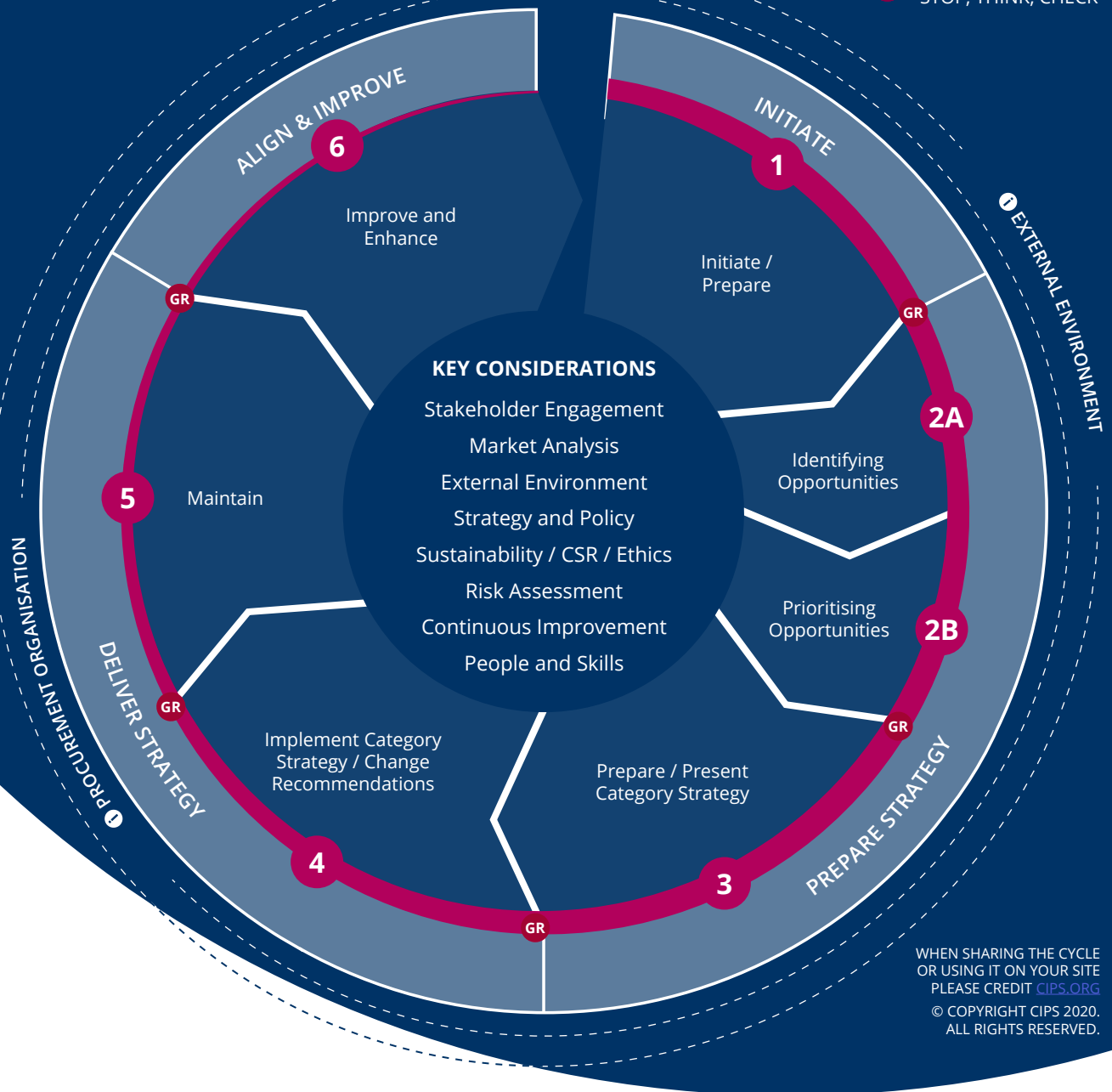


# Category Management Cycle & Checklist

**GR** GATEWAY REVIEW: STOP, THINK, CHECK



The CIPS Category Management Cycle is a 4-phase process with six key activity steps to successfully procure significant categories of spend. You can apply elements of the cycle when you don't need to follow the full process.

