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How to curb miscellaneous expenses with better tail spend management

The Ramp team


Tail spend is rampant in corporate America, amounting to a $1.8 trillion problem in the U.S. alone. And yet, many companies don't address it at all. Tail spend can be different for each company, but it might look like all of those coffee shop purchases classified as "miscellaneous" in your books or paying for the same subscription multiple times under different employee's accounts.

What is tail spend?

Tail spend is high-volume, low-value expenses that, on average, make up 80% of the average company's transactions and 20% of total spend.
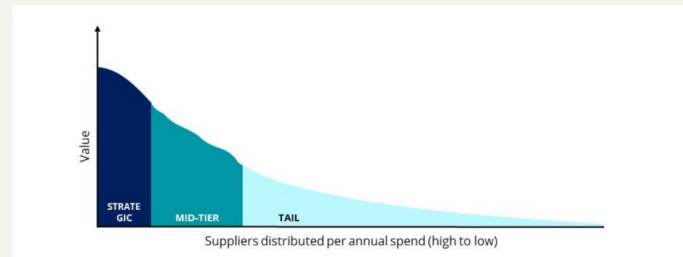
Source: Innovating Tail Spend Management by Deloitte

Tail spend is often challenging to manage because it is comprised of one-off, irregular, low-value transactions that are ill-defined in procurement processes because they don't fall under strategic spend categories. In addition, these expenses are often scattered across multiple suppliers and purchase orders, so companies have poor spend visibility.

These "small" transactions are too big to ignore. Because tail spend accounts for the majority of your company's transactions as well as a significant portion of overall spend, it can silently kill budgets and undermine growth opportunities. The key to keeping these expenses under control is proactive tail spend management.

Why you should care about tail spend management

We get it — you're busy growing your company, so why should you care about hunting down these minute transactions? Tail spend may seem small on the surface, but collectively these expenses have a significant impact on your budget and company.

1. Tail spend management saves your company money

Tail spend management should be a key piece of your strategy if you're looking to spend smarter and safeguard your budget. A recent study by Deloitte found that companies who manage their tail

spend effectively have **savings between 5-20%** in total spend. It provides visibility into spending so you can:

- Uncover spend that is outside of your procurement policy or doesn't contribute to your top-line initiatives
- Track billing inconsistencies over time to find areas you can save and renegotiate contracts
- Identify duplicate services and supplies

2. Tail spend management provides more accurate budget forecasting

Accurate P&L forecasting depends on a predictable budget. To make accurate predictions, you need to know how much will be spent, where it's being spent, how it will affect your top and bottom line, and have a sustainable way to enforce your expense policy.

If you struggle with uncertainty surrounding your P&L forecasting, it may be due to out-of-control tail spend. Tail spend is typically where companies struggle the most with visibility and have the least amount of spend management. This common feeling of uncertainty isn't surprising when you consider 67% of procurement professionals have limited or no visibility beyond tier one of their supply chain.

When you have full visibility into dollars spent, procurement teams are able to both curb tail spend and more accurately predict your bottom line.

How to reduce tail spend with a spend management platform

As companies grow, it becomes increasingly difficult for leadership to maintain visibility and manage tail spend. Hunting down small transactions is time- and cost-intensive, so companies often turn a blind eye to tail spend management. Or, they'll outsource this management to firms that just add another expense to their budget.
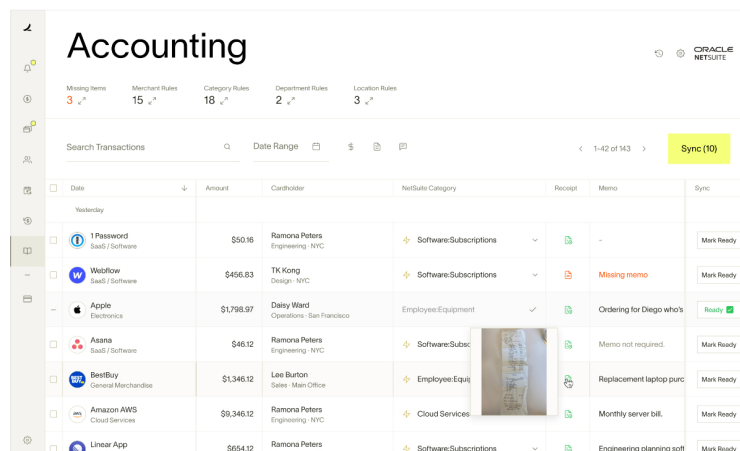
A better solution is to use a spend management platform. Spend management platforms offer an *automated* way to handle a company's spend. They cut both the cost and time involved by automating bookkeeping workflows through affordable software. And at the same time, these business finance tools leverage digital analytics to eliminate wasteful spend and surface cost savings.

