Category Planning Process

SA CIPSA Event – David Andrews
13th November 2013
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Category Planning Process / 13 Nov 2013

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Category Planning should be aligned with business objectives and developed with key customer stakeholders.

Category Plans should influence sourcing strategies & contract management initiatives.
Purpose: The Category planning process is used to develop category plans that are aligned to Customers business objectives with a strategic approach to maximise value, reduce risk and effectively manage the supply of goods and/or services.

Business Alignment
Alignment with Customer business plans, procurement targets and customer stakeholder strategies

Category Diagnostics
- Analysis of current situation and market research to develop category profile.

Category Plan Development
- Customer stakeholder engagement to jointly develop category strategy and objectives

Category Management
- Execution of sourcing and contract management initiatives in alignment with category plans.
Category Planning Process

BUSINESS ALIGNED
Category Planning / Management must align to Business; Customer and Procurement strategy, goals and objectives.

1.1 Describe the category:
   (a) Category Definition
   (b) Scope (items / commodities / BSL businesses included)
   (c) Use / Process context
1.2 Develop Spend Profile to provide complete picture of spend for the category.
1.3 Develop Demand Profile outlining BSL business need / future forecast / internal quality requirements that impact demand.
1.4 Develop Cost Profile. Analyse the total cost and the cost drivers that determine the cost of category / sub-category items.
1.5 Develop Stakeholder Profile.

2.1 Develop Supplier Profile
   (a) Define current supplier base (key characteristics; size; capacity; performance; risks); why we chose these suppliers.
   (b) Define potential supplier pool
   (c) Define supplier risks
   (d) Determine supplier base opportunities
2.2 Develop Market Profile
   (Market overview, demand / supply situation / market drivers / growth / trends / competitive environment / future outlook / risks ie raw mats availability / opportunities).
2.3 Profile Category from BSL and supplier view.

3.1 Profile the Current State ie; contracts; improvement opportunities; issues; supply chain factors.
3.2 Review recent / ongoing projects and analyse the impact / results achieved for the business.
3.3 Category Risk Assessment (note key risks for demand / supply / cost / market.
3.4 Review opportunities previously / newly identified through category diagnostics and perform initial value / ease assessment.

4.1 Assess / confirm current business environment and impact.
4.2 Understand customer / stakeholder goals & objectives and identify gaps from current state.
4.3 Develop / reconfirm category strategy
4.4 Determine category objectives
4.5 Perform idea / opportunity generation and impact / ease assessment.
4.6 Prioritise and determine key activities (Short / Medium / Long term).

5.1 Finalise category plan using template and communicate to stakeholders.
5.2 Communicate the plan using Category Comms Tool.
5.3 Track / report performance at category level.
5.4 Revise plan as required (or at least annually) to fit with current business priorities / category changes.

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5.3 Track / report performance at category level.
5.4 Revise plan as required (or at least annually) to fit with current business priorities / category changes.

5.5 Manage Suppliers
5.6 Manage savings / compliance / customer expectations.

CATEGORY PLANS REVIEWED PERIODICALLY

REFER SP-FROM:7339
Framework of Strategic Sourcing Process

**Category Plans**

**SOURCING PLAN**

- **PHASE 0**
  - Create
  - PMO: Select

- **PHASE 1**
  - Validate Opportunity
  - PMO: Select

- **PHASE 2**
  - Develop Initial Strategy
  - 0.1 Portfolio Optimisation & Constraint Analysis
  - Review Prioritised projects
  - Compare Multiple Portfolio Scenarios
  - Select Optimal Scenario
  - Max stabilise Resource Utilisation and Capacity Planning
  - Projects Selected or Unselected
  - Analyse Skill Gaps

- **PHASE 3**
  - Approach Market
  - 1.1 Develop Commodity Profile
  - Market Analysis (Identify Industry Leading Practices)
  - Spend Analysis
  - Product Scope
  - Key Drivers
  - Total Cost Model
  - Strategic Portfolio (Supply Positioning/Supplier Preference)
  - Determine Potential Stakeholders
  - Generate Initial Hypotheses / Options / Ideas
  - Opportunity Triangle

