Background

CASME RoundTable meetings on the procurement processes of category planning and management were held in New Jersey, Sao Paulo, Amsterdam and Mexico City during a period from February to April 2016. Between eight and twelve companies were represented at each event. The following main topics were discussed:

- Definition and benefits
- Stakeholder engagement and support
- Scope and strategy
- Processes, tools and content
- Organisation, capabilities and resource allocation
- Future trends and strategies.

This Digest provides the key points, good practices and insights into future trends identified by CASME members around the world. Full notes from each meeting are available on the CASME subscriber-only Resource Centre.

Definition and benefits

- Category management is the systematic approach to managing the cost, delivery and quality of goods and services with similar attributes and suppliers. It provides visibility of the external and internal economics of the category, as well as an end-to-end view of the related opportunities and risks. It is a methodology that involves in-depth analysis, information gathering and sharing, strategic development and implementation. It identifies specific actions that can deliver results based on knowledge of the market and the supply base, overall spend and expectations of savings or other types of value.

- Category management is important to businesses because of the value it provides through long-term, comprehensive and sustainable category strategies, improved risk management and processes to ensure that the required quality is delivered, assurance of supply during market shortages, and the ability to leverage spend volume from across the business to optimise pricing.

- The planning process can be applied across most categories. Procurement usually takes the lead as an advisor to stakeholders and senior management, and in influencing their acceptance of the process.

- Supplier relationship management (SRM) is an integral part of effective category management, as it provides structure and metrics while serving as a collaborative tool. SRM provides value to companies, especially in assisting them to become a customer of choice to strategic suppliers.

Stakeholder engagement and support

- Stakeholder support is one of the most critical components of a successful and respected procurement organisation. Stakeholders should be involved in as many processes and interactions as possible to create partnerships and help define relationships. Care must be taken to ensure Procurement is not perceived as a threat to stakeholders and their relationships with suppliers.

- Procurement teams should take the time to understand stakeholders’ expectations, requirements, issues, concerns and failures, then align Procurement's objectives with those of the stakeholders. Procurement can improve engagement by providing essential information such as spend analysis and market insights.

- Procurement needs to develop a reputation as a trusted advisor by demonstrating the results achieved through using consistent, credible approaches, successful negotiations and the implementation of effective initiatives and programmes. Providing internal training and presentations to stakeholders can assist in Procurement being regarded as a leader within the business. It also involves managing compliance and educating stakeholders on matters concerning confidentiality when dealing with suppliers.

- Meetings and roadshows can be used to increase stakeholder engagement and sell strategies, as well as using case studies of successes to develop understanding on Procurement's roles and responsibilities and the value it can provide. The aim is to become a business partner and involve stakeholders in developing strategies and processes that increase efficiency and provide value. Performance reviews and meetings based on key performance indicators (KPIs) are typically held on a quarterly or six-monthly basis.

- Cost saving is sometimes the last subject to be discussed during stakeholder engagement, as this is usually the outcome when Procurement has managed to work together with stakeholders on areas such as scope, innovation, supplier capabilities, quality, risk management, security and compliance.
Scope and strategy

- Category management is applied to both direct and indirect goods and services. Approaches vary and are influenced by the maturity of the category, the objectives of the strategy, risk and the level of stakeholder interaction that is necessary.
- Spend categories need to be defined and segmented in alignment with the company’s objectives, stakeholders’ requirements and market characteristics. A consistent, logical and easily referenced taxonomy of categories or coding system simplifies utilisation for users and business partners.
- Suppliers may also be segmented into tiers according to criteria relating to spend and risk.
- Category strategies are typically generated at the global level with significant input and involvement from regional and local resources. Strategies may need to be significantly customised for specific regions or localities due to market maturity, resource availability or unique regional needs.

Processes, tools and content

- Processes being used for developing a category plan include: mapping and assessing the requirements of stakeholders, conducting spend analysis, industry analysis, market assessments, competitive analysis, cost modelling and risk management, as well as identifying opportunities, planning sourcing strategies and establishing key performance indicators (KPIs). ‘Should cost’ analysis is a strategic sourcing method, traditionally used for direct goods and services, that is being applied to indirect purchasing.
- Category management planning should take place on an annual basis, with six-monthly reviews. Plans may include setting specific targets, which if not achieved will lead to changes being made to the plan. Some companies apply a three-year timeframe and continually review the plan’s feasibility or success.
- The use of SharePoint or other central information management technology is common. Knowledge is managed and shared across Procurement and stakeholders through a dedicated portal.
- Customer relationship management (CRM) solutions such as Salesforce can also be adapted and used for stakeholder and project management, as well as a sharing platform that provides real-time visibility of plans, meetings, reports and team projects throughout the company.
- Results are often compared to pre-defined KPIs such as cost saving and avoidance, quality, cash flow and customer service. Procurement measures the effectiveness of category management plans annually by evaluating successes against the objectives agreed with stakeholders.
- Surveys conducted with stakeholders have proved to be successful in engaging them in the category management process. Some organisations conduct 360° reviews including feedback from suppliers on their own performance, as well as Procurement’s and stakeholders’ perspectives.

Organisation, capabilities and resource allocation

- Skills required by category managers include: change management capabilities, business knowledge, speaking the stakeholders’ language and avoiding procurement terminology, good data management, analytical skills, relationship building, influencing, negotiation, category expertise and willingness to learn information about new categories.
- In more complex or challenging categories such as marketing or engineering services, it may be easier in the short term to teach procurement processes to category specialists rather than to teach sufficient category expertise to procurement professionals.
- Category managers tend not to be involved in tactical procurement due to time constraints, and some are moving away from negotiating and purchasing activities. In some organisations, the roles and responsibilities are clearly specialised for category management, sourcing management, contracting and analytics; in others where teams are small, one individual may be responsible for all these activities.
- Governance committees involving key stakeholders are often used to review and endorse category strategies and demonstrate commitment from senior management.
- The basis of effective category management is a combination of correctly allocating resources, providing prompt and effective services to stakeholders, and adjusting quickly to changing demands.
- The internal responsibility for training and maintaining a balance within the organisation is primarily Procurement’s role, although the complexity of the category may require external assistance from consultants or other advisors to achieve the required results.
Future trends and strategies

- Category management will continually move towards incorporating more technology to enable the integration of category planning, results, source data and automated spend analytics.

- Where resources are limited, Procurement must be able to determine the return on investment (ROI) to justify how best to support stakeholders. ROI assessment enables effective prioritisation of projects and allocation of limited resources.

- Focusing on strategic sourcing in favour of transactional work helps to give procurement teams more time to deliver greater value through effective category management. Transactional services may be better performed by shared service groups or outsourced. Global procurement service centres are increasingly common, as is the consolidation and centralisation of support activities into centres of excellence (COE).

- Effective resource allocation will be a critical requirement to enable goal setting and project alignment with stakeholders, as well as strategic initiatives such as SRM.

Resource Centre Links

The following are links to the full meeting notes for each region:

**Europe**, Amsterdam
**Latin America**, Mexico City
**Latin America**, Sao Paulo
**North America**, New Jersey.
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