1. Get complete visibility into your spend

One of the biggest challenges with curbing tail spend is not having eyes on where your money is going. A spend management platform pulls all of your billing and expenditures into one place to give you a comprehensive view of your spend and budget. A few key features include:

- **Track spend over time.** The tool will automatically identify and update your company's vendors, which employees use them, and spend in real-time, so you know exactly how much your company has spent on any vendor over any period of time and who is using them. Use this data to realign spending around your budget goals.
- **Organize into tail spend categories.** Organizing tail spend into different categories will give you a high-level understanding of where your money is going.
- **See your upcoming spend.** A spend management platform automatically identifies all active subscriptions and predicts upcoming payments—no more surprises or manual tracking.

With this visibility, you'll be able to tailor your budget with ease.

2. Eliminate unnecessary spend

Tail spend documentation is typically scattered across POs, spreadsheets, crumpled-up receipts, and lost emails, making spend analysis difficult. Spend management platforms centralize spend

information and make it easy for accounting teams to catch unnecessary expenses, identify savings opportunities, and reduce maverick spend. They do this by:

- **Automatically detecting wasteful spending.** Spend management platforms automatically identify opportunities to save by combing through spend data and identifying unnecessary or duplicated purchases.
- **Controlling spend with cards tied to your expense platform.** Issue cards with pre-approved spend limits to automatically enforce your company policies and keep employees in check.
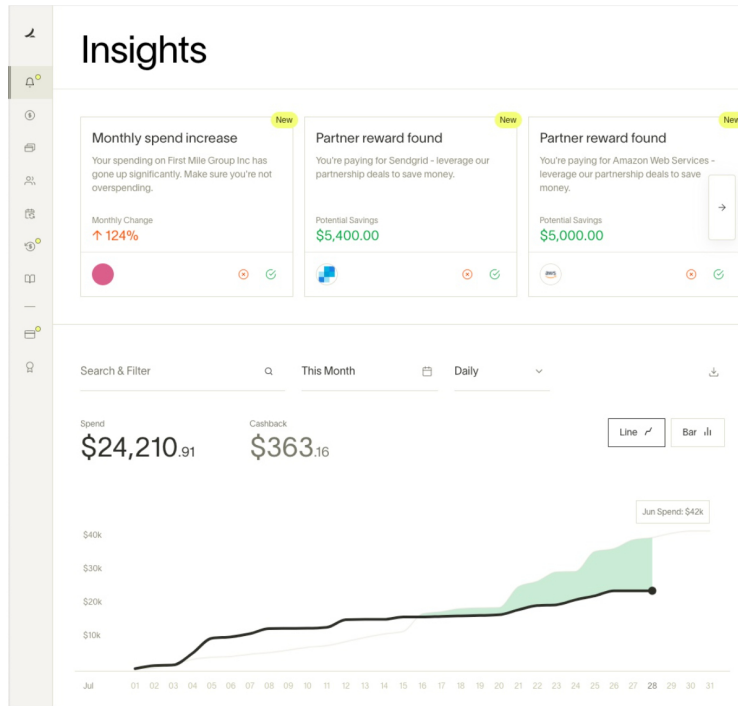

3. Block unapproved vendor spend

The biggest issue with traditional vendor management is that it is time-consuming and labor-intensive. Traditionally, things are spread across multiple channels, and every approval has to be done manually, so expenses and approvals inevitably get lost in the shuffle. With a spend management platform, everything is simplified by centralizing vendor data and applying seamless approval processes that enables significant cost reduction while also saving time and keeping everyone accountable.

