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# WHY IS INDIRECT PROCUREMENT IMPORTANT?

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**Indirect procurement** (or indirect spend) refers to the purchase of goods and services that do not become part of an organization's final product or service.

Generally, this means anything necessary for day-to-day operations like **shipping, office supplies, IT software and support services, travel expenses, warehousing, facilities maintenance, utilities**, and more.

By contrast, *direct spend* refers to purchasing the things that go into the products or services a company creates.

## Why is indirect procurement so important?

Two reasons: **cost** and **risk**.



# Cost

Indirect spend typically accounts for **15% to 30%** of an organization's total spend.

That's a massive portion of spend to attempt to manage via procurement policy and crossed fingers.

A study also revealed that tackling indirect spend can slash product and service costs by **10% to 25%**, and reduce the manual effort involved in supplier governance by **30% to 50%**.

Factors that drive up indirect costs include:

- Duplication
- Inefficiencies
- Maverick spend
- Automatic price increases
- Automatic contract renewals



# Risk

A lack of focus on indirect spend means that most organizations are exposed to **increased risk** across categories.

Direct and strategic suppliers are often subjected to weeks of due diligence, credit and legal checks, and ongoing monitoring in an effort to reduce risk.

And yet, **15% to 30%** of spend is only guided by policies that decentralized buyers are too busy to follow.

This leaves an organization open to risks in indirect categories, such as:

- Reputational risks
- Ethical and compliance risks
- Cybersecurity risks
- Operational risks



# How to Bring Indirect Spend Under Control

Leverage these strategies to start managing indirect spend:

## **Procurement tech**

Utilize the tech solutions available to analyze spend data and manage these categories.

## **Change management**

Focus on change management to educate stakeholders on new processes.

## **Increase indirect spend visibility**

Bring all indirect supplier data into a single location to spot trends, identify cost savings opportunities, and monitor risks.

## **Address maverick spend**

Have an open conversation with maverick spenders to find out why processes go ignored.



# Indirect Procurement Mistakes to Avoid

Here are six common indirect procurement mistakes to avoid:

- Downplaying the **importance** of indirect spend
- **Failing to track** indirect spend
- Not **managing risk** in indirect spend
- Neglecting indirect **supplier relationships**
- Failing to get the whole team **engaged**
- Trying to tackle indirect spend **alone**

## How a Group Purchasing Organization Can Help

Leverage billions in buying power, access category expertise, and reduce supplier risk with the help of a GPO while saving more money, time, and effort.



**Learn more at  
[www.una.com](http://www.una.com)**

