examination, policy review, and procurement process evaluation. By implementing these strategies, organizations can transform this overlooked spending category from an administrative burden into a source of operational efficiency, cost savings, and risk reduction.

# WHAT IS TAIL SPEND?

Tail Spend is a term broadly acknowledged in procurement organizations but rarely addressed. It is usually dismissed as “not my problem” or “not worth trying to manage.”

- Most commonly defined as low \$ value purchases that make up 20% of the Spend with 80% of the Suppliers and 80% of the transaction volume.
- Unmanaged spend with a transaction value below the threshold for engaging in Sourcing or Procurement.
- One-off purchases and Spot-buys that are not frequent enough to be included in e-procurement catalogs.
- Urgent non-standard purchases that cannot wait for the standard process.
- Seemingly low-risk purchases that don't warrant the usual red-tape process.
- Not just a small spend for one supplier but a missed opportunity to consolidate specific category Tail Spend amongst a smaller number of suppliers

## Analytical Definition

- Retrospective, based on analysis of past spend data.
- The purchase of goods or services from a Supplier where the annual spend with that supplier is less than a defined threshold.
- + Used For PROACTIVE Tail Spend Management for projects generated from spend data analysis.

## Operational Definition

- Real-time, based on actual Purchase Requests.
- The purchase of goods or services from a Supplier where the value of the spend is less than a defined threshold.
- Any purchase made with a Procurement Card.
- Any purchase made with a Corporate Card.
- + Used For REACTIVE tail spend management to guide day-to-day operations and set dollar thresholds.

## TAIL SPEND – NOT TOO SMALL TO BE INTERESTING

- A \$1K decorative chair, a \$20K piece of software, a \$35K Services SOW, and a \$5K cleaning service (lots of variety).
- \$50K still buys a wide variety of interesting goods and services, with a lot of opportunity to change the way it gets sourced and purchased.
- We regularly see between 100 and 220 different Level 3 spending categories within a company's Tail Spend — a lot more variety than expected.



# WHY DO I HAVE TAIL SPEND?

Tail spend is very behavioral, so understanding why it exists is the key to knowing how to address it and get it under control - you will never completely eradicate it. Still, you can manage it to a reasonable level while mitigating risk.

- Tail spend purchases are mostly driven by employees who just need to purchase something to get their real job done; they usually aren't aware of the right way to get what they need.
- **Policy:** You probably don't have a purchasing policy that tells people the right way to get what they need.
- **Communication:** If you have a Purchasing policy, it probably isn't well communicated and easily accessible to your employees.
- **Resourcing:** You either don't have a centralized Sourcing/Procurement team, or your team is too small to scale down to <\$50K purchases.

Since Tail Spend is all about Buyer Behavior, you need to understand the Buyer's perspective by using the "shopping" metaphor:



**Shop:** I am looking for....  
Is it clear where I should go to search for what I need while staying in compliance with purchasing policy?



**Buy:** I place the order....  
Is it clear how I am supposed to place an order for what I need?



**Pay:** I pay for what I ordered.... Is it clear how the supplier gets paid when I order something?

## ADVANCED APPROACH

- Carry out Buyer interviews looking for candid feedback on the reasons behind the behavior, and organize feedback in the context of the Buyer Journey.
- Create Buyer personas to group the different target audiences.
- Perform a UX Analysis of the various buying processes from the shopper's perspective. A process wireframe is a great tool for mapping out the experience.

# QUANTIFYING TAIL SPEND – HOW BIG IS MY PROBLEM?

Use your spend analytics tool to quantify the scale of your Tail Spend problem.

In this case, we can see that Tail Spend accounts for 3% of the spend and 61% of the suppliers — a fairly typical profile for Invoice spend only (% of Tail Spend Suppliers will increase if you include T&E and Card spend due to the disproportionate number of small spend suppliers it contains).