- **Review and approve spend requests in seconds.** It's easy to see potentially overlapping services and suppliers and identify what expenses should be approved or not with a complete visual of the budget, spend, and vendors.
- **Predict and control all your vendor costs.** Identify and collect all your vendors and contract owners in one place. Stop waiting for monthly statements—know the instant a transaction takes place and when payments will happen. Easily pull data to negotiate with vendors, both new and old.
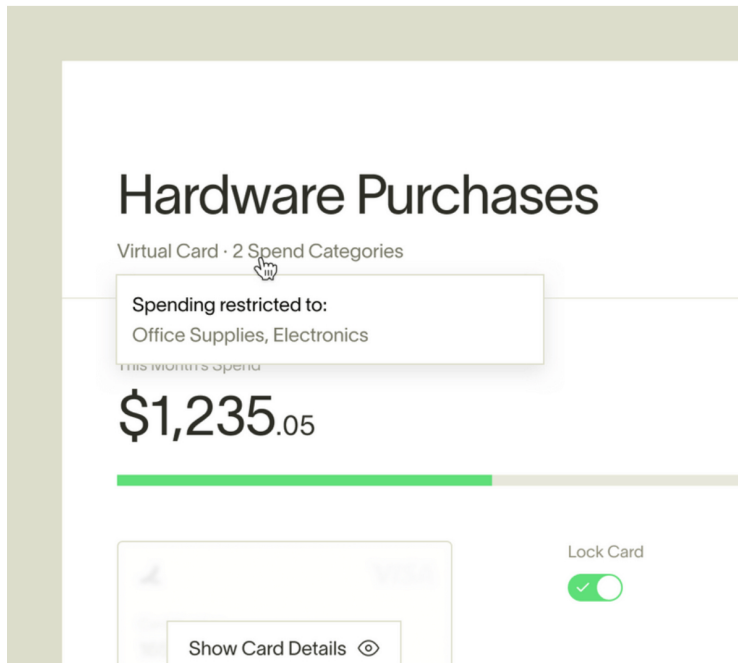
🎉 Your request for a new card was approved!
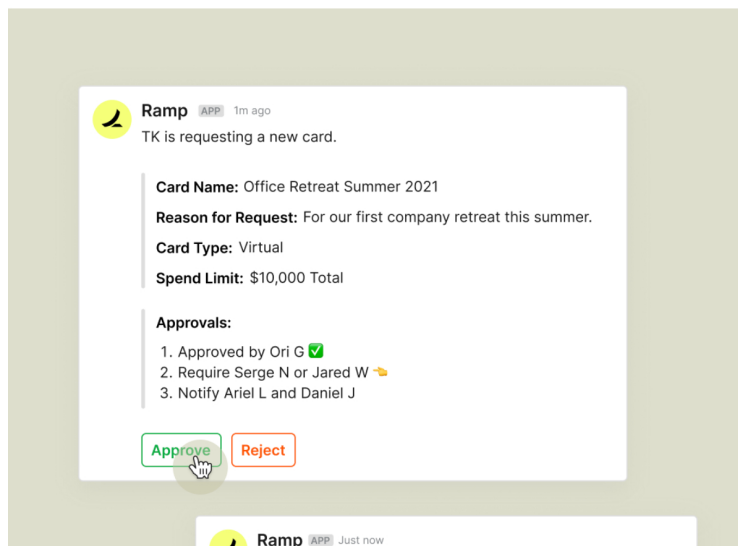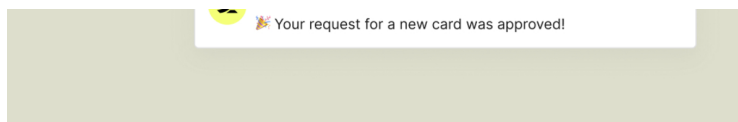
4. Automate policy enforcement

With a spend management platform, you can let the bot be the "bad cop," enforcing your spending policies and automating approvals—creating a smooth process that saves time for everyone.

