Indirect Procurement: Purchasing Services and Materials Without a Production Link

Indirect procurement covers all purchases of a company that do not flow directly into the manufactured product. This includes consumables, services, IT, MRO materials, marketing and operating supplies. Although it often accounts for only a small share of total procurement spend, it unfolds considerable optimisation potential due to high transaction volumes and a fragmented supplier base.

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Key facts at a glance

01 Indirect procurement covers all goods and services that do not enter the end product as a component.

02 Typical categories are MRO, IT, office supplies, facility services, travel expenses and external services.

03 In practice, around 80 percent of purchase orders are often for indirect goods, at usually less than 30 percent of procurement spend.

04 High process costs caused by maverick buying are the central problem area.

05 Catalogue solutions, approval levels and supplier consolidation are proven levers for procurement optimisation.

06 Digital self-service processes relieve the procurement function and increase contract compliance.

Definition: Indirect Procurement

Indirect procurement (in German: indirekte Beschaffung) refers to the procurement of materials and services that do not directly enter the value-adding product. It supports the operation as a whole – from workshop supplies to software to cleaning services. The distinguishing criterion is the link to production: what appears in the bill of materials belongs to direct procurement, everything else to indirect

procurement.

Distinction from direct procurement

Direct procurement is plannable by volume and schedule, tied to bills of materials and usually structured through framework agreements with few suppliers. Indirect procurement is characterised by many internal requesters, small order values and high item diversity. In practice, the share of ad hoc purchases rises significantly, which makes plannability and cost control more difficult.

Typical categories

Usually, indirect categories can be grouped into five blocks. The range varies by industry; in manufacturing, technical categories dominate.

- MRO and technical consumables: tools, lubricants, wear parts, spare parts
- Services: maintenance, facility management, maintenance and repair, consulting, temporary staffing
- IT and telecommunications: hardware, software, licences, cloud services
- Operating and office supplies: consumables, workwear, print products
- Marketing, travel, insurance and other overhead services

Special features and challenges of indirect procurement

At first glance, indirect procurement seems unremarkable, but it harbours structural weaknesses: decentralised requirements, uncoordinated orders and a high number of suppliers with low volumes. Without governance, duplicate purchases, wrong prices and a lack of transparency arise.

Maverick buying and process costs

When departments purchase outside defined processes, this is referred to as maverick buying. The consequences are missing terms, incomplete documentation and renegotiation needs in accounting. Usually, the pure process costs per order significantly exceed the goods value for small indirect volumes, so that process optimisation in procurement often delivers more than price negotiation techniques.

Fragmented supplier base

Often, hundreds of micro-suppliers serve the organisation without a supplier rating or systematic supplier management existing. Consolidation onto a few framework suppliers with catalogue binding reduces effort and creates negotiation leverage. A sound sourcing strategy per category is the prerequisite for this.

Visibility in controlling

Indirect spend is spread across many cost centres and accounts, which is why an overall picture is often lacking. Spend analyses by supplier, category and buyer create transparency. Building on this, a

measures pipeline with concrete optimisation projects can be established.

Methods and approach for managing indirect procurement

The approach to indirect procurement follows a proven pattern: spend analysis, categorisation, process standardisation and subsequent continuous optimisation. It is important to tackle processes before prices, as a large share of the leverage lies on the process side.

Spend analysis and market model

The starting point is the consolidated evaluation of all expenditure, including orders without reference to the procurement system. From this, a market model is developed per category: How many providers are there, what is the demand structure, where are price and process levers? Categories with high transaction volumes are prioritised.

Standardisation and catalogue purchasing

Standardised requirement profiles, tiered approvals and supplier catalogues in self-service shift routine purchases to the requesters. Price and terms management takes place centrally, so that the negotiated terms always apply. Framework agreements with clear Incoterms EXW or DDP arrangements prevent misunderstandings regarding delivery terms.

Demand bundling and tenders

For commoditised categories such as insurance, cleaning or vehicle fleets, bundled tenders are suitable, sometimes with a reverse auction when the market is interchangeable. Technically demanding services such as maintenance, by contrast, should be awarded based on quality criteria and supplier qualification. Both belong to holistic procurement optimisation.

Key KPIs of indirect procurement

KPIs help make progress measurable. Since process costs often dominate, process metrics belong alongside price metrics on an equal footing. Benchmark values from practice serve as reference values and must be calibrated per company.

Process and compliance KPIs

The share of orders placed via the system, the number of buyers per category and contract compliance show whether governance is effective. In mature organisations, order lead times are typically one to three days; completely paperless processes are the standard.

Supplier and cost KPIs

Supplier consolidation is measured by the number of active suppliers per category. In addition, savings rates per project, the share of maverick buys and the supplier evaluation in the supplier rating count.

Risks and controls

The risks of indirect procurement are less classic supply failures than compliance, cost and quality risks. A structured control system keeps the field manageable.

