

Spend under Management: Penetration and Control of Procurement Volume

Spend under Management (SuM) refers to the proportion of a company's total procurement volume that is systematically controlled by the procurement organisation. In practice, the value is regarded as a key metric for the maturity and effectiveness of a procurement function. It shows whether strategic instruments such as sourcing, contract management and spend analytics actually act on the full volume or only on a fraction of it.

Key facts

- Spend under Management is the percentage of procurement volume that is actively controlled by the procurement department.
- In practice, values of 60 to 90 percent are considered advanced; many industrial companies start considerably below this.
- The foundation is a clean data basis, often based on a consolidated procurement data model.
- The share typically increases through address-based direct procurement, framework agreements and Catalogue Buying.
- Higher SuM frequently correlates in practice with lower process costs and better supplier control.
- Maverick Buying is the main counterpart to high penetration.

Definition: Spend under Management

Spend under Management describes that part of the total expenditure volume for goods and services whose procurement runs through defined processes, contracts and decisions of the procurement organisation. The metric is usually expressed as a percentage: managed volume divided by total spend. It is thus a measure of how much leverage the procurement organisation has at all.

Delineation from Total Volume

Not every expense belongs to addressable spend. Wages, rent, taxes and internal recharges are frequently excluded, as they cannot be controlled through classic procurement. The denominator should therefore be defined uniformly within the company, typically as addressable spend for materials, traded goods, services and capital goods. Only then are values comparable across sites and periods.

Why the Metric Matters

A procurement organisation can only act on volume that it also sees and controls. If SuM is at 40 percent, more than half of the volume is left to business departments, local sites or individual orders. Efficiency programmes, sourcing strategy initiatives and supplier consolidation then run into the void. The metric makes this gap visible and sets it in relation to the savings potential.

Methods and Approach for Increasing SuM

Penetration does not increase by decree, but through attractive, simple process routes that business departments use voluntarily. In practice, three levels have proven effective: data foundation, channel strategy and stakeholder management.

Data Foundation and Spend Analytics

The starting point is a complete, cleansed view of all expenditure. Spend analytics provides the foundation: supplier consolidation, category classification and expenditure per ordering channel. A well-maintained procurement data model with uniform attributes for material groups, suppliers and contracts is indispensable here. Without reliable data, the SuM value remains an estimate that is hardly discussable in management.

Channel Strategy: from Direct Purchasing to Catalogue

Business departments bypass procurement above all when regular routes are cumbersome. Proven channels are framework agreements with automated processing, Catalogue Buying for C-parts and services, and clearly defined self-service limits. For repeat requirements, delivery schedules and call-off processes can be handled via systems rather than email. The goal is for the regulated channel to be the most convenient channel.

Stakeholder Management and Category Steering

Volume only shifts into the controlled area if business departments are taken along. Category intelligence and an active category management organisation help to make market prices, alternatives and risks transparent and to win business departments as partners. Clear escalation rules are important: above which second source threshold, at which volumes or criticalities must procurement be involved?

Important KPIs around Spend under Management

SuM is rarely considered in isolation. Accompanying metrics show whether the controlled volume is also actually processed efficiently and in line with contracts.

Penetration and Contract Coverage

In addition to the SuM share itself, contract coverage shows how much of the controlled volume runs through framework agreements. A large gap between SuM and the contract rate indicates approved but uncommitted purchases. Typically, more mature organisations strive for contract coverage rates of well over 70 percent of managed volume.

Maverick Buying and Process Metrics

The share of unregulated procurement is the direct counterpart to SuM. In addition, the share of catalogue orders, processing time per order and the number of different suppliers per category provide indications of channel quality. The early payment discount process is also frequently measured alongside: whoever bundles volume can contractually anchor payment terms and early payment discounts such as 2/10 net and thereby gain liquidity benefits.

Risks and Controls in Controlled Procurement

High penetration creates control, but also shifts responsibility into the procurement organisation. Missing controls in the controlled area can even amplify compliance and supplier risks.

Compliance and Supplier Vetting

Whoever bundles the volume must also organise supplier vetting properly. This includes regular sanctions list checks before order placement as well as checking certificates, insurance evidence and financial indicators. For cross-border business, commercial processes such as checking the commercial invoice complement the control framework.

Managing Supplier and Price Risks

Consolidation creates dependencies. Risk management in procurement therefore assesses supplier failures, regional concentration risks and price volatility. For raw material and energy exposures, hedging instruments such as forwards and swaps come into question, whose use should be examined in individual cases with treasury and external advice. Emergency supply via qualified second suppliers keeps alternatives open.

