

# Ensuring value for money from your professional services SoW spend





**Jon Milton,**  
Growth Director – Services Procurement,  
Reed Talent Solutions

Following on from our first guide in the series, 'A practical guide to services procurement management (SPM)', this eBook is designed for procurement and external workforce management professionals with responsibility for managing their organisation's usage of professional services delivered via statements of work (SoW).

With this guide, I aim to provide you with practical insights and actionable advice on how to better manage your professional services suppliers resulting in the delivery of better value for money.

We draw on Reed Talent Solutions' extensive experience in the procurement of professional services, having supported over 100 organisations across both the public and private sectors since 2015, and conducted more than 2,000 procurements.

To support you in maximising value from your professional services spend, this guide focuses on three key areas:

**Supply costs**

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**Internal costs**

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The guide is structured around these themes, as our experience consistently shows that paying attention to these can typically result in significant benefits for organisations, regardless of their current approach or model to managing professional services.

*Jon Milton*

# Supply costs

The most common pricing formats used for professional services are:

## Time and materials

Often used for consultancy where the scope is unclear and ongoing expertise is required. Best used tactically, but not as a long-term model. Time and materials (T&M) pricing is typically applied for specific outcomes (priced against a scope of requirements) or as part of a rate card (priced for potential opportunity). Outcome-based time and materials pricing will likely differ from rate-card T&M, with adjustments built in to accommodate the management effort required to support outcome delivery.



### When it works well

- Discovery or diagnostic phases
- Agile work
- Advisory support with evolving requirements



### Risks

- Incentivises time not outcomes, with the potential to create a financial black hole
- Creates IR35 risk where resources are deployed via an intermediary alongside your terms



## Fixed fee

A single, agreed price for a defined scope and set of deliverables, providing cost certainty, clearly defined outputs and budget predictability.



### When it works well

- Detailed requirements
- Implementation work



### Risks

- Poorly defined requirements may lead to costly scope changes and/or scope creep

## Retainer pricing

Recurring fees for ongoing access to expertise, advisory support or defined services.



### When it works well

- Long-term advisory relationships
- Continuity of expertise
- Assurance and coaching



### Risks

- Requires ongoing usage to justify value for money
- Scope needs to be clearly defined



# Outcome or performance-based pricing

Part or all fees depend on results achieved. Promotes a shared risk and reward.



## When it works well

- Where baselines are validated to accurately measure performance
- Defined non-financial KPIs/ performance are agreed



## Risks

- Suppliers may prioritise short-term revenue gains to maximise returns
- Can distort expectations i.e. financial risk and reward models disproportionately focus on savings



## Recommended actions

### 1. Carry out market testing.

By engaging potential suppliers early in the process, you can start to get an accurate picture of the required service, the likely budget and available pricing options and their dependencies. You also help suppliers build pipelines and prepare for the potential work.

### 2. Co-create your specification with potential suppliers.

'Road-test' your preferred pricing options by sharing your draft specification with suppliers, asking for their feedback and any recommendations.

### 3. Use milestones for all pricing options.

Milestones enable suppliers to work within a defined structure, using gateway processes that keep outcomes on track, suppliers accountable and work in scope.

### 4. Consider building in contingency for fixed-fee pricing.

Adding a contingency value to budgets provides flexibility to cover any unforeseen, legitimate costs not addressed in the scope of requirements.

### 5. Make payment conditional.

Provide clear acceptance criteria. Irrespective of the payment mechanism, suppliers should be held accountable for outcomes.





## Supplier pricing behaviour

Supplier pricing broadly operates in four ways:

### List/spot pricing:

Spot pricing is defined as transactional, non-committed, market rate pricing. It's normally the most expensive option as buyers exercise no-volume leverage.

### Rate-card pricing:

Slight discount on spot rates to reflect potential rather than guaranteed volume opportunity.

### Bid pricing:

Discounted pricing tied to a specific volume or opportunity. Bids turn pricing into a competitive arena, activating win/lose instincts rather than rational margin analysis.

### Strategic pricing:

Used to defend, break in, or buy market position. Driven less by rational pricing and more by strategic anxiety and long-term hope.

