Basket Analysis: Portfolio Approach for Transparent Procurement Management

Basket analysis (spend analysis) is a classic method in strategic procurement used to systematically capture all goods and services procured by an organisation by commodity group, supplier and spend volume. It forms the data-based foundation for supplier strategies, bundling potentials and priorities in day-to-day operations. Without a clean basket picture, procurement work remains reactive; with it, cost reduction levers can be identified in a targeted manner and exploited sustainably.

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Key facts at a glance

01 The basket analysis breaks down the entire procurement volume by material or service groups and provides the central starting picture for all strategic procurement decisions.

02 Typically, criteria such as volume, number of suppliers, degree of dependency and market structure are combined, frequently supplemented by portfolio models.

03 It is a prerequisite for bundling, sourcing strategies, cost reduction programmes and the preparation of electronic tendering.

04 The data basis is usually extracts from ERP systems, which are cleansed, normalised and mapped to uniform commodity groups using reference data.

05 In practice, the analysis is typically updated once a year, or six-monthly or on a rolling basis in dynamic markets.

06 Typical outcomes are saving potentials of a few per cent of total procurement volume, strongly dependent on the starting situation and industry.

Definition: Basket Analysis

The basket analysis is the systematic breakdown of an organisation's entire procurement volume by commodity group, supplier, cost centre and period. It shows what the organisation spends how much

money on, with whom and with which structural characteristics.

Distinction from Spend Analysis

In the English-speaking world, basket analysis is frequently referred to as spend analysis; in the German B2B environment the two terms are largely synonymous. The basket analysis places the emphasis on the structure by commodity groups and basket bundles, whereas spend analysis focuses more strongly on the origin of spend (spend cubes, data sources, booking consistency). In practice, the two methods are combined: first data cleansing, then structural grouping. For technical buyers this means that not only order values but also framework agreements, call-offs and service bookings such as contract manufacturing must be captured so that the picture is complete.

Purpose in the Procurement Process

The basket analysis is the instrument for establishing transparency before strategy: it answers which baskets generate the greatest cost pressure, where many suppliers are used for comparable material and where critical dependencies exist. Concrete actions can be derived from this, such as bundling, supplier consolidation, make-or-buy reviews or the migration of operational spend into catalogue structures. It also provides the prioritisation for enquiries and electronic tendering, as procurement resources are always limited.

Methods and Approach of the Basket Analysis

A professional approach typically follows five steps: data extraction, cleansing, classification, analysis and strategy derivation. The quality of the data basis determines the informative value of all actions derived from it.

Data Basis and Classification

The basis is order and invoice data, frequently supplemented by bills of materials, framework agreements and inventory stocks. Typical problems are inconsistent material numbers, free-text orders and duplicate bookings. Material master data must be cleansed and mapped to a uniform classification system using reference data, for example according to industry standards or a self-defined group framework. Only a consistent classification allows meaningful comparisons across sites and years.

Portfolio Presentation

The classic presentation tool is the procurement portfolio matrix according to Kraljic, which classifies baskets by profit impact and supply risk into strategic, lever, non-critical and bottleneck. In addition, volume-complexity matrices and supplier activity analyses have become established. The assignment of the baskets into the portfolio quadrants ideally takes place in an interdisciplinary workshop with engineering, quality and logistics, since pure figures alone cannot capture supply risk.

Price and Market Analysis per Basket

For each relevant basket, in-depth analyses follow: price developments, cost structure, number of

market players, capacity utilisation of upstream suppliers and alternative sources of supply. For stretched purchasing concepts with DPU structures or transport shares such as air freight cost components, a breakdown of ramp-up and logistics costs is useful. Logistics patterns such as just-in-time delivery or consignment arrangements are also factored into the assessment, as they influence stock values and risks in addition to prices.

Key KPIs and Result Parameters

The basket analysis provides metrics at three levels: portfolio level, basket level and supplier level. They make progress measurable and serve communication with management.

Portfolio and Basket KPIs

At the top level are total volume, number of baskets, top revenue shares and the degree of consolidation. Per basket, the following are typically recorded: volume development, average prices, price spread between suppliers, proportion of framework agreement versus one-off procurement and the proportion of catalogued C items. These metrics show where standardisation and catalogue structure hold potential and where, by contrast, negotiation-intensive lever baskets lie.

Supplier-Related Metrics

Supplier metrics can be aggregated across the baskets: number of commodity groups supplied, share of procurement volume, risk concentration and performance data such as the on-time payment rate on the buyer side or availability and delivery reliability on the supplier side. For suppliers with a high basket share, a due diligence review of financial stability and capacity is worthwhile. In addition, sustainability data such as the supply chain carbon footprint (SCF) can be collected per basket in order to make emissions loads in procurement visible.

Risks and Controls in the Basket Analysis

The most common sources of error do not lie in the model but in the data. Incomplete extracts, inconsistent classification and inadequate updating distort the result and lead to wrong strategy decisions.

Data Quality as the Main Risk

Free-text orders, nested contract handling and ancillary costs such as tool deposits or freight costs significantly distort basket values. Control measures are sample checks of the classification, defined cut-off criteria and quarterly reconciliation with the accounts department. Obsolete stock from shutdowns or projects should also be excluded in order to obtain a pure demand picture.