- **PHASE 4**
  - Execute Strategy
  - 2.1 Establish Team
  - 2.2 Hold Kick-off Meeting
  - Finalise Task Brief
  - Conduct SWOT
  - Establish and Test Hypotheses
  - Generate Hypotheses / Options / Ideas
  - Conduct Analysis to Test Hypotheses
  - Assess Supplier Capability (Screen Suppliers)
  - Determine Initial Sourcing Strategy
  - Detailed Project Plan
  - Identify Resource Requirements / Internal Change Management Requirements
  - Recommend / Syndicate Initial Strategy

- **PHASE 5**
  - Implementation
  - 3.1 Develop Evaluation Criteria (Kepner Tregoe Decision Analysis)
  - 3.2 Conduct Risk Assessments (incl. LAWNS)
  - 3.3 Conduct RFx (prepare, issue, receive)
  - 3.4 Evaluate Responses (initial KT-DA)
  - 3.5 Conduct Supplier Interview / Presentation
  - 3.6 Assess Supplier Capability (Financials, e.g., Dun & Bradstreet Reference Checks)
  - 3.7 Complete Supplier Classification
  - 3.8 Finalise Decision Analysis and Rank Alternatives
  - 3.9 Develop & Syndicate Recommendation

- **IMPLEMENT**
  - 4.1 Develop Negotiation Plan
  - 4.2 Conduct Negotiations and Develop Term Sheet
  - 4.3 Prepare and Develop New Agreement
  - 4.4 Develop Implementation / Change Management Plan
  - 4.5 Develop Stakeholder Briefing Paper
  - 4.6 Obtain Stakeholders Endorsement
  - 4.7 Finalise Agreement

- **CLOSE**
  - 5.1 Execute New Agreement (signed by DOA)
  - 5.2 Finalise Implementation Plan
  - 5.3 Develop and Execute Communication Strategy
  - 5.4 Implement Program
  - 5.5 Update Master Data (VDS, CMS, ERP)
  - 5.6 Conduct/Complete Project Survey
  - 5.7 Manage suppliers as per Supplier Classification
  - 5.8 Schedule Post Implementation Review (6/12 months)
**Environment**

**STEP 1**
1.0 Setup contract renewal in “Lifecycle”
1.1 Complete Contract Handover Summary.
1.2 Contract documents • Contract approval briefing paper • Executed contract
1.3 Other Sourcing documentation handover:
  1.3.1 Commodity Profile
  1.3.2 Category Plan
  1.3.3 Sourcing Strategy
  1.3.4 Diagnostics
  1.3.5 Supplier Safety Risk Assessment
  1.3.6 Implementation / Change Management Plan prepared
1.4 Check Contractor Safety Management System requirements for the contract are met.
1.5 Prepare Stakeholder Analysis
1.6 Prepare supplier transition/ implementation plan.
1.7 Develop and execute communication strategy.
1.8 Ensure Risk Assessments are done –Supplier and Contract Risk Assessments.

**STEP 2**
2.1 Set-up the contract in the Contract Management System (CMS).
  • Upload all key documents (contract approvals, executed contract).
  • Upload contract master data (key contract dates, category, internal business alignment)
  • Update contract financials (spend, budget, supplier profile).
  • Stakeholders and contacts updated in CMS (supplier, internal customers, key stakeholders eg legal).

**STEP 3**
3.1 Confirm P2P/ERP systems active to support the contract design.
  • Update Master Data (ERP, P2P, Vendor Master)
  • Payment terms
3.2 Ensure master data is updated.

**STEP 4**
4.1 Finalise delivery to Implementation Plan.
4.2 Determine Supplier Preferencing using the Kraljic Portfolio Matrix assessment process.
4.3 Manage suppliers as per Supplier Classification
4.4 Review Meetings
4.5 Monitor market and supplier performance
4.6 Create and keep a correspondence log.
4.7 Monitor KPI performance.
4.8 Track spend, budget and audit invoicing.

