GROWING COMPANIES / NON-TECHNICAL PURCHASING

What it costs when nobody owns purchasing

Chairs, monitors, onboarding kits, festive gifts. In most funded companies these are bought by whoever has a free afternoon. The evidence says this habit has a price, that the price is paid every month, and that it never appears as a line in the accounts.

By The Team Backstage

39%
of the variation in prices paid for identical items came from who did the buying, across 16 million purchases[1]

83%
of purchasing waste in a landmark study came from inattention and lack of skill, not dishonesty[2]

4–7 hrs
a week go to routine ordering for 37% of leaders at small and mid-sized firms[7]

16%
of negotiated savings are lost when staff buy outside the agreed supplier[5]

A loss with no invoice

A company that overpays for cloud hosting finds out, because the bill arrives in one place. Purchasing losses do not arrive anywhere. The higher price sits in the admin budget. The lost Friday sits in the people team's week. The denied tax credit surfaces in finance at year end. The new hire without a desk on day one shows up, months later, in an attrition number. Nobody adds these together, so the total is assumed to be zero.

This paper adds them together. It sets out five leaks, each documented in peer-reviewed research, audited benchmarks or Indian statute. It then shows why the usual fix, hiring a buyer, costs more than the leak it is meant to close, and what the evidence says a working purchasing method needs.

Figure 1 **The five leaks, and where each one hides**

Leak	Where it hides	What the evidence shows
1 Price	Admin and facilities budgets, as a slightly higher number nobody questions	Managing neglected small purchases cuts their cost by **5–10%** on average[4]
2 Time	The founder's and the people team's week, during the hiring surge	Unmanaged buying costs almost **four times** as much to process per order[6]
3 Tax and compliance	Finance, at year end, after the supplier has been paid	Credits **denied** and deductions **deferred** under four separate provisions[11–13]
4 Control	Nowhere, until it surfaces	Median fraud loss of **$104,000**; weak controls raise it by 43%[14]
5 Day one	Attrition and hiring cost, months later	**44%** of new hires have regrets within their first week[10]

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LEAK ONE / PRICE

The price depends on who is buying

The same item, from the same market, in the same month, costs different buyers different amounts. The strongest research on purchasing all points to the buyer as the cause.

The buyer explains more than a third of the price

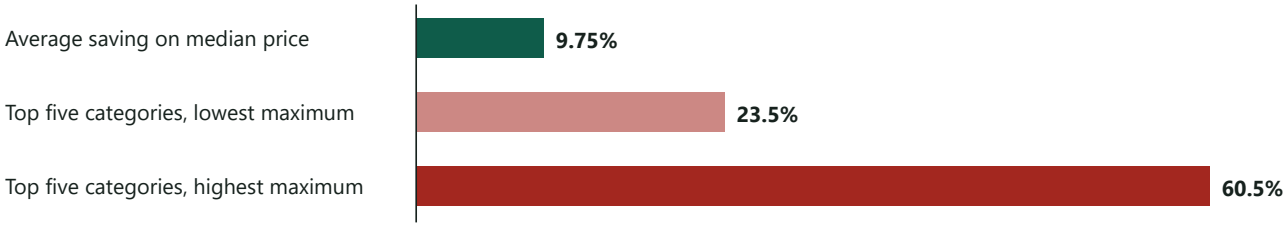
Economists Michael Best, Jonas Hjort and David Szakonyi tracked 16 million purchases of narrowly defined, identical goods. They found that 39% of the variation in prices paid was explained by the individuals and organisations doing the buying, not by the goods[1]. An earlier study of Italian public bodies buying the same generic items reached a harder conclusion. Some bodies paid systematically more than others, and 83% of that waste was "passive": it came from lack of skill and attention, not corruption[2].

Those buyers had tender rules, purchase committees and auditors. A growing company has a messaging group and a deadline. If trained officials overpay by default, an office manager buying 60 chairs for the first time will too.

India's own numbers show how wide the gap is

When the Government of India moved common purchases to a single marketplace, a World Bank assessment quoted in the Economic Survey found average savings of 9.75% on the median price. In the five largest categories the maximum saving ranged from 23.5% to 60.5%[3]. These were standard goods and experienced buyers.

Figure 2 **What comparison alone recovered on standard goods**



Government e-Marketplace, February 2019 to January 2020. World Bank assessment as quoted in the Economic Survey 2021–22 [3].

The same Survey ran its own check on 22 common items and found the marketplace cheaper for only 10 of them[3]. No channel and no vendor is cheapest across the board. The price has to be checked item by item, order by order. That is work, and in most companies it is nobody's job.