Professional services pricing typically sits between list/spot and preferred supplier pricing due to the unpredictable nature of demand. There is therefore significant opportunity to achieve bid-price level discounts.

## Recommended actions

1. Presenting an accurate picture of historical demand will improve time and materials rate-card prices offered by suppliers to form part of your preferred supply list.
2. Introducing competitive bidding for each requirement creates dynamic price discounting, often at levels significantly below spot or rate-card prices.
3. Creating a detailed scope of requirements (including assumptions, dependencies and acceptance criteria) enables suppliers to price accurately without adding uplifts to cover risk.
4. Asking suppliers to specify resource allocation in their proposals will enable meaningful comparison between bidders. It's also worthwhile reserving the right to audit suppliers to ensure correct utilisation and value for money.



# Demand costs

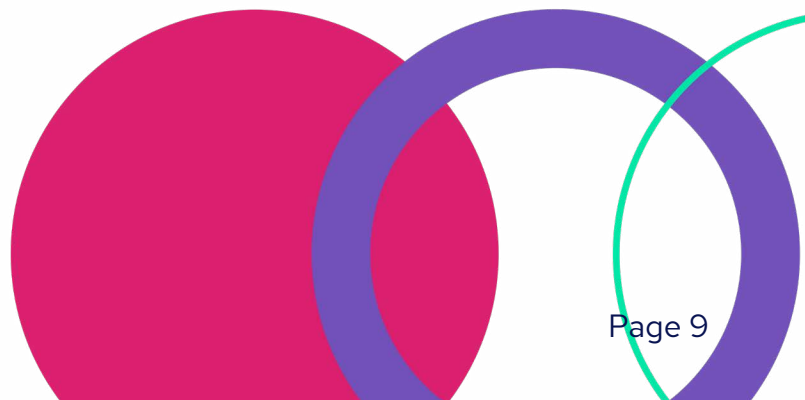
In the context of professional services buying, demand costs are the direct result of line managers engaging suppliers without a full picture of their requirements. Often this is without consideration for key elements of the buying process, such as:

- Market or internal capability to deliver the requirement
- Structured analysis of needs, including project objective and goals, deliverables, milestones, assumptions and dependencies, and acceptance criteria
- Likely budget, based on a range of supplier estimates
- Proposal development – a process to allow suppliers to ask questions and refine their proposals
- Comparing and evaluating supplier options



Demand costs are highly prevalent within professional services buying, particularly in the case of unpredictable and/or one-off purchases.

Reed Talent Solutions research indicates that without an effective services procurement management process in place, most unpredictable professional services engagements are made directly between the end user and a single supplier. This creates significant exposure to demand costs such as overbuying/systematic inflation of need, variation orders, T&M extensions, and scope creep.



PMI's 2025 report, 'Step up: Redefining the path to project success with M.O.R.E', finds that just 50% of projects today meet a modern definition of success. A disconnect between planning and execution was cited by 35% of executives as a barrier.

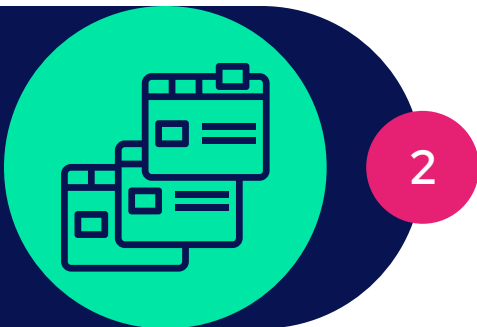


## Recommended actions



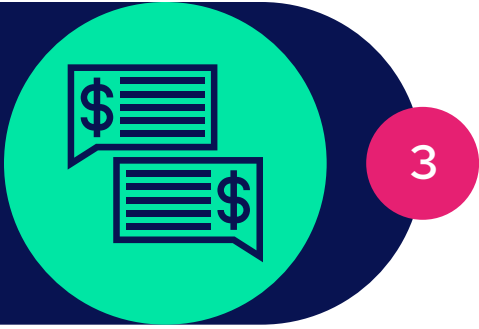
### Carry out market testing.

