INDUSTRY INSIGHT

The Hidden Cost of Doing Nothing

Why unmanaged indirect spend is quietly draining your business — and what you can do about it today.

By Todd Dudas, Principal Consultant | Stillwater Procurement Partners | King of Prussia, PA

Most Businesses Don't Have a Spending Problem. They Have a Visibility Problem.

Ask any small or mid-sized business owner what their biggest cost challenges are and you'll hear the same answers: payroll, rent, cost of goods. Those are the numbers that get scrutinized in every budget review, every board meeting, every CFO conversation.

But there's another category of spending — one that touches almost every part of the business — that rarely gets the same attention. It's called indirect spend: the IT systems and software subscriptions keeping your team productive, the facilities and janitorial services maintaining your space, the marketing agencies amplifying your brand, the professional services firms advising your leadership, the logistics providers moving your goods.

For most small and mid-sized businesses, this category of spending is almost entirely unmanaged. Contracts auto-renew without review. Vendors operate without competition. Prices drift upward year after year without anyone noticing. The result is a slow, silent drain on profitability that doesn't show up on any single line item — but adds up to something significant.

25–40%	10–25%	$0	5–7%
Indirect spend as a share of total business costs	*Savings available when indirect spend is managed (McKinsey)*	*What most SMBs invest in managing it strategically*	*Reduction in indirect spend that equals a major sales increase (Inverto/BCG)*

Sources: McKinsey & Company — Indirect Spend Management Research; Inverto/BCG — Indirect Procurement Analysis; Focal Point — Indirect Spend Benchmarks

> *"A 5–7% reduction in indirect spend can have the same financial effect as a major uplift in sales." — Inverto, A BCG Company*

That last statistic is worth sitting with. You don't need to close more deals, hire more salespeople, or launch a new product line to move the needle on your bottom line. You need to manage what you're already spending — on the things that keep the lights on.

The Math Your P&L Isn't Showing You

Indirect spend typically accounts for 25 to 40 percent of total business costs, according to multiple independent industry benchmarks. For a business generating $5 million in annual revenue, that's $1.25 to $2 million per year flowing through IT vendors, facility service providers, marketing agencies, logistics partners, office supply accounts, and professional services firms.

Now apply the McKinsey benchmark: actively managing that spend can reduce costs by 10 to 25 percent. On $2 million in indirect spend, that's $200,000 to $500,000 in recoverable savings — without selling a single additional unit, winning a single new client, or adding a single new employee.

Here's what that looks like scaled to your business:

Annual Revenue	Estimated Indirect Spend	10% Savings Opportunity	20% Savings Opportunity
$2M	$500K–$800K	**$50K–$80K**	**$100K–$160K**
$5M	$1.25M–$2M	**$125K–$200K**	**$250K–$400K**
$10M	$2.5M–$4M	**$250K–$400K**	**$500K–$800K**
$25M	$6.25M–$10M	**$625K–$1M**	**$1.25M–$2M**
$50M	$12.5M–$20M	**$1.25M–$2M**	**$2.5M–$4M**

Estimates based on McKinsey indirect spend benchmarks (10–25% savings potential) and industry-standard indirect spend as 25–40% of revenue.

These aren't aspirational numbers. They're conservative applications of research conducted by some of the most respected consulting firms in the world, applied to businesses operating without any procurement discipline today — which describes the vast majority of small and mid-sized businesses.

The In-House vs. Outsourced Question

The most common response when business leaders recognize their indirect spend problem is: "We should probably hire someone for this." It's a reasonable instinct. But the numbers behind that decision are worth understanding before you post the job listing.

A senior procurement manager in the greater Philadelphia market earns between $90,000 and $120,000 in base salary, according to current benchmarking from ZipRecruiter and the Robert Half 2026 Salary Guide. But base salary is just the beginning. The U.S. Bureau of Labor Statistics reports that benefits — health insurance, retirement contributions, payroll taxes, paid time off — typically add 30 to 40 percent on top of base compensation for a full-time employee. Add recruiting costs, onboarding time, procurement software subscriptions, and ongoing training, and a Year 1 investment of $150,000 to $200,000 or more is the realistic expectation.

And that assumes the hire works out. Turnover in specialized roles like procurement can mean repeating that full cycle every two to three years.

Cost Factor	Full-Time In-House Hire	Stillwater Procurement Partners
Base Salary	$90,000–$120,000/yr	**Included in retainer**
Benefits & Payroll Taxes (30–40%)	$27,000–$48,000/yr	**None**
Recruiting & Onboarding	$10,000–$20,000+	**None**
Procurement Software & Tools	$3,000–$12,000/yr	**Included**
Training & Development	$2,000–$5,000/yr	**None**
Time to First Impact	3–6 months to ramp	**Immediate — Day 1**
Years of Experience	Varies by candidate	**20+ years, Day 1**
Turnover Risk	Full cycle every 2–3 yrs	**None**
Estimated Year 1 Total Cost	$150,000–$200,000+	**A fraction of that**

Salary data: ZipRecruiter, Robert Half 2026 Salary Guide, Glassdoor. Benefits data: U.S. Bureau of Labor Statistics, Employer Costs for Employee Compensation (December 2025).