Compliance and contract control

Missing contractual binding leads to price drift and unapproved services. Regular reconciliation lists, verifiable approvals and an audit checklist for key categories secure contract compliance. For services, open-book costing is a proven control instrument for checking the breakdown and appropriateness of prices.

Quality and availability

For MRO and spare parts, there is a risk of downtime if goods are missing or outdated. Obsolescence management and defined delivery schedule tolerance bands prevent critical supply gaps. Quality costs (COPQ) caused by incorrectly specified indirect goods are frequently underestimated and belong in the evaluation.

Supplier failure and escalation

For critical services – security, facility, maintenance – defined contingency plans are needed. A procurement emergency team with escalation levels and clear supplier escalation responds to failures. Where a provider holds a monopoly position, alternative strategies or a gradual supplier development planning help reduce dependency.

Current developments and outlook

Indirect procurement has become a testing ground for digitalisation and sustainability. Self-service catalogues, AI-supported classification of spend and automated invoice processing significantly reduce effort. At the same time, ESG requirements are moving into focus.

Digitalisation and AI

Automatic commodity grouping, search assistants and predictive demand forecasting shorten lead times. Chat and voice interfaces lower the entry barrier for occasional buyers. What remains important is that approval rules and price and terms management remain binding even in automated processes.

Sustainability and ESG

Indirect categories are also under sustainability pressure: paper, packaging, business travel, energy and facility management. Criteria such as a supplier's ESG risk rating or SBTi targets are increasingly incorporated into supplier qualification. A sustainable category such as packaging can serve as a pilot for company-wide transformation.

Typical metrics

Metric	Typical value
System-compliant purchase orders	> 90% *Share of orders placed via defined processes; practical benchmark*
Contract compliance	> 95% *Share of purchases at negotiated terms*
Order lead time	1–3 days *For standard catalogue orders; depending on approval levels*
Supplier consolidation	-50 to -80% *Typical reduction in active suppliers in focused categories*
Maverick buying rate	< 5% *Share of orders outside agreed channels*

Practical example

A medium-sized mechanical engineering company with around 600 employees found over 1,100 active suppliers in indirect categories during a spend analysis, including numerous single-source suppliers for consumables with low volumes. Maverick buying led to price deviations of up to 40 percent compared with framework terms. Within twelve months, the base was consolidated to around 220 suppliers.

- Consolidation of the top categories MRO, office supplies and maintenance services to two framework suppliers each
- Introduction of catalogue purchasing with centralised price and terms management for around 5,000 items
- Establishment of a measures pipeline with quarterly optimisation projects and defined savings targets
- Mandatory supplier qualification with an audit checklist for maintenance and safety service providers

Conclusion

Indirect procurement is not a sideshow but a distinct area of impact within procurement. Its special feature lies in the ratio of high transaction effort to relatively low goods value, which means process levers often deliver more than pure price effects. Those who create spend transparency, structure categories and consolidate suppliers achieve quickly measurable results. Digital self-service processes and clear compliance rules secure the sustainability of the optimisation. This makes indirect procurement a supporting pillar of holistic procurement optimisation.

Frequently asked questions

? What falls under indirect procurement?

Everything that does not go into the end product: MRO materials, tools, IT, services, office supplies, marketing and facility services. The distinguishing criterion is the link to production – bill-of-materials components belong to direct procurement. Depending on the industry, classification may vary in individual cases, for example with packaging or wear parts.

? What is the difference between direct and indirect procurement?

Direct procurement is plannable, driven by the bill of materials and usually tied to a few strategic suppliers. Indirect procurement has many internal requesters, high transaction volumes and small order values, which is why process costs and compliance matter more than pure price effects. The steering logic also differs significantly – catalogues instead of individual negotiations.

? How can maverick buying be reduced?

Proven levers are supplier catalogues with binding terms and conditions, simple ordering processes for standard requirements and clear approval rules. In addition, transparency over non-compliant purchases and raising awareness among departments help. What is decisive is that the approved route is more convenient than the detour.

? Which KPIs are relevant for indirect procurement?

Key figures are the share of system-compliant purchase orders, contract compliance, the number of active suppliers per category, order lead time and the savings rate per project. In addition, supplier rating and COPQ provide indications of quality and dependency risks. All values should be interpreted as benchmarks in company comparisons.

? Why is indirect procurement often harder to manage?

Because requirements arise decentrally and irregularly, many small suppliers are involved and standardised specifications are lacking. This fragmentation makes negotiations, terms management and control difficult. The key lies in category strategy, standardisation and digital self-service processes.

? What role does sustainability play in indirect procurement?

Indirect categories such as packaging, travel, energy and facility management offer quick levers for sustainability goals. ESG criteria and SBTi targets are increasingly integrated into supplier selection. A prerequisite is a reliable data basis on the services delivered and their CO2 relevance.

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