Small orders are where the money goes missing

Boston Consulting Group describes "tail spend": the small, scattered purchases that make up about 80% of a company's transactions but only 20% of its spending. Because each order is small, nobody manages them. Companies that start to do so cut the cost of that spending by 5–10% on average[4]. For a growing company, nearly all non-technical purchasing is tail spend.

The quote is not the cost

A kit quoted at Rs 480 plus Rs 45 freight costs more than a kit quoted at Rs 505 delivered. Across 100 kits the quote that looked cheaper loses Rs 2,000. Freight, packing, installation and replacements decide the real figure, in a country where logistics alone runs to about 8% of GDP[26]. Comparing the first number on each quote is how the wrong supplier wins.

> **WHAT IS BEING LOST**
>
> Between 5% and 10% of everything bought, every month, with no invoice that says so.

LEAKS TWO AND FIVE / TIME AND DAY ONE

The hours come from the people you can least spare

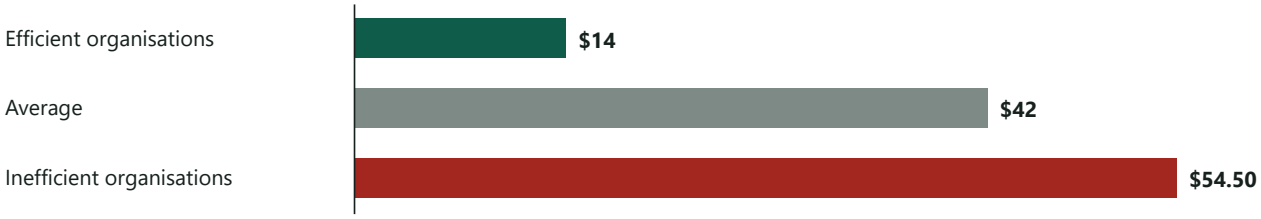
Purchasing without an owner still gets done. It gets done by the founder, the head of people and the office manager, in the weeks when their own work matters most.

Nearly a working day a week

In a 2026 Walmart Business survey of more than 500 decision-makers at firms with 10 to 500 employees, 37% said they spend four to seven hours a week on routine ordering[7]. A separate survey of 251 entrepreneurs found that 36% of a 45.5-hour week went to administrative tasks, with ordering supplies named among them[8].

Benchmarks from APQC put a number on how much of that effort is avoidable. The average organisation spends $42 to process one purchase order. Efficient ones spend about $14. Inefficient ones spend $54.50, almost four times as much for the same order[6]. The difference is method: a known supplier list, a fixed specification and one person following the order through.

Figure 3 **Cost to process one purchase order**



APQC cross-industry benchmarks, 25th percentile, average and 75th percentile, as reported in Supply Chain Management Review, May 2026 [6].

The timing makes it worse

Purchasing peaks when a company is growing: a new office, a hiring batch, a festive season. Those are the same weeks in which the founder is closing candidates and the people team is running interviews. The cost of the lost hours is not a share of a salary. It is the offer that went out three days late and the candidate who took another one.

The first week is decided by things purchasing controls

Gallup finds that only 12% of employees strongly agree their organisation onboards new people well, and only 29% of new hires feel fully prepared for their role[9]. A BambooHR study of 1,565 employees found that 44% had regrets or second thoughts within their first week, and that employers have an average of 44 days to persuade a new hire to stay[10].

No study isolates the effect of a missing chair or a late welcome kit, and this paper does not claim one. But the first week is when the judgement is formed, and the desk, the equipment and the welcome are the parts of that week which purchasing delivers or fails to deliver. Replacing an employee who leaves is estimated to cost six to nine months of salary[9]. A kit that arrives on time costs a few thousand rupees.

WHAT IS BEING LOST

Up to a working day every week from the company's most expensive people, and a first impression that cannot be delivered a week late.

LEAKS THREE AND FOUR / TAX, COMPLIANCE AND CONTROL

The losses that arrive after the supplier is paid

In India, the choice of supplier and the timing of payment are tax decisions. An occasional buyer makes them without knowing it.