Sourcing Segment	Spend Tiers	Spend (USD)	%	Suppliers	%
STRATEGIC	>3.5M	\$97,402,374	39%	10	1%
	2-3.5M	\$45,963,617	19%	14	2%
	1-2M	\$30,306,196	12%	18	2%
	<b>Total</b>	<b>\$173,672,187</b>	<b>70%</b>	<b>42</b>	<b>6%</b>
TACTICAL	250K-1M	\$41,968,360	17%	67	9%
	100-250K	\$16,416,066	7%	82	11%
	50-100K	\$8,587,862	3%	91	12%
	<b>Total</b>	<b>66,972,288</b>	<b>27%</b>	<b>240</b>	<b>33%</b>
TAIL	25-50K	\$3,886,085	2%	85	12%
	10-25K	\$2,194,814	1%	105	14%
	5-10K	\$694,063	0%	73	10%
	0-5K	\$460,151	0%	185	25%
	<b>Total</b>	<b>\$7,235,113</b>	<b>3%</b>	<b>447</b>	<b>61%</b>
<b>Grand Total</b>		<b>\$247,879,588</b>	<b>100%</b>	<b>729</b>	<b>100%</b>

This same table can be used to monitor your progress over time as you begin to tame your tail spend, revealing the impact and ROI of your efforts.

# WHY BOTHER TRYING TO MANAGE TAIL SPEND?

Unlike other sourcing strategies, where Saving money is a primary goal, taming tail spend is multidimensional, with a heavier focus on spend control, risk management, and employee productivity than on savings.

The variety of beneficiaries may also surprise you, with material value delivered across CFO, CPO, Legal, and CIO in addition to general employee productivity gains.

Objective	Benefit	Beneficiary
<b>Control</b>	<ul style="list-style-type: none"><li>• Improve spend governance and control across the entire business (spend analytics tool is critical)</li><li>• Better enable and enforce Policy Compliance (Purchasing, Expense, P-Card, Invoicing)</li><li>• Better control of the technology, security, and data privacy environment</li><li>• Influence buying/spending choices before dollars are spent</li></ul>	CFO CIO CPO Legal
<b>Risk Management</b>	<ul style="list-style-type: none"><li>• Avoid Data Privacy &amp; Data Protection exposures from low \$ contracts, especially in SaaS &amp; Cloud categories</li><li>• Avoid unknowingly signing up for unfavorable click-through T&amp;Cs online</li><li>• Avoid commitments with high-risk suppliers</li></ul>	Legal CIO
<b>Sourcing Productivity</b>	<ul style="list-style-type: none"><li>• Enable Sourcing to focus on driving higher savings &amp; value from strategic opportunities</li><li>• Get Better Spend Visibility and Control across all buying channels</li><li>• Improve strategic sourcing and forward-looking pricing by aggregating spend through supplier consolidation</li></ul>	CPO

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## Savings & Value

- Supplier consolidation enables access to volume pricing
- Get negotiated pricing from approved suppliers vs one-off pricing
- Discourage wasteful spending
- Drive value from fragmented low-value, high-volume spend
- Improve end-to-end P2P efficiency with Procurement Automation & eCatalogs

CFO  
CPO

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## Employee Productivity

- Employee no longer has to spend time trying to source and contract for the tools to do their job
- Empower employees to buy with speed, simplicity, and confidence so they can focus on their REAL jobs undistracted by procurement
- Common and widely made purchases available in online catalogs increase policy compliance and streamline end to end-purchase process

Employees  
Management

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## Finance Productivity

- Improve AP efficiency with streamlined invoice management
- Improve PO compliance, enabling faster automated invoice management

CFO

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# TAIL SPEND STRATEGIES, LEVERS & APPROACHES

There is a Framework of Strategies, Levers, and Approaches that can be applied in the Taming of Tail Spend. Naturally, the optimal combination of these will depend on your company's unique situation, as the maturity of the business process, mix of categories, and availability of tools and technology vary greatly by company.

