

Emerging countries more confident about indirect spend

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By Paul Snell

Asian and South American buyers are more optimistic about gaining more influence over their firm's indirect spend than their European and North American colleagues.

According to a study of 94 firms in 21 countries conducted by consultancy [A.T. Kearney](#) (ATK), buyers in these emerging regions believed they could raise their influence over non-core spend by more than 20 per cent in the future. But while US purchasers currently control greater amounts, they were more conservative with their future estimates.

"It might be that our Chinese colleagues and Brazilian colleagues are a little bit optimistic," says Jan-Fokke van den Bosch, one of the study's authors and a partner at ATK. "[European and US buyers] know how difficult it is to get more influence, but [buyers in Asia and South America] have just started and believe they can get influence over up to 80 per cent [of spend]."

The survey also found the progress of outsourcing indirect activities has been far slower than expected. When the same study was conducted in 2007, respondents believed 40 per cent of tactical activities such as the purchase-to-pay process would be outsourced to third-party providers by 2010. The reality is that only 14 per cent has.

According to the authors it reflects a more risk-averse approach toward outsourcing, as buyers have seen the problems caused by transformational outsourcing projects in HR and IT when not carried out correctly. Companies want to improve their own maturity before handing it over to a third-party provider.

The study also found on average 80 per cent of indirect spend is spread across just 14.6 per cent of the supply base, and companies only employ 2.2 full-time staff for every \$100 million of indirect spend.

But even though purchasing's influence over non-core spend has grown, more needs to be done to convince internal stakeholders of its importance.

"It is still the vision that indirect spend is paperclips and paper, and this is an attitude that has not changed over the last three years unfortunately," van den Bosch tells *IFPSM ezine*. "That is frightening, because it can be 60 per cent of a manufacturing company and 90 per cent of a financial institution's external spend."

[Click here to view the ATK 2010 Indirect Procurement Study](#)