**STEP 5**
5.0 Maintain documentation and document storage.
5.1 Complete Environmental governance.
5.2 Document and track product or service non-conformances.
  • SCAPAR system process used.
5.3 Ensure systems are up to date and guidelines followed
  • Price variations
  • Rebates
5.4 Manage contract initiatives using the Lifecycle process.
5.5 Conduct Post Implementation Reviews for Initiatives in place (6/12 months)

**Contract Governance Step is iterative for the life of the Contract.**

---

**Sourcing Process Implementation**

5.1 Execute New Agreement
5.2 Finalise Implementation Plan
5.3 Develop and Execute Communication Strategy
5.4 Implement Program
5.5 Update Master Data (VDS, CMS, ERP)
5.6 Conduct/Complete Project Survey
5.7 Manage suppliers as per Supplier Classification
5.8 Schedule Post Implementation Review (6/12 months)

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**Category Plans**

**CONTRACT HANDOVER**

**STEP 1**
1.0 Setup contract renewal in “Lifecycle”
1.1 Complete Contract Handover Summary.
1.2 Contract documents • Contract approval briefing paper • Executed contract
1.3 Other Sourcing documentation handover:
  1.3.1 Commodity Profile
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1.8 Ensure Risk Assessments are done –Supplier and Contract Risk Assessments.

**CONTRACT SET-UP**

**STEP 2**
2.1 Set-up the contract in the Contract Management System (CMS).
  • Upload all key documents (contract approvals, executed contract).
  • Upload contract master data (key contract dates, category, internal business alignment)
  • Update contract financials (spend, budget, supplier profile).
  • Stakeholders and contacts updated in CMS (supplier, internal customers, key stakeholders eg legal).

**CONTRACT MANAGEMENT**

**STEP 3**
3.1 Confirm P2P/ERP systems active to support the contract design.
  • Update Master Data (ERP, P2P, Vendor Master)
  • Payment terms
3.2 Ensure master data is updated.

**Contract Governance Step is iterative for the life of the Contract.**

---

**END OF SOURCING PROCESS**

**T5**

**CONTRACT HANDOVER COMPLETE**

**T6**

**CONTRACT COMMENCE DATE**

**T7**

**CONTRACT RENEWAL**

**T8**

**CONTRACT EXPIRY**

**T9**
Effective Category Plans

Category Plans should be developed with key stakeholders and:

✓ align with customer business objectives;

✓ influence scope of category sourcing projects & strategies;

✓ provide strategic direction of contract management initiatives;

✓ require an effective Category Strategy communication pack.

Note: Category Plans must be reviewed and refreshed periodically.
Example Category Strategy
Office Products
## Category Goals and Vision

- Implement continuous improvement strategies to maximise cost savings and improve B2B automation

## Business needs and Priorities

- System compatibility to maintain B2B efficiencies.
- Maximise cost saving opportunities.
- Effective supply of goods to all locations
- Provision of goods & services that are “fit for purpose”.

## Category Strategy

- Promote sole supplier agreement to leverage spend and increase B2B automation for supply of office products and stationery across all businesses.

## Opportunities

- Grow contract by reducing escape spend.
- Deliver savings from product substitution
- Implement continuous improvement strategies

## Objectives

<table>
<thead>
<tr>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grow contract - reduce escape spend</td>
<td>Promote value of new contract with Staples</td>
<td>Potential to add new acquisitions to existing contract.</td>
</tr>
<tr>
<td>Deliver savings from product substitution</td>
<td>Easy savings program (pop-up functionality)</td>
<td>Product standardisation and rationalisation review.</td>
</tr>
<tr>
<td>Continuous improvement strategies.</td>
<td>Implement “Purchase Order Value” rebate</td>
<td>Enhance supplier reporting - performance/spend dashboards</td>
</tr>
</tbody>
</table>
The Stationery and office products category consists of products regularly used in offices and consist of:

- **Core Products** including General Stationery, office paper, printer consumables and office filing; and
- **Non Core Products** including Janitorial, print and forms, canteen supplies and office furniture. Note – Non Core Products are optional sub categories which may have alternative supply agreements in place at some locations.

- This Category does not include office services, such as photocopying, binding etc.
Kraljic Portfolio Matrix for Office Products

SUPPLY POSITIONING

<table>
<thead>
<tr>
<th>SEGMENT</th>
<th>PROCUREMENT GOAL &amp; OBJECTIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROUTINE ITEMS</td>
<td>ENHANCE PURCHASING POWER BY STANDARDIZATION AND BUNDLING OF PURCHASING REQUIREMENTS</td>
</tr>
</tbody>
</table>

SUPPLIER VIEW OF CUSTOMER ACCOUNT

<table>
<thead>
<tr>
<th>SUPPLIER</th>
<th>ELEMENT</th>
<th>SUPPLIER'S OBJECTIVES</th>
</tr>
</thead>
<tbody>
<tr>
<td>????????</td>
<td>DEVELOPMENT</td>
<td>LOW VALUE, ATTRACTIVE. Nurture client, expand business, and seek new opportunities.</td>
</tr>
</tbody>
</table>