Figure 4 **Four provisions an occasional buyer does not check**

Provision	What it says	How the company loses
CGST Act, s.17(5)(h)[11]	No input tax credit on goods disposed of by way of gift or free samples.	GST on gifts is a cost, not a credit. Budgets built on pre-tax quotes run over.
CGST Act, s.16(2)(aa)[11]	Credit is available only for invoices that the supplier has reported and that appear in the buyer's GSTR-2B.	A supplier who files late, or not at all, costs the buyer the credit on that invoice. The cheapest quote can become the dearest.
Income-tax Act, s.43B(h); MSMED Act, ss.15–16[12]	Micro and small suppliers must be paid within 45 days (15 without a written agreement). Late payment carries compound interest at three times the RBI bank rate.	The expense is deductible only in the year it is actually paid, and the interest is owed on top.
Income-tax Act, s.194R[13]	Tax to be deducted at 10% on business benefits or perquisites above Rs 20,000 a year to a recipient.	Gifts to dealers, partners and creators can trigger a withholding duty the gifting budget never planned for.

Summaries, not advice. Section numbers are those of the Income-tax Act, 1961; the withholding provisions were renumbered under the Income-tax Act, 2025 from 1 April 2026 with rates and thresholds unchanged [13].

These rules are enforced. Delayed payments to small suppliers stood at Rs 7.34 lakh crore in March 2024[27], which is why the 45-day rule was written into tax law. A professional buyer checks a supplier's registration and filing record before the order. An occasional buyer learns about them from the auditor.

One person choosing, ordering and receiving

The Association of Certified Fraud Examiners estimates that organisations lose 5% of revenue to fraud each year. Its 2026 study of 2,402 cases puts the median loss at $104,000. Lack of internal controls was the main weakness in a third of cases, and losses were 43% higher where it was[14].

Small organisations are more exposed in exactly this area. Billing schemes, which run through purchasing, appeared in 28% of cases at organisations with fewer than 100 employees against 18% at larger ones. Only a quarter of small businesses had a reporting hotline, against 85% of larger ones[14].

India is not an exception. In the 2024 edition, the Southern Asia region (101 of its 124 cases were Indian) had corruption in 74% of cases, the highest share of any region[15]. PwC's 2024 survey found that 59% of Indian organisations had experienced fraud in the previous 24 months, and half named procurement fraud as their top concern[16].

The standard defence is separation of duties: the person who chooses the supplier is not the person who approves the spend, and neither confirms receipt. A 150-person company cannot staff three roles for buying chairs. So one trusted person does all three, and the company finds out whether the trust was justified only when something goes wrong.

> WHAT IS BEING LOST
>
> Tax credits and deductions the company was entitled to, and the only control that reliably catches purchasing fraud.

THE USUAL FIX

Why hiring a buyer does not close the leak

The instinctive answer to "nobody owns this" is to hire somebody. The evidence gives four reasons that answer disappoints.

1. The salary is larger than the problem

The average reported salary for a purchase manager is Rs 12.5 lakh a year in Bengaluru, Rs 12 lakh in Mumbai and Rs 10.3 lakh in New Delhi, before provident fund, gratuity and other employer costs[17]. Page 6 shows that the counted leak at a typical growing company is smaller than this. The hire is hard to justify, so it is not made, and the leak continues.

2. The knowledge leaves with the person

Aon's survey of more than 1,400 Indian organisations puts attrition at 16.2% in 2025[18]. In any year there is roughly a one-in-six chance that the buyer resigns. Supplier contacts, negotiated rates and the memory of which vendor failed last time leave with them.

3. One company's volume buys one company's price

An in-house buyer negotiates with one company's orders. A team that buys the same categories for many companies sees current prices every week and brings combined volume to the supplier. In a 2025 study, hospitals served by a top-quartile purchasing group spent 4.8% less on supplies per discharge than those served by a bottom-quartile one, more than $1.2 million a year per hospital[19].

4. The best-run purchasing functions use fewer people, not more

The Hackett Group's 2025 benchmark finds that top-performing procurement organisations deliver 2.6 times the return of their peers with 31% fewer staff and 19% lower cost[20]. Deloitte's survey of chief procurement officers finds that the top quartile uses hybrid managed-service models 60% more than the rest, and outsourcing nearly twice as much[21]. The leaders keep the decisions and place the execution with specialists.

The theory agrees

Peter Kraljic's 1983 purchasing model sorts purchases by supply risk and profit impact. Office supplies and other "non-critical" items are to be handled for efficiency, with minimal management attention[22]. Oliver Williamson's work on transaction costs, which earned the 2009 Nobel Prize, reaches the same place: an activity belongs inside the company when it needs knowledge or assets specific to that company[23]. Component selection at a hardware start-up qualifies. Chairs do not.