Organisational Pitfalls

The second risk is the lack of implementation: basket analyses that end merely as a report waste resources. Control is exercised via derived action plans with responsibilities and deadlines, whose

implementation is reviewed in regular reviews. Lessons learned from completed sourcing projects feed back into the next analysis cycle. In decentrally organised groups, the uniform application of the classification across all sites is moreover an ongoing task that a responsible person in central procurement should maintain.

Taxes and Compliance

For cross-border baskets with Incoterms such as DPU, customs, tax and contract issues must be observed. The basket analysis itself is tax-neutral, but its results influence contract and customs structuring. Detailed tax assessments should be reviewed on a case-by-case basis with tax or legal advisers; this does not replace binding legal advice.

Current Developments and Digital Implementation

Basket analyses are increasingly moving from static Excel analyses to integrated data models that are continuously updated and feed directly into sourcing workflows.

Automation and Data Integration

Modern approaches use automated extraction from ERP and invoice systems, supported by invoice automation, which uses invoice data as an additional spend signal. AI-assisted classification automatically assigns free-text line items to commodity groups and significantly reduces manual effort, but does not replace expert review. The goal is rolling spend transparency that is updated monthly rather than annually.

Resilience and Sustainability as New Analysis Dimensions

Alongside costs, supply and sustainability aspects are coming more strongly into focus. Baskets are additionally assessed by supply region in order to identify potentials for onshoring or regionalisation. Supplier approval processes and the supply chain carbon footprint (SCF) extend the classic cost view. Procurement models such as lean procurement or the digitalisation of demand coverage via catalogue structures are also prioritised on the basis of the basket analysis.

From the Basket to the Sourcing Roadmap

The final step is the derivation of concrete actions per basket: bundling across sites, reverse auctions for standardisable line items, expanding alternative sources of supply or migrating to contract manufacturing. Combined with electronic tendering and idea evaluation, this creates a prioritised sourcing roadmap that is updated annually and fed back into the supplier strategy.

Typical metrics

Metric	Typical value

Proportion of classified spend data	> 95 % *Target size for a robust basket basis*
Supplier consolidation per basket	typically 2–5 framework suppliers *Depending on the commodity group and supply risk*
Framework agreement coverage	> 70 % *Proportion of volume via framework agreements rather than one-off purchases*
Cost saving potential per priority basket	typically 3–10 % *Strongly dependent on market structure and starting situation*

Practical example

A medium-sized mechanical engineering company with a procurement volume of around €60 million and three sites created a uniform basket analysis for the first time. After cleansing around 20,000 order line items, it became apparent that standard standard parts were sourced from nine different suppliers, while strategic purchased components were distributed in an unstructured way across individual orders.

- Consolidation of standard parts and bought-in parts procurement onto two framework suppliers with a catalogue structure and call-off logic.
- Electronic tendering (reverse auction) for ten lever commodity baskets with harmonised specifications.
- Risk review (due diligence) for two suppliers with a basket share of more than five per cent of total volume.
- Introduction of a rolling quarterly review with lessons learned and prioritisation of the next sourcing waves.

Conclusion

The basket analysis is the foundation of any systematic procurement management: it makes spend structures visible, prioritises actions and creates the data basis for supplier strategies and negotiations. Decisive are a clean data basis, a uniform classification across all sites and the consistent derivation of sourcing actions. Organisations that maintain the analysis on a rolling basis rather than treating it as a one-off project gain continuous transparency and responsiveness. For technical buyers in particular, it links bills of materials, market information and supplier performance into a viable overall picture. Investments in data quality typically pay off over several years.

Frequently asked questions

? What is a basket analysis in procurement?

A basket analysis (spend analysis) is the systematic breakdown of an organisation's entire procurement volume by commodity groups, suppliers and spend structures. It creates transparency about what an organisation spends how much money on. From this, sourcing priorities, bundling potentials and supplier strategies are derived.

? How do you create a basket analysis step by step?

First, order and invoice data are extracted from the ERP system and cleansed. Next, line items are mapped to uniform commodity groups using reference data and analysed by volume, risk and supplier structure. Finally, the portfolio classification follows and concrete actions are derived for each basket.

? What data do you need for a basket analysis?

The basis is order, invoice and framework agreement data, supplemented by material master data and, where applicable, bills of materials. Uniform material numbers, supplier identifiers and cost centre assignments are important. Free-text orders must be reclassified, otherwise the basket basis will be inaccurate.

? What is the difference between basket analysis and the Kraljic Matrix?

The basket analysis is the data-based capture of procurement volume by commodity group. The Kraljic Matrix is an assessment tool that classifies these baskets into four portfolio quadrants by profit impact and supply risk. The two complement each other: first the analysis, then the strategic classification.

? Which KPIs are used in a basket analysis?

Typical KPIs are total volume, volume per basket, number of suppliers per group, price spread, framework agreement coverage and volume concentration. In addition, supplier metrics such as delivery reliability or the on-time payment rate provide performance indicators. Sustainability data such as the supply chain carbon footprint increasingly completes the picture.

? How often should a basket analysis be updated?

An annual full update is common, with six-monthly or rolling updates in dynamic markets or in cases of strong volume growth. Modern systems enable monthly spend reports from ERP and invoice data. It is important that the classification logic remains constant in order to allow comparisons over time.

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