Category Management should not be confused

with expenditure segmentation. It is a structured framework of activities designed to deliver superior procurement outcomes. The Cycle can help you to define a category management process.

[View the Interactive Cycle.](#)

## Step 1: Define Categories

# *Initiate / Prepare*



Name the categories and decide what products or services procurement will manage within each.

### Key Questions:

- What is the scope of the category?
- Who are the key stakeholders?
- What key issues or problems need to be addressed, are you aware of the business objectives you need to consider?
- Do we have support for this work?
- Do we have the resources and skills to undertake the work?
- Are we clear about the high-level benefits and risks?

### Checklist:

Initiate project (if required)  
Define initial scope and objectives  
Engage stakeholders and gain support  
Identify and secure resources and access to specialist skills  
Form cross-functional team  
Map stakeholders and create stakeholder management plan  
Build a project timeline  
Create communication plan

Define data / information and knowledge management requirements

Define roles and responsibilities (RACI)

Confirm initial scope, potential benefits and risks

Conduct a formal 'stop and think' before proceeding e.g. gate review with senior business stakeholders

## Step 2A: Create Category Visions

# Identifying Opportunities



Establish a vision for the category which is aligned to the corporate vision. For example, if the corporate vision is to support local business, create a vision to use suppliers within close proximity.

### Key Questions:

- Do we understand our business needs and issues?
- Do we have a deep understanding of the external marketplace, its trends and dynamics, and an appreciation of our organisation's position within this?
- What opportunity for improvement can be gained by commercial and economic insight?
- Are there any quick-win opportunities that emerge through our immediate research and analysis? Can we implement these before developing a final strategy?

### Checklist:

#### Research

Define scope and purpose and source(s) of research. Agree roles and responsibilities

Conduct research and data gathering for:

Product

Portfolio

Supply market. Undertake RFI if needed.

Relationship history

Conduct internal stakeholder needs analysis and determine strategic business priorities

#### Analysis

Derive competitive insight – Porters 5 Forces / Capacity and Demand Analysis / Switching costs / SWOT analysis / Pricing Behaviour / Industry Competitiveness

Derive economic insight – value chain mapping / costs structures / cost cycling / margin analysis. Life-cycle costing

Understand supplier capability and preferencing

Determine category sourcing characteristics

Understand the corporate responsibility

## Step 2B: Set Category Objectives

# Prioritising Opportunities



Decide and document what objectives need to be met to achieve each category's vision.

Objectives for the local economy, for example, could be to source 50% of direct cost products from suppliers in the same county, state or region within 5 years.

Objectives set should always be SMART for ease of measuring the results.

### Key Questions:

- What are the changes and opportunities that will drive improved performance?
- What risks need to be addressed?
- What priorities make sense for the business?

### Checklist:

Screen and prioritise opportunities

Identify potential suppliers

Determine desired relationship type and segmentation approach

Qualify suppliers

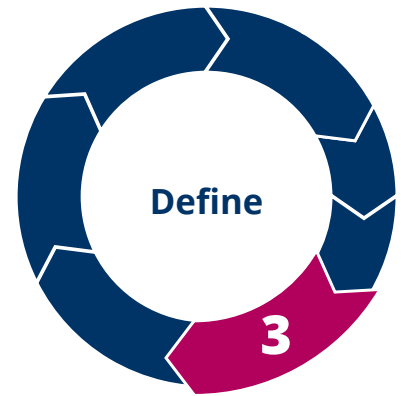
Conduct impact assessment (include corporate responsibility and CSR / sustainability factors i.e. social, economic and environmental impacts)

Assess the capability of the internal procurement process to deliver suggested changes

Share proposed opportunities with significant stakeholders

Step 3: Define Category Strategies

# *Prepare / Present Category Strategy*



Agree the strategies that need to be implemented to meet the categories' objectives.

A strategy for example could be to contact all suppliers within a 50 mile radius and invite them to tender for all indirect cost related contracts.

## Key Questions:

- Is the strategy grounded and are the recommendations supported by the research and analysis?
- What is the payback (benefit), how will it be measured and is it realistic and tangible?
- Does the expected benefit stack up in relation to the anticipated risks and the resources required to deliver them?
- Does the strategy address the business issues and objectives identified at the outset?