Figure 5 **Three ways to run non-technical purchasing**

	Nobody owns it	Hire a buyer	Specialist sourcing team
Fixed cost	None on paper	**Rs 10–12.5 lakh a year plus employer costs**	**Scales with what is bought**
Price knowledge	**Whatever a search finds that day**	One company's order history	**Current prices across many buyers**
If the person leaves	**Nothing was recorded**	**Supplier knowledge leaves too**	**Records stay with the company**
Separation of duties	**One person does everything**	Depends on a second approver	**Built in: company approves, team buys, site receives**
Accountable for delivery	**Unclear**	The buyer, when present	**One named team, brief to delivery**

THE ARITHMETIC

A year of leakage, counted

Take a 150-person company that has raised a round, is opening an office and is hiring through the year. Apply only the two leaks that can be priced from published benchmarks.

Figure 6 **Illustrative annual loss on Rs 60 lakh of non-technical purchasing**

Leak	Basis	Low case	High case
Price	5–10% of spend, the range recovered by managing tail spend[4]	**Rs 3.0 lakh**	**Rs 6.0 lakh**
Time	4–7 hours a week[7] for 48 weeks, at Rs 865 an hour (a people or operations lead on Rs 18 lakh a year)	**Rs 1.7 lakh**	**Rs 2.9 lakh**
Counted loss	**7.8% to 14.9% of what was bought**	**Rs 4.7 lakh**	**Rs 8.9 lakh**

Illustration by the authors. The spend level, hourly cost and the application of large-company benchmarks to a smaller firm are assumptions; substitute your own figures. Not a client result.

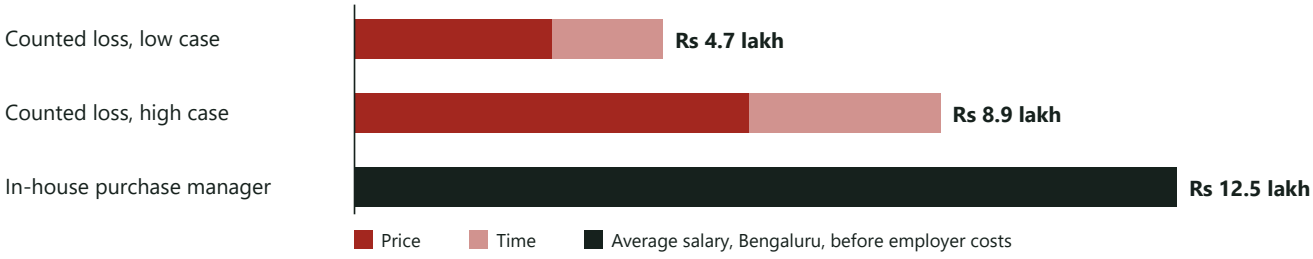
What the count leaves out

Three further exposures are real but cannot be honestly priced in advance, so they are excluded from the total above.

Tax credit at risk. At an assumed 18% rate, Rs 60 lakh of purchases carries Rs 10.8 lakh of GST. Whether that is recovered depends on each supplier's filing and on whether the goods were gifts[11]. **Fraud.** The median case costs $104,000, more than the whole of the counted loss[14]. **Early attrition.** One departure that a better first week would have prevented costs six to nine months of that person's salary[9].

The trap

Figure 7 **The loss sits below the cost of the person who would fix it**



Counted loss from Figure 6. Salary: AmbitionBox, self-reported, accessed November 2026 [17].

This is why the leak survives in well-run companies. At Rs 4.7 to 8.9 lakh a year it is too small to justify a Rs 12.5 lakh hire, so no hire is made. It is too scattered to appear in any report, so nothing is fixed. And it repeats every year the company grows, on a larger base each time.

A company that waits until the loss is large enough to justify a full-time buyer has, by definition, already paid for that buyer several times over without having one.

THE POSITION THIS LEAVES

Too small to hire for. Too large to ignore. The only fix that fits is one whose cost moves with the spending, and not with a headcount.

THE METHOD

What closes the leaks, and the evidence for each step

The sourcing method used by The Team Backstage has five steps. Each one exists because a specific finding says the loss occurs at that point.

