

# Cost Reduction as a Percentage of Managed Spend

*Benchmarks, Definition & Measurement Details*

**SAMPLE  
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# Cost Reduction as a Percentage of Managed Spend

Definition & Measurement Details



## What is Cost Reduction as a Percentage of Managed Spend?

The dollar amount saved through cost reduction divided by the total dollar amount of managed spend over the same period of time, as a percentage.

### Why should this KPI be measured?

Cost Reduction as a Percentage of Managed Spend measures the Procurement function's ability to "reduce" costs through diligent negotiation and vendor management practices. Lack of attention to

### How is this KPI calculated?

Two values are used to calculate this KPI: (1) the dollar amount saved through cost reduction, and (2) the total dollar amount the Procurement function manages. The formula is the difference in

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