TACTICAL SYNTHESIS

RELATIONSHIP IMPLICATION

| POTENTIAL RISK - raise mutual dependency and offer inducements |

SUPPLIER CLASSIFICATION

<table>
<thead>
<tr>
<th>SUPPLIER</th>
<th>TIER LEVEL</th>
<th>RELATIONSHIP STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>????????</td>
<td>TIER 3</td>
<td>Share short to medium term vision and objectives.</td>
</tr>
</tbody>
</table>

Characteristics

- High expenditure area
- Many alternatives
- Many qualified supply Sources

Characteristics

- Critical to profitability and operations
- Few qualified suppliers
- Design to quality critical

Characteristics

- Low value transactions
- Many sources of alternative products

Characteristics

- Complex specification
- Few alternative products available
- Impacts operations or maintenance

Office Supplies

Profit Impact / Relative Spend

- Leverage
- Strategic
- Routine
- Bottle Neck

Risk Impact

- Low to High

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Market Structure

The following illustrates the market structure of Office Products in Australia & New Zealand.

1. **Overseas Manufacturers**
2. **Australian & New Zealand Suppliers**
3. **Importers & Local Manufacturers**
4. **Wholesalers**
   - PC Products, Paper Merchants, Stationery
5. **Dealers**
   - Retailers: Specialty OP stores, Superstores, Electronic retailers, Mass merchandisers, Supermarkets & Departmental stores
   - Direct Dealers: Contract dealers, Commercial dealers & Specialty dealers
6. **Consumers**
   - Non-Business Sector: Households & Students
   - Business Sector: Micro, Small, Medium, Large Businesses & Government

Source: Office Products in Australia, 2012-2014 – A Market Report by Penfold Research Pty Ltd, Australia
Market Analysis

Office Products has small operating margins and continues to diversify offerings to increase revenues

Key Facts and Insights

- Independent dealers are losing market share as the larger distributors target the small business sector, particularly via online offerings. This is being led by Staples Australia, OfficeMax, Office Works and others.
- Due to the global economic downturn corporate businesses are purchasing cheaper office products and holding off the purchases of non-essential products.
- Limited projected growth will necessitate retention of current accounts providing for more competitive pricing.
- Suppliers are expanding into non-core products and other additional services to offset commodity pricing in paper.
- Movement to a paperless environment will continue to put pressure on revenue growth.

<table>
<thead>
<tr>
<th>Percentage of Sales by Core Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paper-Based</td>
</tr>
<tr>
<td>Office Services</td>
</tr>
<tr>
<td>Writing Instruments</td>
</tr>
<tr>
<td>Storage &amp; Equipment</td>
</tr>
<tr>
<td>Presentation Materials</td>
</tr>
</tbody>
</table>

Market Competition

- The market is highly fragmented ranging from multinational high volume distributors, retailers to local stationers.
- Top 4 suppliers in Aust & NZ have 40% of the market share.
- Competitive market for corporate accounts due to low switching costs for buyers, low product differentiation and poor market growth.
- With the development of digital technology, the industry is set for a major transition over the next 3-5 years.

Australian Market value in 2011 was AUD $12.16 Billion

[Market Analysis Diagram]
## Total Cost of Ownership Analysis

### Office Products and Stationery Total Acquisition Costs

<table>
<thead>
<tr>
<th>Supplier of Office Products and Stationery</th>
<th>Customer</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Category and % of Costs</strong></td>
<td><strong>Channel Administration Costs</strong></td>
</tr>
<tr>
<td><strong>Product Driven Costs</strong></td>
<td><strong>2%¹</strong></td>
</tr>
<tr>
<td>70%¹</td>
<td></td>
</tr>
<tr>
<td><strong>Customer Driven Costs</strong></td>
<td></td>
</tr>
<tr>
<td>12%¹</td>
<td></td>
</tr>
<tr>
<td><strong>Order Fulfillment Costs</strong></td>
<td></td>
</tr>
<tr>
<td>9%¹</td>
<td></td>
</tr>
<tr>
<td><strong>Margin</strong></td>
<td>3%¹</td>
</tr>
</tbody>
</table>

- **Cost Drivers**
  - Product specification and range
  - Delivery frequency and location
  - Order frequency
  - Order value
  - Lead time