The Framework is built around some key management strategies that you may already be familiar with:

- + **Eliminate** the unnecessary
- + **Consolidate** the fragmented
- + **Aggregate** into larger groups
- + **Automate** what you can
- + **Simplify** wherever possible
- + **Control & Govern** the purchases

The Improvement Levers are more procurement-specific:

- + Control Demand to reduce either the volume or variety of goods & services
- + Buy Smarter, and you will get a better price and T&Cs and fewer relationships and transactions
- + Policy Compliance

Strategy	Improvement Lever	Type	Approach	Example
Elimination	Control Demand	Proactive	Sourcing	Demand Management, i.e., buying less of something that isn't critical or stopping buying it completely if necessary.
		Reactive	SpotBuy	Try to buy services/items that already exist, but the requestor is unaware of. Use Spend Analytics to find the item bought by another department. This is common for Division — or location-driven purchases.
		Control	Rogue Spend	Buy from suppliers with products that have been pre-approved (for example, Office Supplies). Eliminate Rogue Purchases and Reduce Wasted Purchases and Obsolete Inventory

Consolidation	Buy Smarter	Proactive	Sourcing	Fragmented buying outside existing standard channels or suppliers, i.e., office supplies from Office Depot or Amazon instead of your preferred supplier, Staples.
		Proactive	Sourcing	Fragmented buying across multiple smaller suppliers, when there is no clear Preferred Supplier or their use, isn't well communicated i.e., facilities maintenance services, IT supplies, and packaging.
		Proactive	Sourcing	Fragmentation across multiple buying channels with the same supplier; for example it is not uncommon to see purchases from Staples across a mixture of PO Invoice, non-PO Invoice, P-Card and T&E channels. Cleaning this up results in more focused buying and clarity of the total spend with the supplier.
		Reactive	SpotBuy	Steer purchases to a Preferred Supplier.
Aggregation	Buy Smarter	Proactive	Sourcing	Ordering services via an aggregator vs. purchasing from many individual suppliers i.e., Facilities maintenance services via ServiceChannel, Freight, Telecom & Utilities via CASS.
		Reactive	SpotBuy	Steer purchases to Preferred Supplier.

Automation	Buy Smarter	Proactive	eProcurement	Setup eCatalogs to manage buying & streamline processing of low \$ purchases, with the added benefit of controlled item choices and negotiated pricing
			Sourcing	Invoicing automation using EDI/cXML, i.e., identify high spend high, volume Tail Spend suppliers, and drive AP automation
Simplification	Policy Compliance	Proactive	Sourcing	<ul style="list-style-type: none"> <li>Adjusting PO and Invoice frequency to streamline operations</li> <li>Moving spend from Cards to Invoices, or vice-versa, to simplify the buying process.</li> </ul>



# ACTION – TAIL SPEND ASSESSMENT

For the assessment, you should include the Card spend with the Invoice, as there is always a degree of cross-buying channel spend in the Tail, which is an easy target for consolidation.

As with any sourcing initiative, it is important to have both Contracts and Spend Data in hand and join the supplier for a complete view of the supplier relationship – Contracts describe and Spend Data quantifies the relationship.

Data Source	Action	Outcome
Contract Data	Contract Expiration Profile - understand which Tail Spend suppliers actually have contracts and what is expiring when.	Generate a list of contract renewal projects that can be managed proactively instead of passively, i.e., terminate /consolidate before renewal.
	Contract Risk Assessment – what is cancellable, negotiable	Understand which contracts can be canceled (i.e., Term for Convenience) or negotiated to improve terms (i.e., Pricing).
Spend Data	Sourcing Segment & Spend tier view	Know what Tail Spend looks like in the context of overall spend, i.e. what % of spend and % of suppliers make up your Tail Spend.
	L1 & L2 Category Profile Heatmaps	Identify obvious target categories aligned to Strategy, Lever & Approach.
	Top Tail Spend Suppliers in each Category	Look for consolidation into Tactical & Strategic preferred suppliers.
	Tail Spend Analysis – Who, What, When, Where, From Who	Slice & Dice Exploration of the Tail Spend dataset will reveal key angles to dig deeper into. The behavioral nature of Tail Spend means that understanding the WHO angle is key to taming it.
	Identify Non-Invoice Spend – Examine for cross-buying channel patterns	Identify Categories & Suppliers that can be optimized.
	Identify Unmanaged Spend	<ul style="list-style-type: none"> <li>Identify Tail Spend with Suppliers where there is no-PO &amp; no Contract</li> <li>Identify repeat purchase patterns across buying channels</li> </ul>