- **Enforce policies consistently.** Reduce inconsistency for your employees and your books with automated policy restrictions and pre-approvals. These features streamline spend by removing the guesswork for employees about what purchases are covered, and the finance team doesn't have to waste time matching policies and expenditures for approval.
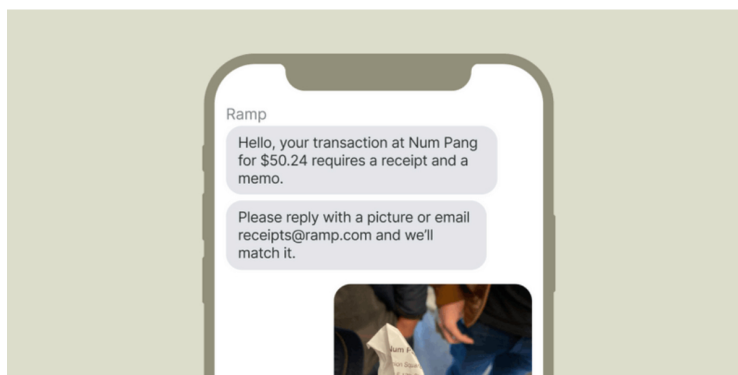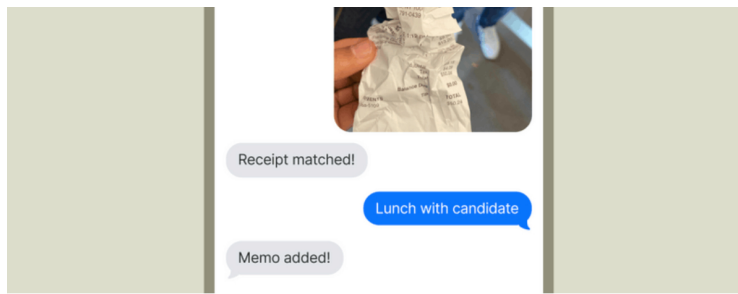
Hardware Purchases

Virtual Card · 2 Spend Categories

Spending restricted to:
Office Supplies, Electronics

This Month's Spend

$1,235.05

Lock Card

Show Card Details 👁

5. Simplify expense submission and reimbursement

The manual expense process isn't hard on just the finance team; it's hard on employees too. The time it takes for employees to track down crumpled-up receipts and fill out expense reports for every minute expense is exhausting and often results in inaccurate or incomplete expense reports. Not only that, but according to Forbes, "2 in 5 employees have experienced cash flow issues due to slow expense reimbursement," which hardly promotes a positive work environment.

Thankfully, you can leverage expense automation to simplify reporting while protecting your business and your employees.

- **Make expense submission easy.** With automated receipt-matching, cardholders are notified the instant they swipe by SMS or email. The spend management platform automatically reminds, collects, and matches receipts for every transaction that needs one.
- **Reimburse with ease.** Create reimbursement policies for every use case. Then sit back and relax with automatic receipt verification that automates 90% of expense reports. With one-click approval and deposit, you can reimburse your employees in no time.

Ramp

Hello, your transaction at Num Pang for $50.24 requires a receipt and a memo.

Please reply with a picture or email receipts@ramp.com and we'll match it.

Ramp: A new way forward in tail spend management

[Ramp's spend management software](#), in combination with our powerful corporate card, offers every feature you need to get your organization's tail spend under control. Let us help you save time and money so you can focus on growing your business.

Check out our ebook to learn to design a stronger expense policy to guard against wayward tail spend:

Don't miss these

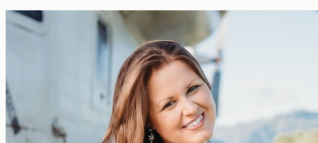### 7 ways to better manage your business cash flow

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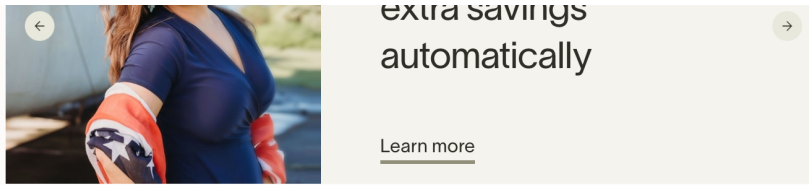
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