### Estimates

Estimates are that only 70% of costs are directly related to the item with the remaining 30% in fulfillment and administration.
Porter’s Five Forces for Office Products

### Threats of Substitutes
- Medium
- Non complex commodity with relatively low overhead
- Increasing competition from traditional retailers and grocers entering the market
- However market maturity may reduce likelihood of new entrants

### Power of Supplier
- Medium
- Standard products produced by many vendors
- Additional competition from third party providers to bring after-market products (ex. Toner)
- Differentiation is created through product innovation (i.e. new pen type) but is easily copied by other manufacturers quickly

### Competition in Industry
- High
- Mature market with stagnant growth prospects
- Consolidated market with significant domination with top three vendors
- Partnerships to increase global coverage as required to meet increasing demands from customers

### Power of Buyer
- Medium
- Some switching costs involved in changing suppliers
- Multiple markets to shop for office supplies exposes provides transparent pricing
- High visibility of raw material costs as pulp is a traded commodity.
- Changing demands from sustainability and conservation efforts has reduced the need for office products

### Threats of New Entrants
- High
- Greening and sustainability has reduced the demand for office supplies
- Digitalization of documents has reduced the demand for documents particularly paper
### SWOT Analysis

**STRENGTHS**
- Office Products spend allows for a national contract
- Business brand name can lead to better negotiations as suppliers will want to use the relationship as a qualification to other prospective customers

**WEAKNESSES**
- Spend data categorized as “Office Products” includes 60% in non-core Office Products spend, pointing to a potential lack of spend data visibility.
- Dramatic reduction in spend over recent years could impact buying power.

**OPPORTUNITIES**
- Environmental awareness has led to decreased usage of consumables like office paper
- May be able to conduct a reverse auction given its large Office Products spend and the commoditised nature of the category
- Current spend in parallel categories such as promo items, office cleaning may be used for aggregate totals when negotiating with vendors

**THREATS**
- Pricing will begin to rise as the AUD & NZD currency declines, leading to potential increases in office paper and stationery
- Suppliers may introduce new products to entice users to select items with higher margins or less product life
- Concentrated number of suppliers can decrease the ability to achieve favorable pricing due to higher supplier power
Opportunity Triangle

Strategic Sourcing Opportunities for Office Products

- Assess user needs and develop standardized specification across all sites within each BU for office products. Set service levels, and rationalize specs as appropriate.
- Consolidate all spend to the only preferred office supplier, Staples
- Identify, prevent and prohibit spend outside of corporate contract (make end user field in SAP mandatory to enable this / obtain reports from vendor)
- Establish multi-year contract with one supplier to increase volumes.
- Improve re-use process and ensure that it is mapped into eProcurement
- Utilize paperless system for communication when possible
- Establish contracts with main non preferred suppliers identified as providing a specific product not covered by Staples
- Supplier development activities, continuous improvement targets set in contract; regular performance reviews
- Flexible contract to ensure competition
- Volume Rebates on spend
- Buy distributor vs. direct from the manufacturer
- Continual Price analysis / supply market analysis
- Price / performance benchmarking (internal and external)
- Bid-based negotiations / eRFQ
- Move to single supplier for a defined period
- Regional / global agreements as appropriate
- Leverage discounts from Staples or similar distributors
- Assess user needs and develop standardized specification across all sites within each BU for office products. Set service levels, and rationalize specs as appropriate.

Reduce consumption
- Ensure stocking and delivering of office products is optimal
- Consolidate safety supplies bulk orders where possible to reduce transaction cost, e.g. invoicing, delivery charges etc.
- Negotiate pricing with supplier to reduce markup 5-10%

Consolidate Spend
- Conduct inventory analysis to ensure order timing and volumes are optimized to reduce costs
- Web-based catalog ordering with pre-built configurations
- Procurement possibilities for defined spec items
- Reduce number of orders and consolidate to single vendor

Purchase demand management
- Minimize stocking and delivery costs
- Negotiate pricing with supplier to reduce markup 5-10%

Optimize total supply chain costs
- Minimize transaction costs
- Procurement possibilities for defined spec items
- Reduce number of orders and consolidate to single vendor

Reduce / eliminate transactions
- Ensure stocking and delivering of office products is optimal
- Consolidate safety supplies bulk orders where possible to reduce transaction cost, e.g. invoicing, delivery charges etc.
- Negotiate pricing with supplier to reduce markup 5-10%

Improve specification
- Increase competitive base management
- Assess user needs and develop standardized specification across all sites within each BU for office products. Set service levels, and rationalize specs as appropriate.

