Cost Intelligence in Action – Manufacturing

How CFOs combine Cost Intelligence and Tail Spend discipline to fuel growth

In today's economy, manufacturing CFOs are being pulled in every direction at once.

Input costs and energy prices remain volatile. Wage inflation and skills shortages push labor costs higher. Customers expect shorter lead times, more product variants, and greater resilience – without accepting higher prices. At the same time, boards and investors want capex discipline, ESG progress, and profitable growth.

You have dashboards, reports, and endless spreadsheets. What you don't always have is **direction** – a clear view of ***where to act first*** to protect margin and fund the next wave of investment.

That's where **cost intelligence** comes in.

From Data to Direction

Most finance teams in manufacturing are surrounded by data. ERP systems, AP records, purchasing platforms and plant-level spreadsheets all capture spend. But traditional reporting typically tells you what you spent and with whom – not where the real opportunities are or how to sequence action across plants, categories, and suppliers.

Cost intelligence goes a step further. It connects:

- A clear visualization of indirect spend across sites and business units
- Insight into category performance, supplier fragmentation and internal buying behaviors
- External benchmarks that show what "good" really looks like for your peer group
- A prioritized view of where savings are realistic – and how to unlock them
- Spend analysis to predict future risks and opportunities.

At **ERA Group, tools like** SpendVue™ act less like a static dashboard and more like an opportunity engine. They highlight where your spend is under-performing, what category levers to pull (renegotiate, consolidate, respecify, re-route, reduce demand), and what level of improvement is realistic.

For many manufacturing CFOs, one of the richest – and most overlooked – sources of value is the tail spend.

The Tail Spend Problem in Manufacturing

Every manufacturer understands the 80/20 reality of spend.

Roughly 80% of total expenditure is typically covered by strategic purchasing and supplier management: direct materials, tooling, capex, core logistics, energy, and key services. This is where procurement and operations teams spend most of their time – and where the board's attention usually goes.

But the remaining 20% – **the tail spend** – hides a very different story.

In many manufacturers, that 20% of spend is spread across 70–80% of suppliers. It includes thousands of SKUs and multiple service lines:

- MRO, spares and consumables
- PPE and safety equipment
- Packaging and warehouse supplies
- Indirect logistics and courier services
- Telecoms, IT circuits and licenses
- Waste, uniforms, janitorial and facilities services
- Office supplies, marketing materials, training and more

On paper, this looks like "small stuff". In reality:

- The **processing cost** of raising POs, approving and paying invoices can exceed the value of the items purchased.
- Fragmented supplier bases mean weakened buying power and inconsistent terms.
- P-cards and "urgent buys" obscure SKU-level visibility and limit effective control.

A recent ERA manufacturing client with around **$56M in total spend** discovered that over **$9.4M** sat in tail categories – spread across hundreds of suppliers. **Savings of 10–40%** were achievable in key expense areas once the tail was properly mapped, benchmarked and managed.

For a CFO under pressure to fund automation, capacity expansion, or energy-efficiency projects, the fuel for growth can be found in the 'small stuff'.

Why Tail Spend is So Hard to Tackle Internally

If tail spend is so rich with opportunity, why is it so often ignored?

There are usually eight recurring barriers inside manufacturing organizations:

1. Fragmented suppliers

Each plant has its own historic supplier relationships for MRO, PPE, site services and more. Rationalization requires time, data, and diplomacy.

2. Weak internal controls

New suppliers are often added ad hoc to "solve a problem", without a clear owner or strategy – leading to maverick spend and inconsistent terms.

3. Limited visibility

SKU-level data is rarely consolidated across plants. P-cards and local purchasing make it convenient to buy, but hard to analyze.

4. High process cost

Raising a PO, booking goods, and processing an invoice can cost more than the item itself – particularly for low-value, high-volume consumables.

5. Category complexity

Each indirect category has its own cost drivers, market conditions and contract nuances. Deep expertise is required to benchmark and negotiate effectively.

6. Lack of external benchmarks

Without data from the wider market, it's difficult to know if your pricing and terms are truly competitive.

7. Stretched internal resources

Procurement is focused on feeding the production floor and securing direct materials. The tail sinks to the bottom of the priority list.

