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The SME Procurement Gap

Scale, Cost, and the Case for a New Model in UK Business Procurement

ABSTRACT

This paper examines the structural gap between the procurement expertise available to large UK organisations and that accessible to small and medium enterprises. Drawing on data from CIPS, McKinsey, ONS, and Bundle IQ's own transaction benchmarks, we find that UK SMEs systematically overpay by 15-30% across major indirect spend categories — not through incompetence or carelessness, but as a direct consequence of an expertise gap that market forces have not corrected. We estimate the aggregate annual cost of this gap at £43-63 billion across UK SME indirect spend. We examine the reasons existing solutions — enterprise software, procurement consultancies, and comparison platforms — fail to address this market, and present the case for a new model combining AI-powered procurement technology with on-demand expert delivery and demand aggregation.

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1. Introduction

Procurement expertise — the ability to buy goods and services competitively, contractually, and strategically — has long been recognised as a material driver of organisational performance. McKinsey's cross-industry benchmarking over 18 years consistently identifies procurement capability as a differentiator of five percentage points of EBITDA between top-quartile and median performers. The Chartered Institute of Procurement and Supply (CIPS) estimates the UK procurement and supply chain profession contributes over £200 billion annually to the UK economy.

Yet this expertise remains structurally inaccessible to the overwhelming majority of UK businesses. The 5.5 million SMEs that account for 99.9% of UK businesses by number, approximately 61% of private sector employment, and around £2.4 trillion in combined turnover (BEIS, 2024) do not, in the main, have access to professional procurement capability. The consequences — financial, contractual, and strategic — are the subject of this paper.

> ***"The gap between what large organisations can access in procurement expertise and what everyone else can afford is not a minor efficiency problem. It is a structural market failure that costs UK SMEs tens of billions of pounds annually."***

This paper proceeds as follows. Section 2 establishes the scale of the gap through primary and secondary data. Section 3 examines why existing solutions fail to address it. Section 4 presents evidence from Bundle IQ's platform on the feasibility and impact of a new model. Section 5 draws conclusions and implications for policy and practice.

2. The Scale of the Procurement Expertise Gap

2.1 The cost of professional procurement expertise

The CIPS/Hays Procurement & Supply Salary Guide 2025 reports an average UK procurement professional salary of £54,576. This represents the direct employment cost before employer National Insurance contributions (approximately £6,300 at current rates), pension contributions (typically 5-8% of salary), benefits, and indirect overhead. The total employment cost of a procurement professional in a UK SME setting ranges from approximately £65,000 to £80,000 per annum.

For a business with £500,000 in annual indirect spend — representative of a 40-60 person professional services or technology business — this cost cannot be justified by the economics of the role alone. The savings achievable from one competitive procurement event per category per year would need to exceed £65,000 to justify full-time procurement headcount. At the 15-22% saving

typically achievable through competitive sourcing, this requires a minimum indirect spend of approximately £350,000 to £430,000 — a threshold that many SMEs do not meet consistently across enough categories to justify the hire.

£54,576	58%	+5pp	£285bn
Average UK procurement salary (CIPS/Hays 2025)	Businesses struggling to find procurement talent	EBITDA from top-quartile procurement	Annual UK SME indirect spend

2.2 The talent shortage compounds the access problem

The inaccessibility of procurement expertise is not solely a function of cost. The CIPS/Hays 2024 survey found that 58% of organisations seeking to hire a procurement professional experienced significant difficulty finding suitable candidates. The profession faces a structural talent shortage — compounded by the concentration of experienced practitioners in large organisations, where remuneration and career development opportunities are materially superior to those available in SME settings.

This creates a compounding disadvantage: not only are SMEs unable to afford procurement expertise at the rates available to large organisations, but the supply of practitioners willing and available to work in SME contexts is structurally constrained. The inevitable result is that procurement responsibility in the vast majority of UK SMEs falls to operations managers, finance directors, or office managers who lack the training, tools, and market intelligence to perform the function effectively.

2.3 The financial consequence: quantifying SME overspend

Estimating the aggregate cost of SME procurement inefficiency requires combining data on SME indirect spend with evidence on the savings achievable through professional procurement practice. Bundle IQ's analysis of its own competitive procurement events, conducted between January 2025 and March 2026, identifies an average saving of 18-22% against incumbent pricing across seven major indirect spend categories.

Applying a conservative 15-22% saving rate to the ONS-derived estimate of UK SME indirect spend (£285 billion annually) produces an estimate of aggregate overspend of £43-63 billion per year. Even at the lower bound of this range, the figure represents a material and addressable inefficiency in the UK economy.

CENTRAL ESTIMATE

At Bundle IQ's average saving rate of 19%, applied to UK SME indirect spend of £285bn, the aggregate annual overspend by UK SMEs relative to achievable market rates is estimated at £54.2 billion. This figure is not a projection — it is a consequence of the structural absence of procurement expertise across the SME economy.

3. Why Existing Solutions Fail

3.1 Enterprise S2P platforms

Enterprise Source-to-Pay (S2P) platforms — SAP Ariba, Coupa, Jaggaer, Oracle Procurement Cloud — represent the most technically capable procurement solutions available. They are, however, designed for and priced for large organisations. Implementation costs typically range from £150,000 to £500,000, with implementation timescales of 12-18 months. Annual licensing fees range from £50,000 to £200,000. The economic case for deployment requires annual indirect spend above approximately £50 million — a threshold met by fewer than 0.3% of UK businesses.