Restructure relationships
- Minimize transaction costs
- Procurement possibilities for defined spec items
- Reduce number of orders and consolidate to single vendor

Increase Supply base management
- Negotiate pricing with supplier to reduce markup 5-10%
- Minimize transaction costs
- Procurement possibilities for defined spec items
- Reduce number of orders and consolidate to single vendor

Cost
- Maximize availability
- Increase competitive base management
- Assess user needs and develop standardized specification across all sites within each BU for office products. Set service levels, and rationalize specs as appropriate.

Quality
- Minimize transaction costs
- Procurement possibilities for defined spec items
- Reduce number of orders and consolidate to single vendor

Service
- Minimize transaction costs
- Procurement possibilities for defined spec items
- Reduce number of orders and consolidate to single vendor

Sustainability
- Minimize transaction costs
- Procurement possibilities for defined spec items
- Reduce number of orders and consolidate to single vendor

Innovation
- Minimize transaction costs
- Procurement possibilities for defined spec items
- Reduce number of orders and consolidate to single vendor

Reduce total life cycle / ownership costs
- Minimize transaction costs
- Procurement possibilities for defined spec items
- Reduce number of orders and consolidate to single vendor

Increase competition
- Minimize transaction costs
- Procurement possibilities for defined spec items
- Reduce number of orders and consolidate to single vendor

Restructure supply use
- Minimize transaction costs
- Procurement possibilities for defined spec items
- Reduce number of orders and consolidate to single vendor

Reduce total cost management
- Minimize transaction costs
- Procurement possibilities for defined spec items
- Reduce number of orders and consolidate to single vendor

Consolidate Safety supplies bulk orders where possible to reduce transaction cost, e.g. invoicing, delivery charges etc.
- Negotiate pricing with supplier to reduce markup 5-10%
## Opportunity Analysis

### Opportunity Analysis : Legend

1. **Strategic Sourcing Initiative**
2. **Contract Management Initiative**

<table>
<thead>
<tr>
<th>Opportunity</th>
<th>Description</th>
<th>Pro</th>
<th>Con</th>
</tr>
</thead>
</table>
| **1** Conduct a reverse auction | • Opportunity exists to allow for key suppliers to participate in a reverse auction | • Involvement of new suppliers may lead to additional discounts | • Large basket of goods makes this an extremely difficult category to undertake this on  
• Feedback from suppliers is that reverse auctions are a declining format, specifically due to the number of items in this category |
| **2** Reduce total number of transactions | • Reduction of delivery and administrative fees can be accomplished by limiting small orders | • Ability to manage orders and streamline data | • May lead to increased inventory and holding costs |
| **3** Adjust delivery requirements | • Change delivery schedule to be lengthened beyond 24 hr requirements | • Reduction of all delivery charges | • May lead to some spot purchases  
• Potential increase in inventories  
• Change in end user behavior |
| **4** Bundle with additional Supplier service offerings | • Potential procurement of additional offerings with office products suppliers | • Suppliers would like to grow non office products revenues and may provide incentives | • Need to analyze current vendor relationships in potential categories |
| **5** Develop year-on-year productivity goals | • Implement a hard savings program with an actionable plan for year on year savings | • Formalised approach to joint productivity goals |   |
Opportunity Mapping

Mapping relative positions in terms of ease of execution vs. business benefit potential helps prioritize identified opportunities.

**Note:** Estimated ease of execution based on execution risk and commodity-specific complexity.
Category Management and Sourcing Strategies

Activities

Supplier Relationship Management

- Quarterly reviews with supplier to review performance
- Balanced Scorecard of KPI's reviewed annually
- Supplier has attempted to provide additional products to increase total spend (e.g. Promotional items, Furniture, etc).

Sourcing Strategies

- Strategic Sourcing Project completed Mid 2013 resulting in a renewal of contract.
- New 3 year contract commenced on 1st of August 2013

Continuous Improvement

- Promote and implement e-Business.
- Measure delivery of guaranteed cost savings
- Annual Volume Rebate based on total Spend
- Annual Order Size rebate for increased total value of purchase orders
- Product substitution promoted using “pop-up” functionality on electronic catalogues