8. Executive scepticism

Tail spend is often perceived as too small or too messy to be worth the disruption – creating a self-fulfilling cycle of inaction.

Cost intelligence cuts through all eight barriers by **making the tail visible, quantifying the prize, and sequencing practical actions** so manufacturers can turn **overlooked spend into sustainable value.**

The Manufacturing CFO Playbook: 5 Tail Spend Moves

Here's how manufacturing CFOs are using cost intelligence and external specialists like ERA to tame the tail to help fund and drive their strategic agenda.

1. Map the Tail – Fast

Start with a **sector-specific Opportunity Assessment.**

Consolidate AP data across all plants and legal entities. Classify spend by category and supplier, and rank by value, supplier count and process effort. The goal is not perfection – it's an accurate, directional view of where tail spend is most concentrated and where the largest leaks are occurring.

The output for the CFO:

- A clear picture of tail categories by value
- Hotspots where supplier counts are excessive
- An initial estimate of savings potential and payback period

2. Rationalize & Standardize Indirect Categories

Next, bring **category specialists** to the table.

In areas like MRO, packaging, logistics, or waste, ERA's teams benchmark your current pricing, specs and contract structures against a broad base of manufacturing clients and billions of dollars in similar spends. Fragmented supplier lists are consolidated, specifications are challenged, and contracts are reset on more favorable terms – without compromising plant uptime, safety or service levels.

The result is greater leverage and supplier alignment, stronger terms, and a more resilient supply base.

3. Cut the Process Cost, Not Just the Unit Cost

Tail spend isn't just a price problem; **it's a process problem.**

By redesigning ordering thresholds, catalogues, and approval flows – and by integrating with existing ERP or P2P tools – you can dramatically reduce the number of low-value POs and invoices. Where appropriate, P-card usage is brought under clearer policy control, so you retain convenience without sacrificing visibility.

For the CFO, this shows up as:

- Lower transactional overhead
- Cleaner accruals
- Better control over budget vs actuals across plants

4. Build Guardrails Around ESG and Risk

Manufacturing supply chains are under increasing ESG and compliance scrutiny.

As you rationalize tail spend, you also have the chance to **bake in better standards:**

- Preferred suppliers that meet your environmental and safety criteria
- Harmonized contract clauses across plants (payment terms, liability, service levels)
- Visibility into where high-risk suppliers or materials sit in the indirect chain

Cost intelligence ensures you're not trading compliance and resilience for savings – you're improving all three.

5. Reinvest the Savings in Strategic Manufacturing Priorities

The whole point of this exercise is not "cost cutting for its own sake". It is to liberate trapped cash so you can say yes to the investments that matter most:

- Automation and robotics to alleviate labor and skills shortages
- Energy-efficiency upgrades to mitigate volatility and support Net Zero
- Capacity expansions, new product lines, or reshoring initiatives
- Digitalization of the plant and supply chain

By ring-fencing a portion of tail spend savings and linking them explicitly to these projects, **CFOs can move from defensive cost control to proactive value creation.**

A Typical Impact Profile

In many ERA manufacturing engagements, an initial Opportunity Assessment highlights:

- **Tail spend representing 15–20% of total expenditure**
- **Savings potential of 10–40% across selected categories such as MRO, packaging, logistics, telecoms and waste**
- **Significant reductions in supplier count and invoice volumes, improving both purchasing leverage and process efficiency**

Those savings are then tracked and verified over time, with governance that keeps finance in control and gives the CFO confidence in the numbers.

Why Manufacturing CFOs Partner with ERA Group

Tackling tail spend across multiple plants, categories and countries is not a side project. **It requires:**

- **Deep category expertise**
- **External benchmark data**
- **Specialist tools like SpendVue™**
- **The capacity to manage change across suppliers and internal stakeholders**

ERA Group has been supporting manufacturing CFOs for decades, combining a **gain-share** commercial model with practical implementation support. We work alongside your finance and procurement teams – not instead of them – to turn cost intelligence into measurable, bankable results.

Your Next Step: A Manufacturing Tail Spend Opportunity Assessment

If you don't know where your next 5% margin improvement is coming from, there's a good chance it's hiding in your tail.