Procurement Policies	<ul style="list-style-type: none"> <li>• Do you have a Purchasing Policy?</li> <li>• Is it updated regularly and re-communicated to employees?</li> <li>• Is it easily accessible for reference when an employee needs to buy something?</li> </ul>	Communicate clearly to employees how to go about buying, rules for different categories, thresholds, when to engage with Legal or Sourcing, when a PO or Contract is required, and where to go when the answer isn't clear or help is needed.
	<ul style="list-style-type: none"> <li>• Do you have an Expense/Card Usage Policy?</li> <li>• Is it updated regularly and re-communicated to employees?</li> <li>• Is it easily accessible for reference when an employee needs to buy something?</li> </ul>	Monitor & enforce existing policy OR set a new Policy to drive behavior in the right direction.
Procurement Process / Workflow	<ul style="list-style-type: none"> <li>• Look for weaknesses in the current process</li> <li>• Understand Buyer Behavior &amp; Motivations – ‘Buyer Journey’: <ul style="list-style-type: none"> <li>+ Conduct Buyer interviews for candid feedback on the reasons behind the behavior</li> <li>+ Organize feedback in the context of the ‘Buyer Journey’</li> <li>+ Create Buyer personas to group the different target audiences</li> <li>+ Perform a UX Analysis of the various buying processes from the shopper’s perspective. A process wireframe is a great tool to map out the experience</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Process changes to improve behavior.</li> <li>• Creation of new functions, i.e., Tail Spend Triage, Renewals Team, Tactical Sourcing Team.</li> <li>• Need for missing process and tools, i.e., BuyDesk and Purchase Intake process.</li> <li>• Need for simplified contract templates &amp; process.</li> </ul>
Procurement Systems	Look for gaps & weaknesses in current systems	Highlight the need for new systems & tools, i.e., Guided Buying/Intake, Spend Analytics, Contract Management, Approved & Preferred Supplier List (ASL, PSL).

# CONCLUSION

Effective Tail Spend management represents an opportunity that extends far beyond traditional cost savings across finance, legal, IT, and operations. Organizations implementing comprehensive Tail Spend strategies achieve enhanced visibility, improved compliance, reduced risk exposure, increased procurement productivity, and measurable cost savings through consolidation — all while improving employee productivity by streamlining the “shop-buy-pay” experience.

Organizations should begin with a comprehensive assessment that examines contract data, spending patterns, policies, and processes to identify high-impact improvement opportunities. By combining technological solutions like e-catalogs and spend analytics with process improvements and clear communication strategies, procurement teams can transform what is often perceived as an administrative nuisance into a strategic advantage. The framework of eliminate, consolidate, aggregate, automate, and simplify provides a roadmap for organizations to improve operational efficiency while strengthening governance — delivering value that extends well beyond the procurement function to benefit the entire enterprise.



## ABOUT LOGICSOURCE

The innovative leader in procurement services and technology, LogicSource is purpose-built to drive profit improvement, mitigate risk, and ensure supply chain continuity through better buying. LogicSource focuses exclusively on the sourcing and procurement of indirect goods and services, which typically represent 20% of an organization's revenue and the area of greatest spending inefficiency.

These include complex categories like marketing, packaging, corporate services, facilities, information technology, distribution and logistics, and more, for which organizations often lack the capacity, focus, and scale to achieve best-in-class buying. Unlike traditional advice-based consultants, LogicSource is a purpose-built buying utility with assets that are configurable to their clients' needs and ready to deploy.

By combining decades of sourcing and procurement expertise, superior market intelligence, cross-portfolio spending leverage, and their OneMarket® Source-to-Pay technology, LogicSource executes customized solutions that deliver immediate savings and sustainable value. For more information, visit [logicsource.com](https://logicsource.com).

## ABOUT THE AUTHOR

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Mark is a software veteran, a self-confessed data nerd, and an experienced procurement practitioner. He has 30+ years of experience spanning both the Sell-side and Buy-side of Global Business, operating from 5 countries across Asia and North America, with Senior Leadership roles across Procurement, Product, Sales, Finance, Marketing & Customer Service.

For more information or to discover how LogicSource can help your organization achieve best-in-class buying, visit [logicsource.com](https://logicsource.com).