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Up to 30% of procurement value lost before impact: New insights highlight gaps in healthcare and pharma

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Procurement data is quite frequently segmented across misaligned systems



A growing gap between negotiated savings and realized value is emerging as a critical concern in healthcare and pharmaceutical procurement. According to industry observations 20–30% of contracted value is lost before it reaches the bottom line, indicating a deeper operational inefficiency beyond sourcing. Most procurement leaders in healthcare and pharma know their savings figures, but few can quantify missed savings or explain the reasons. This gap reveals a deep rooted problem in procurement operations.

Procurement quality is often mislabeled as a sourcing issue, with the core focus on improving RFPs, negotiations, and vendor selection. Yet top-performing teams routinely lose 20–30% of contracted value before it hits the bottom line. The real issues occur before and after sourcing.

By the time procurement receives a requirement, key decisions are often predetermined. Vendors may be informally chosen, specifications may favor certain suppliers, or time schedules may limit competition. This intake issue is alarmingly widespread in healthcare and pharma. Immediate action is needed: procurement must engage earlier in budgeting and planning. Relying on improved forms alone will worsen outcomes.

In regulated industries, contracts are often seen as legal endpoints instead of valuable commercial tools. After signing, reviews rarely occur until disputes or renewals force a response, dangerously delaying oversight. Because of this, the value found in contracts, like service levels, rebates, and volume commitments, often goes unrealized. This problem doesn't stem from poor negotiation; it comes from a lack of active management.

While individual tail spend transactions are low in value, their total impact is significant. In many healthcare organizations, tail spend makes up to 20–25% of procurement activity. Uncontrolled tail spend increases supplier fragmentation, obscures visibility and magnifies compliance risks especially in clinical settings where supplier control is important.

Procurement data is quite frequently segmented across misaligned systems. As a result, teams receive delayed, reconciled reports that are useful for reporting yet limited for prompt decision-making. In healthcare and pharma, delayed procurement decisions directly threaten operations and patient safety. Relying on outdated data increases risk.

Leading organisations are not only improving sourcing but also transforming procurement operations. They engage earlier, manage contracts proactively, and raise visibility throughout the procurement lifecycle. The shift toward strategic procurement has been discussed for years. In healthcare and pharma, it is now essential.

Looking ahead, procurement must create value by operating more intelligently and doing so urgently. Success will not come from harder negotiation alone.

Arjit Agarwal, Principal Consultant, Business Consulting, Nexdigm