Issuing an expression of interest to a select group of specialist suppliers is a great way of finding out what the market can offer and how much it will cost. To maximise responses – keep the expression of interest (EOI) brief and targeted.



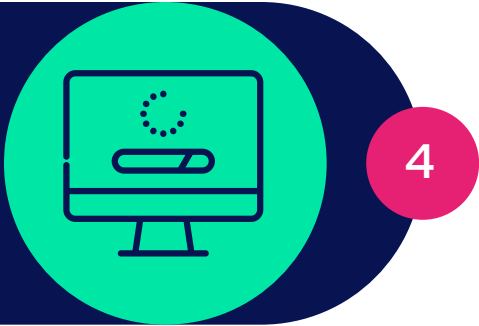
### Introduce standard scope of work templates as default.

Using a template helps the buyer consider and articulate their requirements in detail. It provides suppliers with an accurate picture of work required, measures of success, and conditions of satisfaction. Access our fourth guide in the series, 'How to build an effective statement of work', to get started.



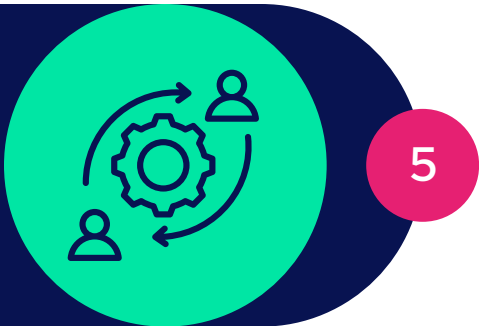
### **Get three competitive quotes.**

Different suppliers bring different options to the table. Getting three suppliers to quote helps shape the requirement and minimise demand costs once the SoW is live. Include Q&A to help suppliers shape their offer and mitigate issues downstream.



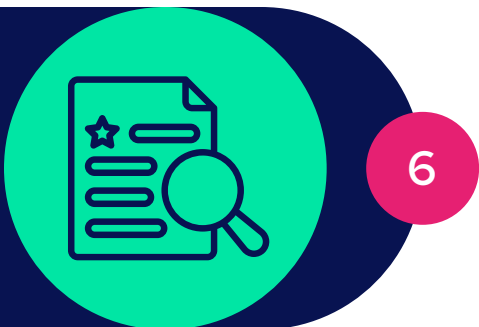
### **Govern the SoW.**

The buying process is the start line, not the finish. Once work has commenced, monitor progress via a red, amber, green (RAG) status attached to milestones, and proactively intervene as necessary. Note: milestones do not have to be linked to payments.



### **Ensure effective change management.**

Introduce a review, and ideally, an approval mechanism for any proposed changes to SoWs.

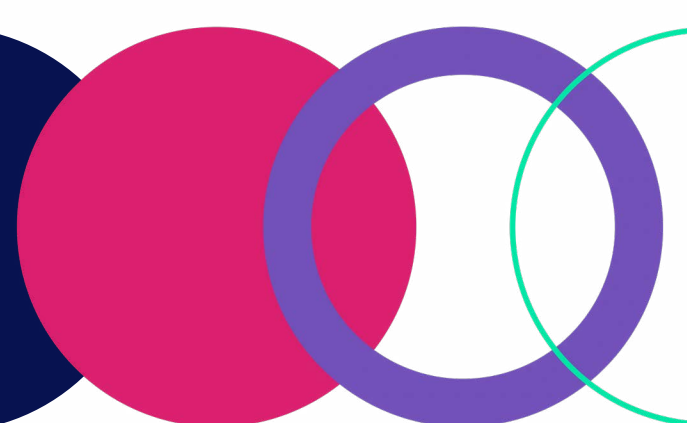


### **Regularly review SoW burndowns.**

Capture SoW activity centrally and monitor progress. This is particularly important for SoWs billed on a time and materials basis, reviewable via quarterly sprints.