Figure 8 **The five-step method mapped to the research**

Step	What happens	Why: the finding behind it
1 Set the brief Your team	Items, budget and deadline are written down. The specification is fixed against a sample before any price is requested.	Every price study in this paper compares identical items. Without a fixed specification, quotes cannot be compared, and total cost of ownership cannot be worked out[24].
2 Compare suppliers Sourcing team	Samples, minimum quantities and the delivered price are compared across suppliers, with freight, fees and taxes on the same basis.	The buyer explains 39% of price variation[1]. No single channel was cheapest for more than 10 of 22 items[3]. Comparison recovered 9.75% on the median price[3].
3 Approve the order Your team	The company signs off the sample, the total cost and the delivery date. Budget and award authority never leave the company.	Separation of duties is the control most often missing where fraud occurs[14]. In a field experiment with about 600 procurement officers, letting buyers act freely inside an approved budget cut prices by 9% with no loss of quality[25].
4 Get it delivered Sourcing team	The team places the order, tracks shipments, checks goods against the sample and resolves shortages, damage and replacements.	Up to 16% of negotiated savings are lost after the deal is agreed, in follow-through. Leaders keep 91% of supplies spending on agreed terms; others keep 73%[5].
5 Keep the record Both	Each order adds to a file of specifications, delivered prices and supplier performance that the company owns.	Indian textile firms that adopted basic management routines, including record keeping, raised productivity by 17% in the first year[28]. The record is also what survives a resignation[18].

Figure 9 **Share of spending that stays on agreed terms**



The Hackett Group, User Experience and Maverick Spend Study, 2019 [5].

What the company keeps

The budget, the approval, the supplier terms and the purchase record stay with the company. What moves out is the work between the decisions: finding vendors, lining up quotes on the same basis, chasing dispatch and fixing what arrives wrong. One brief goes in. One team is accountable until the goods are accepted.

THE DECISION

Why the leak survives, and a test that costs nothing

Most leaders who read the previous pages will agree with them and change nothing. That response is well documented too.

Doing nothing feels free

People weigh a loss roughly twice as heavily as a gain of the same size. A review of 607 estimates across 150 studies puts the ratio between 1.8 and 2.1[29, 30]. Normally that instinct protects a company's money. Purchasing escapes it, because the loss is never presented as one. Nobody receives a statement saying "Rs 6 lakh overpaid this year".

In its place sits a second instinct, the preference for the current arrangement, which Samuelson and Zeckhauser documented in 1988[31]. Switching looks like a risk; staying looks like no decision at all. An analysis of more than 2.5 million recorded sales conversations found that 40–60% of buyers who said they intended to act ended up doing nothing[32]. The cost of that inaction is the subject of this paper.

Seven questions for Monday morning

No outside party can tell a company what it is losing. These questions can, and each takes minutes to ask.

1. Who bought the last large order, and what did they not do that week because of it?
2. For your last three orders, can anyone produce two comparable quotes on a delivered basis?
3. How many hours did the founder and the people team spend last month chasing suppliers?
4. Which supplier invoices from last quarter are missing from your GSTR-2B?
5. Which of your suppliers are registered micro or small enterprises, and was every one paid within 45 days?
6. Does one person choose the supplier, place the order and confirm receipt?
7. Did every person hired last quarter have a desk, equipment and a welcome kit on day one?

Where the answer is "I don't know", that is where the leak is.

A test with no downside

The evidence on indecision carries a warning: showing people a loss without a safe way out makes them less likely to act, not more[32]. So the first step should risk nothing.

Take one quote the company already holds, for an order it is about to place. Hand over the specification, quantity and delivery terms, and ask for the same goods at the same quality on a delivered basis. If the price comes back lower, the leak has been measured on a real order. If it does not, the company has confirmed its price at no cost and lost nothing.

HOW THE TEAM BACKSTAGE RUNS THIS TEST

The Team Backstage matches any existing quote on the same specification and quality, and in most cases beats it. For companies that want the work taken over, it runs non-technical sourcing end to end: vendor discovery, quote comparison, negotiation, order follow-up and delivery, for office furniture, supplies, new-hire kits, merchandise and gifting. The company sets the budget and approves every order. theteambackstage.com

Method, limits and references

Method. This paper is an evidence review. Sources were chosen for direct relevance to one question: what a company loses when purchasing has no trained owner. Priority went to peer-reviewed studies, audited benchmarks, official Indian publications and statute. Figures 6 and 7 are an illustration built from those sources and stated assumptions.

Limits. The price studies [1, 2] cover public bodies in Russia and Italy; the benchmarks [4, 5, 6, 20, 21] come mainly from large companies; the time and onboarding surveys [7–10] are largely from the United States. They show the mechanism and its scale, not a guaranteed result for any one company.

Salary data [17] is self-reported. Items [7], [16] and [27] were read in press coverage of the original survey; the statutory summaries [11–13] were checked against professional commentary, not the gazette text, and are not tax advice. Loss aversion is debated in its strength [30], which is why this paper says "roughly twice".

Disclosure. The Team Backstage sells managed sourcing services and commissioned this paper. It reports no client savings figures. The illustration on page 6 is not a client result.

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