

# GETTING STARTED ON CATEGORY MANAGEMENT

**5 STRATEGIES TO MAKE CATEGORY  
MANAGEMENT WORK**



## **1 FOCUS ON BUSINESS GOALS, NOT JUST COST**

Emphasize on the business requirements and how to align procurement with business goals. If the core vision of the business is quality and reliability, even a supplier offers the lowest price, but the quality is unreliable and delivery schedule is inconsistent, this should not be considered as qualified supplier.

Consider automating tactical procurement processes that can allow your procurement team to focus on sourcing activities that are more strategic to the business.

## **2 BALANCE IMMEDIATE NEEDS WITH LONG TERM GOALS**

Setting long term goals allow the category management team to work together towards a single clear direction and common plan. Having say that the plan must be flexible enough to accomodate changes that may come along the way, e.g. market volatility, shift in customer behavior, or supply market trends.

Keeping the immediate situation in sight is critical to ensure your organization reacts to the changes in the immediate environment quickly.



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## DIVIDE STRATEGIC PROCESSES AND TACTICAL PROCESSES



One team focus on strategic sourcing and deep supplier relationships



Another team focus on tactical processes such as ordering of materials and services.



Both teams share a common reporting structure and same goals.

This combines the best of both strategic sourcing and tactical purchasing. As a general rule of thumb, purchasing of products with limited supply base should be handled by the centralized category management team.

# 4 CREATE SUPPLIER SEGMENTATION



Supplier segmentation is the core for successful category management.

When suppliers are segmented within categories, it allows an organization to prioritize and define relationships based on relative value.

The segmentation process is usually driven by current business priorities and the value of supplier to the procurement company.

This is more than mere cost savings, but include other metrics such as innovation, quality, delivery, safety, etc.

# 5 FOCUS ON CUSTOMER AT THE ENTIRE VALUE CHAIN



Linking customer in the procurement process ensure that the procurement team have the customer needs and values in mind throughout the value chain.

For example, if the customer requirements are quality and reliability, then the quality in products should be a requirement that flows from customers through every procurement processes, all the way to the suppliers.