Invoice and Logistics Control

Controlled volume does not end with the order. Freight audit checks freight invoices for contract compliance, supplemented where necessary by processes such as cross docking or defined rules for warehousing at the site. Content enrichment also belongs to quality control: only if catalogue data is correct and complete will business departments use the regulated channel permanently.

Current Developments in Spend under Management

The pressure on penetration is increasing: supply chain crises, customs and regulatory requirements as well as digitalisation increase the benefit of a central view of the volume.

Digitalisation and Procurement Channels

Digital catalogues, marketplaces and assisted sourcing tools considerably lower the barrier to regulated procurement. Tender management can be partially automated, enquiries can be processed more quickly, and thereby even smaller volumes can be steered economically. Identifiers such as the Global Location Number (GLN) and the manufacturer part number (MPN) improve data quality and facilitate the automatic assignment of requirements to contracts.

Resilience and Sustainability

Crisis experiences have shifted the focus from purely price-driven procurement optimisation programmes towards resilience. SuM is increasingly also used to implement sustainability requirements systematically, for example through defined recycled content quotas in material specifications or supplier evaluations with ESG criteria. Whoever does not control the volume cannot effectively enforce such requirements.

Commodity and Liquidity Aspects

Volatile raw material and energy markets make an active commodity strategy a must for many suppliers. Controlled volume is a prerequisite for managing price adjustment clauses, indexation and hedging consistently across suppliers. In addition, some companies use early payment programmes to

strengthen financial stability in the supply chain.

Common Mistakes in Implementation

In practice, SuM initiatives fail less often because of tools than because of organisation and definitions.

Incorrect Base Data

Whoever measures spend on the basis of poor master data obtains distorted values. Duplicate supplier numbers, missing category assignments and unclear exclusions distort both denominator and numerator. A review of the definitions with controlling creates binding validity.

Control without a Value Promise

If the regulated channel is slower than the informal route, volume drifts back. Success depends on buyers being reachable, catalogues being kept up to date and approvals running quickly. SuM is a service promise to the business departments, not merely a rule.

Typical metrics

Spend under Management: 70–90 %

Share of addressable volume under procurement control; dependent on industry and maturity level

Contract Coverage: > 70 %

Share of controlled volume that runs through framework agreements

Maverick Buying Rate: < 10 %

Share of unregulated procurement; typical target benchmark for mature organisations

Catalogue Share of Spend: 20–50 %

especially in indirect procurement; varies considerably depending on category structure

Practical Example

A mid-sized mechanical engineering company with several European sites started with a Spend under Management of around 45 percent. Large parts of indirect procurement and of services were procured decentrally by business departments, and savings programmes only reached core materials.

- Building a consolidated spend data foundation with a uniform procurement data model and monthly spend reporting
- Introducing Catalogue Buying for office supplies, C-parts and standard services with defined self-service limits
- Mandatory procurement involvement above defined thresholds as well as active stakeholder management with the business departments
- Supplier consolidation and framework agreements per category, monitored in parallel via contract coverage and maverick buying rate

Conclusion

Spend under Management measures how much of the procurement volume is actually under the control of the procurement organisation and is thus an early indicator of the effectiveness of the entire procurement strategy. High values arise not from rules but from convenient channels, clean data and

active stakeholder management. Companies should define the metric uniformly, measure it regularly and combine it with contract coverage, maverick buying and process costs. Whoever increases penetration also gains leverage for prices, risk management and sustainability goals. The path there is a continuous process, not a one-off project.

Frequently asked questions

What does Spend under Management mean?

Spend under Management refers to the proportion of total procurement volume that is actively controlled by the procurement organisation through processes, contracts and decisions. It is usually expressed as a percentage of the total addressable volume. The metric shows how much leverage procurement fundamentally has.

How is Spend under Management calculated?

The calculation is performed as a quotient: controlled volume divided by total addressable spend. What matters is a uniform definition of the denominator, for example excluding wages, taxes and internal recharges. In practice, the value is usually determined monthly or quarterly on the basis of spend reporting.

What Share of Spend under Management Is Good?

There is no universal target value, as it depends on industry, company size and procurement maturity. In practice, values of around 70 percent or more are considered advanced, and leading organisations frequently reach 85 to 90 percent of addressable spend. More important than the absolute value is continuous improvement.

How can Maverick Buying be reduced?

The most effective lever is a simple, attractive regulated procurement channel, for example via catalogues and framework agreements with short approval routes. In addition, clear procurement involvement rules above defined thresholds, training and reporting on unregulated orders help. Mere system blockades alone rarely lead to lasting behavioural change in practice.

What counts towards Spend under Management?

Typically, all material, service and investment volumes handled via procurement are included, provided they run through defined processes, contracts or approved channels. Staff costs, taxes, rent and internal recharges are frequently excluded. The exact delineation should be bindingly documented within the company.