

PROCUREMENT TALK, S8 E2

## WHY AGGREGATED PROCUREMENT CAN REALLY PAY

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Welcome to Procurement Talk and this is your host David Byrne. Procurement Talk is for procurement and business professionals, where we provide insights and solutions to your procurement challenges.

Hello and welcome to Procurement Talk. This is your host, David Byrne. It's great to be back for another episode. This episode is titled "Why Aggregated Procurement Can Really Pay"

Aggregated procurement is something very close and dear to my heart, and it's something I've been involved in for a number of years. Aggregated procurement happens when multiple departments or organisations or even an entire government teams up to make purchases together, pooling their demand. The idea is that the more you buy, the better the deal you can get, which can lead to major cost savings and efficiencies.

Suppliers are often willing to offer better prices as they know that securing large, consistent orders is great business for them. And sometimes the pool of suppliers opens up because of the higher dollar value through the aggregated procurement.

Aggregated procurement happens in many sectors within Australian government departments, smaller federal departments also often tap into larger supply panels and organisations come together. For example, and they come together on all sorts of demands from IT spend to travel, you name it. It can all come into an aggregated spend limit and opportunity. And that really does offer the benefit of pre-negotiated contracts and the economies of scale, which is of great benefit.

State-level contracts, the whole of government contracts for categories such as stationary, fuel, telecommunications, and local councils now do come together to buy together to get better deals.

Universities and hospitals sometimes collaborate regionally through procurement and may pool resources to buy pharmaceuticals or medical equipment, and big corporations with multiple subsidiaries use aggregated procurement to unify their spending and boost their negotiation power. It's a great benefit to all parties. And if you want to go fast, go alone. If you want to go far, then go together. And that's what aggregated procurement does. It brings everybody together.

As well as saving money, it also streamlines the procurement process with fewer contracts, less paperwork and more efficiency across the board. This approach reduces duplication of effort across multiple procurement teams, streamlines the processes and saves time. And it opens up the opportunities for smaller entities who can't afford to take it on their own but as a group they could.

And this was really evident when BWD got involved with Shared Service Partners. Shared Service Partners provide aggregated procurement to the mutual banking sector in Australia. And it's made a significant difference to a wide range of mutual banks of various sizes from the very small banks which are one branch bank, to the much larger ones, and they provide a wide range of services from negotiating deals with IT suppliers, corporate insurance providers, IT equipment, it really does vary. But they've also done different sort of things as well by aggregating resources and taking a shared resource and using that resource across multiple entities. And that has made a significant difference. And it's really given some organisations that uplift that they've looked for.

Aggregated procurement also plays a growing role in sustainability as collective buying can drive greener supply chains and reduce that carbon footprint.

There are some negatives with aggregated procurement:

Compliance may need to be considered if different entities operate under different regulatory requirements.

Smaller or local vendors may no longer be an option which compromises supplier diversity. And if you're just using a supplier in a small town, then that may be the best option for you.

There are also some legal and compliance issues to consider when drafting joint contracts and navigating regulatory frameworks.

These are all matters that need to be considered, but can be worked through, and that can be done through good planning and consideration at the outset. And this is not all about the collaboration of buyers. As suppliers, too, can work together and join forces, giving them increased capacity and the capacity to supply as a collaborated team.

And you see that on some very large contracts for the government where supplier panels come together and they deliver an aggregated procurement on some large pieces of work.

So there you have it. Aggregated procurement is more than just a cost-cutting tool. It's a strategic approach to buying that fosters collaboration, efficiency and innovation. It's about buying smarter and the key is alignment, transparency and a shared vision. Because alone we can do so little. Together we can do so much. And that's really what aggregated procurement wants and does deliver for you, the supplier, and also you, the buyer.

If you've enjoyed this episode, don't forget to subscribe and leave a review. We would love to hear from you.

And as always, if you are interested, BWD Consulting is here to help. If you would like some assistance on aggregated procurement or need to understand more about how it works and the benefits of it, please don't hesitate to reach out via our website.

So there you have it. All the very best and bye for now.

This concludes this episode of Procurement Talk. Thank you for listening.

Procurement Talk is brought to you by David Byrne and BWD Consulting. We're helping organisations transform procurement. Talk to you again soon. Bye for now.