**“The most powerful cost reduction does not come from pressurising suppliers, but from fundamentally reimagining what organisations purchase in the first place.**

**“Procurement teams may be able to significantly improve costs by using their knowledge of market offerings, re-engineering, and automation possibilities to adjust specifications.” CASME**



# Internal costs

Professional services are often purchased at decentralised level where the need is perceived as urgent, specialised, or relationship driven. While this structure improves speed and autonomy, it introduces multiple categories of internal cost.



## Duplicated internal effort and transaction costs

Each decentralised engagement triggers a full internal buying cycle: scoping, supplier identification, commercial negotiation, approvals, onboarding, contract management, and invoice processing. When this happens repeatedly across business units, identical activities are duplicated creating significant resource costs:

- Higher headcount hours spent agreeing each engagement
- Repeated commercial and legal effort for similar scopes
- Increased procurement and finance processing costs per pound spent



## Management overheads and effort co-ordination

Disaggregated buying fragments accountability. Line managers must co-ordinate multiple suppliers, each with distinct contracts, assumptions, and deliverables. The cost of internal co-ordination therefore rises sharply:

- Procurement, legal and senior management time resolving overlaps and conflicts
- Governance running parallel and reporting
- Increased procurement and finance processing costs per pound spent



## Poor utilisation and value tracking

Tracking duplication, under-utilisation, or declining marginal value in services spend is difficult to manage without centralised oversight of activity.

## Risk, compliance and remediation costs

Decentralised professional services buying increases exposure to IR35 risk, data protection failures, inconsistent contractual terms, and audit findings. These translate into real remediation and assurance costs:

- Legal and audit remediation effort
- Contract renegotiations and disputes
- Regulatory exposure and management distraction
- HMRC fines
- Reputational damage



## Recommended actions

1

### **Implement a single point of entry for line managers and suppliers.**

Research and practitioner studies consistently show that a centralised, guided intake channel dramatically reduces cycle time, errors, and maverick spend by eliminating fragmented entry points (email, offline forms, shadow systems).

2

### **Guide and enable, but do not control.**

Pace, autonomy and avoiding bureaucracy are all key reasons why line managers prefer to engage with suppliers directly. Line managers and suppliers must see the benefit of an intake process and feel as though they control the process.

3

### **Use the right contracts.**

Professional services spend is nuanced. Organisational and supplier obligations should be properly articulated, particularly in ambiguous areas like IR35. Introducing the right contracts will provide a degree of mitigation.

4

### **Capture SoWs, signed and agreed by both parties in an easily accessible and reviewable format.**

SoWs constitute a record of purchase, inclusive of supplier commitments in areas like utilisation. Having easy access to SoWs will enable the periodic review of supplier deliverables to establish value for money.

## Practical considerations

The best practice tips detailed in this guide are all constituent parts of services procurement management, an emerging model designed for business enablement and the prudent management of the costs associated with buying professional services.

We recommend you read our 'Practical guide to services procurement management (SPM)' ebook for further information, including build or buy options.

A further guide, 'How to build a business case for services procurement management', is designed to support the internal case for change.

Immediate 'low-hanging' opportunities to improve scoping processes are outlined in our guide, 'How to build an effective statement of work'.



## Key takeaways

Implementing a dedicated services procurement management function will enable you to take control of your professional services spend and realise significant cost and process benefits. You'll also be creating an enabling function for your business, helping your stakeholders to work smarter and realise better outcomes.

For many large organisations with complex professional service needs, implementing SPM internally may not be straightforward or achievable. In this instance, working with a partner should be your approach to leverage their expertise, infrastructure and experience.





## Ready to improve your SoW spend?

Let us do the hard work for you.

If you're looking to improve value, reduce risk, and gain greater control over your professional services spend, we can support you every step of the way. Start with a free, no-obligation discovery audit or initial consultation, where we'll assess your current approach, analyse a sample of your SoWs, and highlight immediate opportunities for improvement.

With no commitment required – and even the option to pilot SPM in days – there's nothing to lose and significant value to gain.

Reach out to Jon Milton  
directly to book your  
discovery session, today.

 [jon.milton@reed.com](mailto:jon.milton@reed.com)

 07950 111 466



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