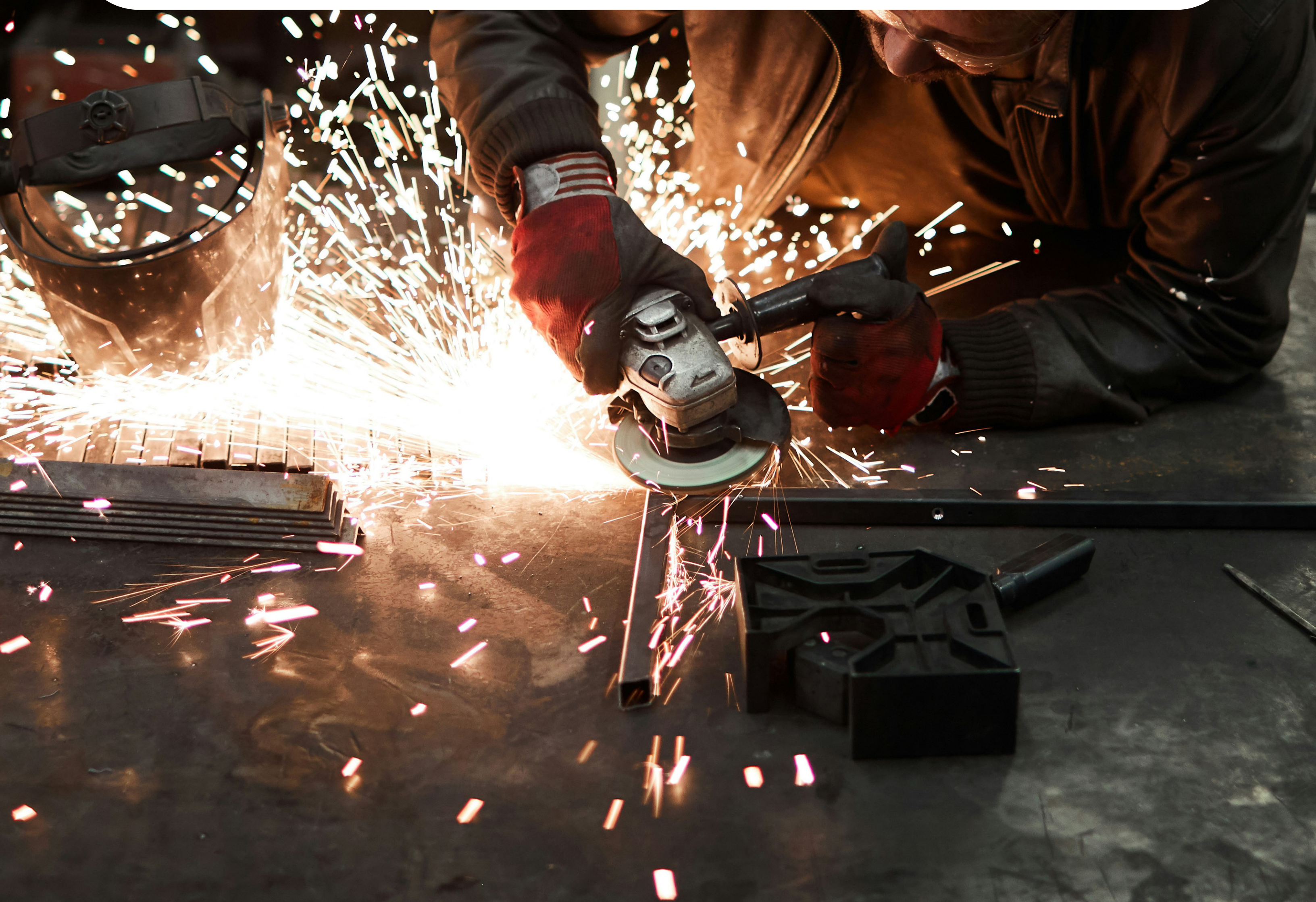
Start with a low-risk **Manufacturing Tail Spend Opportunity Assessment.** In a short, focused engagement, we will:

- Map your indirect and tail spend across plants
- Identify priority categories and suppliers
- Quantify realistic savings and process improvements
- Outline a phased implementation roadmap

From there, you decide where to act – and how quickly.

Cost intelligence turns your tail from a cost burden into a competitive advantage.

Let's make your next "yes" count.



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