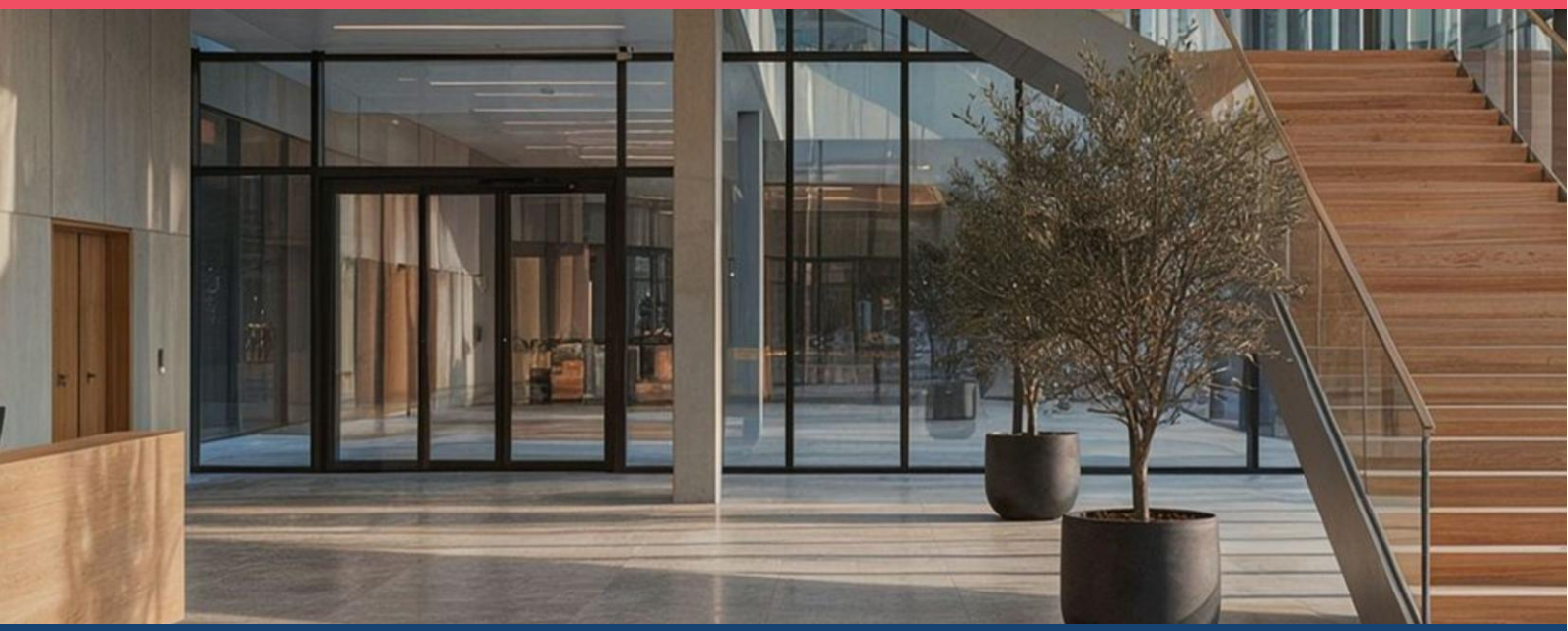
SmartBuyer

CFO BRIEF

The Spend Nobody Is Negotiating

In any typical business, 56% of indirect spend has never been competitively sourced.



A note from Mark

I have spent thirty years in procurement, and a good part of it across a desk from a finance director asking where last year's savings went. It is a fair question.

Most of the time the answer was that they had been identified, reported and never traced to an invoice.

That gap is what this brief is about. It is deliberately short. Its purpose is to give you the three or four numbers worth asking for before you fund another procurement role, consultancy engagement or cost programme, and a way to buy the capability that finance can stop as easily as it starts.

If any of it is useful, keep it. If it raises a question, I would rather hear it than not, so don’t hesitate to feed back.

Mark

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Mark spent 30 years in senior procurement roles across manufacturing, FMCG and professional services before founding SmartBuyer, which gives finance and procurement leaders access to specialist procurement expertise on a fractional basis.

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1. The gap, in your numbers

It has usually been that way for years, and the suppliers know it. Procurement costs about half a percent of revenue to run and touches a fifth of the cost base. The gap between those two numbers scales with the business, so here it is at two sizes.

10 to 25%

of revenue is typically indirect, non-product spend that procurement can address: 10.3% financial services, 18.1% industrials, 25% healthcare [ALEX]

0.46%

of revenue is the median cost of running the procurement function itself

6 to 12%

is the saving typically available the first time a category is competitively sourced, against 3.4% a year on spend already under management (Kearney 2025) [ALEX]

ILLUSTRATIVE · A £1BN BUSINESS [ALEX]

Indirect spend at ~18% of revenue	**£180m**
Under active management (44%, benchmark average)	**£80m**
Never competitively sourced: the gap	**£100m**
Cost of leaving it another year at a conservative 6%	**£6m**
Sourcing the first £20m of it: 60 specialist days	**£57k to £60k**
Saving on that £20m at 6 to 12%	**£1.2m to £2.4m**
Year-one return on the 60 days	**20 to 40 times**

ILLUSTRATIVE · A £50M BUSINESS

Indirect spend at ~18% of revenue	**£9.0m**
Under active management (44%)	**£4.0m**
Never competitively sourced: the gap	**£5.0m**
Cost of leaving it another year at 6%	**£300k**
Sourcing the first £2m of it: 20 specialist days	**£19k to £20k**
Saving on that £2m at 6 to 12%	**£120k to £240k**
Year-one return on the 20 days	**6 to 12 times**

The cost-of-inaction line is the one to sit with. It is not a saving you might make. It is a cost you are already paying.