Beyond the economic barrier, enterprise S2P platforms present a process prerequisite that further excludes SMEs: they require clean, structured spend data as an input. The majority of SMEs lack the spend classification, supplier master data, and contract records that enterprise platforms assume. Gartner estimates that 55-75% of ERP implementations are considered failures by the organisations that deploy them — predominantly because the process and data prerequisites were not met.

3.2 Procurement consultancies

Procurement consultancies — Proxima, Efficio, Accenture Procurement Services and others — offer a managed service model that delivers expertise without the need for in-house capability. Their minimum viable engagement, however, typically exceeds £200,000, and their operating model is fundamentally human-delivered, limiting scalability and creating inherent cost floors that preclude SME access.

3.3 Comparison and lead-generation platforms

Consumer and SME comparison platforms address a different failure — the information asymmetry in pricing — but introduce a new one: the conflict of interest inherent in supplier-funded recommendations. Platforms funded through cost-per-acquisition commercial models have an economic incentive aligned with supplier revenue rather than buyer outcome. This structural misalignment limits their value as neutral procurement intermediaries.

> ***"The market for SME procurement expertise has three solutions — all of which fail the market they claim to serve. Enterprise software requires enterprise scale. Consultancies require enterprise budgets. Comparison platforms are funded by the suppliers they recommend."***

4. A New Model: Evidence from Bundle IQ

4.1 Platform architecture and methodology

Bundle IQ was designed to address each of the failure modes identified in Section 3. The platform operates on three interconnected models: a self-service competitive sourcing engine (Submit a Brief), an on-demand managed procurement service (IQ Deployed), and a demand aggregation mechanism (Group Buying). All three operate within a single platform with shared supplier verification, escrow payment, contract generation, and analytics infrastructure.

The platform does not require pre-existing spend data, clean supplier master records, or an incumbent procurement process. Users submit requirements in plain English; the platform generates structured tender documents, benchmarks market pricing, and invites pre-verified suppliers to respond. The process from first input to shortlisted responses typically takes 72-120 hours.

4.2 Benchmark findings: savings by category

Analysis of competitive procurement events conducted through Bundle IQ between January 2025 and March 2026 identifies the following average savings by category against incumbent pricing:

- IT Support & Managed Services: 22% average saving against incumbent rate
- Energy & Utilities: 18% average saving (increases to 28% with demand aggregation)
- Legal Services: 20% average saving through structured competitive process
- Marketing & Creative: 25% average saving against untendered incumbents
- HR & Recruitment: 19% average saving on retained and contingency fees
- Insurance: 21% average saving through competitive broker process
- Facilities Management: 18% average saving against auto-renewed contracts

These figures are derived from a sample of competitive events and should be treated as indicative. Bundle IQ intends to publish updated benchmarks quarterly as the transaction dataset grows. Methodology note: savings are calculated as the difference between the incumbent or baseline price at the point of competitive tender and the winning bid price, expressed as a percentage of the baseline.

4.3 Demand aggregation outcomes

Bundle IQ's Group Buying pools aggregate demand from multiple SMEs in the same spend category, presenting to the supply market as a single block. As of Q1 2026, Bundle IQ operates 10 active pools across IT support, energy, logistics, cybersecurity, HR software, insurance, telecoms, facilities management, legal services, and print. Combined pool membership stands at 289 businesses with £8.2 million in combined annual indirect spend under management.

289	£8.2M	10	12-28%
Businesses in active pools	Combined annual pool spend	Active category pools	Average pool saving range

Early pool results indicate savings in the range of 12-28% versus individual SME procurement in the same categories, consistent with the academic literature on collective purchasing arrangements (Schotanus & Telgen, 2007; Tella & Virolainen, 2005).

5. Conclusions and Implications

The structural inaccessibility of procurement expertise to UK SMEs represents a material and persistent market failure. The aggregate cost — estimated conservatively at £43-63 billion annually — is borne not by a failure of ambition or competence among SME operators, but by the fundamental mismatch between the cost structure of existing procurement solutions and the economics of SME procurement spend.

The evidence from Bundle IQ's early operations suggests that a technology-first, outcome-aligned model can address this gap at economically viable unit costs. The elimination of implementation requirements, the embedding of procurement expertise in AI-driven platform processes, and the application of demand aggregation to categories where collective buying power creates measurable benefits each contribute to a model that is structurally different from those that have failed to address this market.

5.1 Policy implications

The Procurement Act 2023 creates a legislative imperative for public sector bodies to improve SME access to government contracts. This paper suggests that the supply-side enablement of SME procurement capability — helping SMEs to buy better as well as to sell more effectively — merits policy attention as a complementary measure. The economic gains available from improved SME procurement outcomes are significant relative to the cost of the interventions required.

RESEARCH PROGRAMME

Bundle IQ's research programme will continue to expand the evidence base for SME procurement outcomes as platform transaction data grows. Organisations wishing to contribute data or collaborate on research are invited to contact research@bundleiq.co.uk. All data is anonymised and aggregated.

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