## Checklist:

Develop sourcing strategy / route to market and other recommended changes

Quantify expected benefits

Define resource and costs implications

Quantify risk and develop mitigation plans

Prepare detailed implementation plan

Define relationship management and governance structures

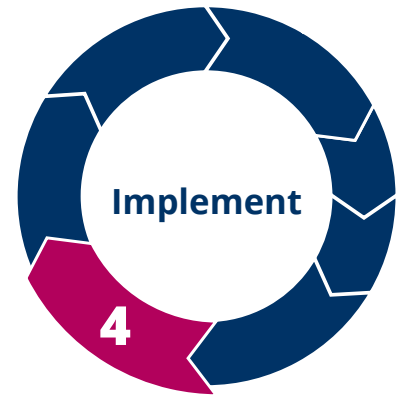
Confirm segmentation approach, relationship profiles and roles

Confirm transaction process

Conduct a formal 'stop and think' before proceeding e.g. gate review with senior business stakeholders

Step 4: Implement Category Strategies

# Implement Category Strategy / Change Recommendations



Roll out the strategies and achieve buy-in. The strategies need to be supported by everyone to ensure their effectiveness.

## Key Questions:

- Is the implementation and change programme being communicated effectively?
- Is implementation proceeding as outlined in the strategy?
- Are relationships and supporting structures in place?
- Are performance measurement / reporting systems established?
- Are benefits secured and captured?
- Are transition risks being effectively managed?
- Are stakeholders satisfied?

## Checklist:

Create service / specification and requirements

Conduct market enquiry (RFI / RFQ / Pitch)

Analyse responses

Select preferred suppliers

Negotiate

Select supplier

Contract with supplier

Mobilise other strategy change initiatives

Measure and communicate progress

Manage transition risk

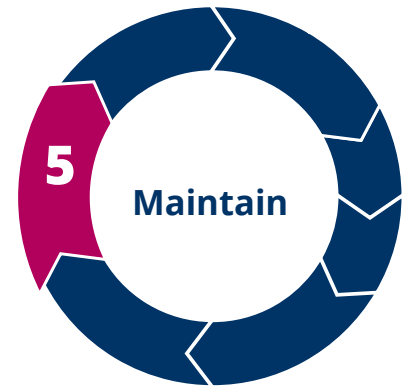
Initiate relationship management process

Deliver training for new / changed resources / systems / processes

Apply supplier segmentation rules

## Step 5: Measure & Monitor Strategies

# Maintain



Performance manage the progress of the strategies using KPIs or SLAs.

A KPI could be to sign three strategic product or service contracts with local suppliers within one year.

As per objectives, KPIs and SLAs should aim to be SMART.

### Key Questions:

- Are we managing supplier and internal stakeholder relationships effectively?
- Have we identified and managed risks?
- Is the strategy delivering the expected benefits?
- Is performance monitored?
- Are issues effectively managed and resolved?

### Checklist:

Manage and evaluate supplier relationships

Manage and evaluate internal relationships

Manage performance; non-conformance events, problem resolution, learning

Manage supplier contract

Manage supplier contract variation and changes

Manage supplier contract termination

Measure and review performance

Communicate with stakeholders and suppliers

Manage ongoing risk and continuity planning

Manage transactions (fulfilment); demand notification, aggregation, forward demand planning, supplier allocation and payment

Apply audit and controls

## Step 6: Review Categories

# *Improve & Enhance*



Establish if the categories are still relevant? Do any amendments or additions need to be made?

The review process is important to ensure categories remain relevant with the overall corporate vision.

### Key Questions:

- Do we have mechanisms which identify and seek to deliver continuous improvements?
- Do we have the right internal and external behaviours and structures to generate and deliver change and innovation?
- Are we aware of internal and external changes and routinely assess how they might present risk or opportunity?
- Is the category strategy still aligned to the needs and priorities of the organisation?

### Checklist:

Identify improvement opportunities

Deliver continuous improvement actions; benchmarking, problem analysis, competitor analysis, supplier networking and development

Capture / share learning and knowledge

Consider internal / external events which change, challenge, provide opportunity or risk procurement deliverables

Continue to align strategy and business needs (e.g. through the planning process)

Communicate progress in delivering strategy and benefits

Conduct formal 'stop and think' to re-affirm strategy effectiveness or as a result of a major internal or external trigger event



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