> **Ask:** what share of our indirect spend has ever been competitively sourced, and when?

*Sources: Alvarez & Marsal indirect spend analysis; Ardent Partners, Procurement Metrics That Matter; APQC open standards benchmarking; Kearney 2025 procurement performance study (average annual savings 3.4%, best performers 5.5%, on spend already under management).

2. Why the savings never reach your P&L

Every CFO has signed off a procurement savings number and then failed to find it in the accounts. That is not a procurement problem or a finance problem. It is a definition problem, and it is fixable before any money is spent.

IDENTIFIED

A saving on a slide. A new unit price agreed, a supplier proposal accepted, a benchmark that says the market is cheaper. Real, but not yet money. Most reported procurement savings stop here, and most consultancy fees are calculated here.

REALISED

The same saving traced to an invoice at the new price, a purchase order raised against the new contract, and a budget line that moved. The only version that belongs in a board pack.

THE FOUR TESTS BEFORE YOU FUND ANY PROCUREMENT WORK

1. Is the saving measured to invoice, not to identification?
2. Is the baseline agreed with finance before the work starts, not after?
3. Is the work a defined piece with a stop point, or an open-ended engagement?
4. If a third party is involved, are fees payable on realised savings, and is the delivery team named in the contract rather than just the partner who ran the pitch?

Any procurement resourcing decision that passes all four is one finance can defend. Most that fail do so on the first test.

Ask: of the procurement savings reported last year, how many can we trace to an invoice?

3. Buy the capability the way you buy anything else

The same work comes in three cost shapes. The choice is which commitment profile fits the work actually in front of you, and the honest comparison is annual, not daily.

PERMANENT HIRE

£90k to £100k a year fully loaded for a procurement manager at £65k to £75k salary

Around 220 productive days, paid whether the work exists or not

Three to six months from approval to first day of value

Generalist by necessity; cannot be turned off

FRACTIONAL SPECIALISTS

£950 a day, only for days used

Specialist in the specific area the client needs support on, to enable rapid, effective delivery.

Starts within days, stops when the work is done

Funded as a project cost, not a headcount line

FULL CONSULTANCY

10 to 25% gain-share on first-year savings, or a fixed fee that runs to six or seven figures

Team-based and methodology-led; best for large, multi-category programmes

Fee often payable on savings identified, not realised (see the four tests)

WHAT MOST FINANCE TEAMS END UP WITH

A small permanent core that owns policy, controls, supplier data and the critical relationships, with specialist capacity bought by the day for work that has a start and an end: category sourcing, renewals, tender waves, post-deal cost-out, benchmarking. The core is a fixed cost worth defending. Everything around it is a decision you get to make again each quarter.

2.6x

greater return than peers

31%

fewer full-time staff

19%

lower cost as a share of spend

Ask: could the procurement role on our headcount plan be funded as a stoppable project cost instead?

4. Six moments when acting pays back inside a year

The moments when bought-in specialist capacity earns its cost fastest are specific and easy to recognise from the finance seat.

A renewal deadline in the next two quarters with no benchmark behind it

A single-source supplier that has never been market tested and knows it

A tender wave landing on a team that is already at capacity

A post-acquisition integration, a private equity owner asking for a cost plan, or a consultancy proposal on your desk with a six-figure fee

A procurement vacancy sitting open for months, or a CPO who has just been told there is no more headcount

No procurement function at all: a purchasing team that raises orders, and nobody negotiating

WHAT THIS LOOKS LIKE

A £1.2bn manufacturing business with no procurement leader. 60 specialist days across facilities, logistics and MRO, funded as a project cost. £1.8m realised saving, traced to invoice, inside 9 months.

Ask: which of these six is live in the business right now?

You don't need more people in your Procurement team, fractional is the solution.

Markets constantly change, Procurement teams are stretched, securing the best commercial deals on everything you buy is an ongoing challenge.

SmartBuyer solves this, providing your Procurement Team with access to 500+ Specialist Buyers in a rapid, fractional, pay as you go service. Minus the expensive consultancy fees.

Our network of specialists work flexibly, delivering both short and long term projects:

Sourcing & Tenders

- Reviewing or drafting RFPs and tender documentation
- Running competitive sourcing events end-to-end
- Negotiating renewals and framework agreements

Analysis

- Providing independent spend analysis
- Drafting category strategies
- Delivering category-specific market intelligence

Strategy

- Supporting cost reduction and value engineering projects
- Advising on supplier selection and risk management
- Building procurement strategies and operating models



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