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Demand Aggregation and SME Buying Power

ABSTRACT

This paper examines demand aggregation as a mechanism for extending enterprise-level buying power to SMEs, drawing on evidence from Bundle IQ's Group Buying pools and the academic literature on purchasing consortia. We document the structure, performance, and participation patterns of 10 active pools across seven spend categories, with combined membership of 289 businesses and £8.2 million in annual spend under management. We find pool-based savings of 12-28% versus individual SME procurement in equivalent categories, with energy and IT categories showing the highest responsiveness to aggregation. We examine the institutional design features that distinguish Bundle IQ's pool model from traditional buying consortia — specifically the preservation of individual supplier relationships and the elimination of joint liability — and their implications for SME participation rates. We identify the conditions under which demand aggregation delivers its greatest value and the categories most amenable to pooled procurement.

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1. Background: Purchasing Consortia and SME Access

Demand aggregation — the coordination of purchasing requirements across multiple independent organisations to achieve volume pricing and market leverage not available to individual buyers — has a substantial academic literature and a long history of practice. Public sector buying consortia (Crown Commercial Service in the UK, GPO in the US), professional association purchasing groups, and co-operative buying arrangements in agriculture and retail have demonstrated consistently that aggregated demand produces materially better pricing outcomes than equivalent fragmented demand.

Despite this evidence, participation by SMEs in formal buying consortia has historically been limited. Schotanus and Telgen (2007) identify the primary barriers as: administrative burden of consortium membership, legal complexity of joint purchasing arrangements, incompatibility of individual specifications, and the perceived loss of direct supplier relationships. Bundle IQ's Group Buying model was designed to address each of these barriers specifically.

> ***"Volume discounts and framework agreements have always existed. The question was never whether aggregation works — it does. The question was why SMEs couldn't access it. The answer was institutional friction, not market structure."***

2. Bundle IQ Pool Structure and Design

2.1 Institutional design principles

Bundle IQ's Group Buying pools differ from traditional buying consortia in three material respects. First, there is no joint liability: each pool member contracts individually with the winning supplier at the pool-negotiated rate. Members benefit from the aggregated pricing without assuming any liability for other members' contracts or conduct. Second, there is no minimum commitment: members may join a pool, benefit from the pool pricing when it goes to market, and exit at any point without penalty. Third, specification flexibility: pool requirements are defined at a category level rather than a precise specification level, allowing members with slightly different needs to participate in the same pool while retaining the ability to add individual specification requirements.

2.2 Current pool portfolio

As of Q1 2026, Bundle IQ operates 10 active pools:

- IT Support (SME): 23 members · £1.2M combined spend · Q3 active
- Energy (Q3 2026 cohort): 41 members · £2.1M combined spend · Going to market Q2 2026

- Business Insurance: 18 members · £0.8M combined spend · Active
- Facilities Management (London): 29 members · £1.4M combined spend · Active
- Cybersecurity: 34 members · £0.9M combined spend · Q2 active
- HR Software & Payroll: 16 members · £0.4M combined spend · Forming
- Logistics & Couriers: 52 members · £0.8M combined spend · Active
- Telecoms: 38 members · £0.4M combined spend · Active
- Legal Services: 11 members · £0.5M combined spend · Active
- Print & Signage: 27 members · £0.2M combined spend · Active

289	£8.2M	10	£28k
Total pool members	Combined annual spend	Active pools	Average member spend in pools

3. Evidence on Pool Savings

3.1 Completed pool events

Of the 10 pools, six have completed at least one market event as of Q1 2026. The remaining four are either in the formation phase or preparing to go to market. Findings from the six completed events are as follows:

- IT Support (first event): 24% saving versus individual SME rate. 23 members. All members contracted.
- Energy (2025 cohort): 32% saving versus individual incumbent rates. 38 members. 34 members contracted.
- Business Insurance: 18% saving versus individual incumbent rates. 15 members. 12 members contracted.
- Facilities Management: 21% saving versus individual incumbent rates. 24 members. 21 members contracted.
- Logistics & Couriers: 19% saving versus individual spot rates. 47 members. 44 members contracted.
- Telecoms: 15% saving versus individual rates. 31 members. 28 members contracted.

The conversion rate from pool participation to contract award averages 91% — significantly higher than the 68-74% conversion rates reported in the academic literature for traditional buying consortia (Essig, 2000). The higher rate likely reflects the elimination of joint liability and the simplified contracting process, which remove the principal reasons for members to participate in the group

process but decline to contract at the pool rate.

3.2 Category responsiveness to aggregation

Energy and IT support show the highest incremental savings from aggregation versus individual competitive sourcing — 14-18 percentage points above the savings achievable from individual competitive tendering in the same categories. The academic literature suggests this reflects the combination of commodity-like supply (many suppliers offering equivalent products/services) and volume-sensitive pricing models, both of which create conditions where aggregated volume has the greatest market impact.

Legal services shows the lowest incremental saving from aggregation (2-4 percentage points above individual competitive tendering), reflecting the bespoke nature of legal services and the limited substitutability between providers, which constrains the volume discount achievable regardless of combined spend.

> ***"Pool members in the energy category are getting rates that would previously have required spending £5M+ to access. That's the point — enterprise pricing for everyone."***

4. Participation Patterns and Barriers

4.1 Why businesses join pools

A survey of 68 Bundle IQ pool members conducted in Q4 2025 found the following primary motivations for joining: financial saving (cited by 94%), time saving in procurement process (71%), access to pre-vetted suppliers (58%), and benchmark intelligence (47%). The financial motivation is predominant but not exclusive — a substantial proportion of members value the process and intelligence benefits independently of the direct saving.

4.2 Why businesses do not join

Non-participation barriers, identified from a survey of 45 Bundle IQ registered users who had not joined a pool, fell into three categories: specification incompatibility (26% — "my requirements are too specific to fit a pool"), timing (38% — "the pool isn't going to market at the right time for my renewal"), and inertia (36% — "I haven't got around to it"). The implication is that timing alignment between pool market events and individual contract renewal cycles is a material determinant of participation rates.

4.3 The network effect

A notable feature of Bundle IQ's pool data is the positive relationship between pool size and saving achieved: pools with more than 30 members achieve average savings 6-8 percentage

points higher than pools with fewer than 15 members, holding category constant. This finding is consistent with the academic literature on critical mass in purchasing consortia and has implications for platform growth strategy — larger pools produce better outcomes, creating an incentive for continued recruitment to active pools.

5. Policy Implications and Conclusions

The evidence from Bundle IQ's Group Buying operations provides empirical support for demand aggregation as an effective mechanism for extending enterprise-level procurement outcomes to SMEs. Pool-based savings of 12-28% versus individual SME rates are consistent with the academic literature on purchasing consortia and represent a material improvement in procurement outcomes for participating organisations.

The institutional design features that distinguish Bundle IQ's model — the elimination of joint liability, the simplified contracting process, and the preservation of individual supplier relationships — appear to have significantly reduced the participation barriers identified in the prior literature. A 91% conversion rate from pool participation to contract award is substantially above the rates reported for traditional consortium models.

5.1 Policy implications

The Procurement Act 2023 creates new requirements for public sector bodies to support SME access to government contracting. Demand aggregation on the supply side — helping SMEs to buy collectively as well as to sell more effectively — represents a complementary measure that is not currently addressed in policy. The evidence presented here suggests that the savings available from SME demand aggregation are significant in aggregate and accessible with appropriate institutional design.

Bundle IQ will continue to publish pool performance data quarterly as the programme scales. Organisations interested in establishing pools in categories not currently covered are invited to contact pools@bundleiq.co.uk.

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