> *With Stillwater, you get 20+ years of senior procurement expertise, proven sourcing strategies, and measurable savings from Day 1 — without the overhead, the benefits burden, or the hiring risk.*

Why This Matters More Than Most Business Owners Realize

There's a common assumption in business: if a cost isn't actively causing a problem, it probably doesn't need to be managed. Indirect spend doesn't trigger a crisis. It doesn't stop the phones from ringing or the orders from shipping. It just quietly erodes margin — year after year, contract by contract, auto-renewal by auto-renewal.

Consider what happens in a typical business over a five-year period without procurement oversight:

- A software subscription renews automatically at a 5% annual increase — without anyone verifying whether the pricing is still competitive or whether all the licenses are actually being used.
- A facilities contract signed three years ago has been on auto-renew — the market has moved, better providers exist, but no one has looked.
- A marketing agency relationship has expanded in scope and cost without a formal review of deliverables or an RFP to validate pricing.

- A logistics vendor raises rates citing industry cost increases — the business absorbs the increase because no one has benchmarks to challenge it.
- Professional services engagements proliferate across departments without centralized visibility into total spend or supplier performance.

None of these individual situations is a crisis. Together, across a business spending $3 to $5 million annually on indirect categories, they represent hundreds of thousands of dollars in unnecessary cost — money that shows up as reduced margin, not as a line item anyone is managing.

> *A 10% improvement on $3 million in indirect spend puts $300,000 back on your bottom line. That's not theoretical. That's real margin improvement — without selling a single additional unit or winning a single new client.*

The Compounding Effect of Inaction

Perhaps the most underappreciated aspect of unmanaged indirect spend is that the cost of doing nothing compounds. Each year a contract auto-renews without renegotiation, the gap between what you're paying and what you should be paying widens. Each year a supplier goes without competitive challenge, they have less incentive to offer their best pricing. Each year without spend visibility is another year of fragmented purchasing, duplicate vendors, and missed volume discounts.

The businesses that address this — that take a systematic, disciplined approach to indirect spend — don't just capture one-time savings. They build a structural cost advantage that compounds in their favor year after year.

What Managed Indirect Spend Actually Looks Like

Managed indirect spend isn't a complex transformation project. It's a disciplined set of activities applied systematically to the categories where your business spends money to operate:

#	Activity	What It Delivers
1	**Spend Visibility**	A clear picture of what you're buying, who you're buying from, and what you're paying — the foundation of every other improvement
2	**Market Benchmarking**	Your current pricing compared against current market rates — revealing exactly where you're paying above market and by how much
3	**Competitive Sourcing Events**	Structured RFP processes that introduce genuine supplier competition — typically delivering 10–25% reductions in targeted categories
4	**Contract Review & Renegotiation**	Systematic review of auto-renewal clauses, pricing escalations, and SLAs — addressing the contracts that are quietly costing you money

#	Activity	What It Delivers
5	**Supplier Consolidation**	Reducing fragmented spend across too many vendors — unlocking volume leverage and simplifying supplier management
6	**Ongoing Oversight**	Active management of renewals, benchmarks, and supplier relationships — preventing savings erosion and keeping suppliers competitive over time

The Bottom Line

Indirect spend is not a glamorous topic. It doesn't generate the same urgency as a sales shortfall or the same excitement as a product launch. But for most small and mid-sized businesses, it represents the single largest untapped opportunity to improve profitability without growing revenue.

The research is consistent across McKinsey, BCG, Oliver Wyman, and Inverto: 10 to 25 percent savings are available to businesses that choose to manage their indirect spend with discipline. For most companies in the $2M to $50M revenue range, that's a six- to seven-figure opportunity sitting in plain sight — uncaptured simply because no one is looking.

That's what Stillwater Procurement Partners was built to change.

Find Out What's Available in Your Business

Our Procurement Health Check is a fixed-fee engagement that identifies exactly where your indirect spend savings opportunity lies — and delivers a prioritized roadmap to capture it.

Schedule a free 30-minute consultation today.

todd@stillwaterpp.com | Stillwater Procurement Partners | King of Prussia, PA

Sources & Further Reading

All statistics and research cited in this article are drawn from the following publicly available sources:

McKinsey & Company: Indirect Spend Management Research — organizations can reduce indirect costs by 10–25% through improved procurement practices. *mckinsey.com*

McKinsey & Company: "Beyond Procurement: Transforming Indirect Spending in Retail" — retailers shaving 10–15% off indirect spend. *mckinsey.com*

Inverto, A BCG Company: "Indirect Spend: Raising Potentials in Procurement" — a 5–7% reduction in indirect spend can equal a major sales increase. *inverto.com*

BCG & Inverto: "Retail in Transition" Report — AI can drive up to 15% savings in indirect spend. *bcg.com / inverto.com*

Oliver Wyman: "3 Proven Strategies to Cut Indirect Spend in Consumer Goods" — 10–15% reduction over three years. *oliverwyman.com*

ZipRecruiter: 2026 Procurement Manager Salary Data — Philadelphia Region. *ziprecruiter.com*

Robert Half: "2026 Salary Guide" — Procurement and Supply Chain roles. *roberthalf.com*

U.S. Bureau of Labor Statistics: "Employer Costs for Employee Compensation" (December 2025) — benefits add 30–40% to base salary. *bls.gov*

Deloitte: "2025 CPO Survey" — top barriers to procurement value delivery and maturity benchmarks. *deloitte.com*

Alvarez & Marsal / Varisource: "Cost Reduction Procurement: 15 Strategies for 2026" — up to 20% savings in first 100 days. *varisource.com*