

Appendix 3

Category Management

Category Management is a strategic approach to managing all aspects of the procurement cycle. It works by taking an organisation view of spend, and grouping it into discrete market facing categories.

Put more simply, it is a structured way of organising and managing procurement activities and resources by grouping together related products and services across the Council and mapping them to their relevant supply market.

Although many of the activities are not new, their application will require change, and not only to the procurement function. It requires the active participation of and engagement with stakeholders, functions and individuals across the Council to make it successful. Organisations therefore have to make an investment in time and commitment in order to deploy category management, however the return in this investment is potentially very high.

Category Management – a proven approach to delivering value

Category Management developed in North America in the early 1980s and although initially developed for the private sector, the approach has increasingly been adopted by public sector organisations, due to recognition of its potential for transforming supply chain management throughout the organisation.

The key component of a category management approach is as follows:

- Procurement Officers are allocated a defined category of spend to manage with a specific savings target
- Need to identify and deliver procurement savings per individual category of spend
- Need to develop a clear category vision and strategy for category improvements
- Need to develop a clear understanding the total costs of managing the category
- Need to enforce Demand Management
- Need to ensure compliance with category rules and contracts
- Need to ensure compliance with OJEU and CPR's on a per category basis
- Need to approve spend within their specific categories by working with Service areas
- Need to establish a future proofed and sustainable supply chain
- Need to provide accurate and timely information on price movements and forecasts Commodity market cost monitoring and risk management
- Need to reduce vendor base on per category basis through supplier rationalisation

- Need to control and eradicate unmanaged use of suppliers e.g. control set up of new suppliers
- Need to approve and challenge draft purchase orders that are outside corporate contract arrangements
- Need to ensure Invoices without Purchase Order s are stopped
- Need to ensure category purchases are co-ordinated and joined up across the Council including standardisation of specifications and uniformity of procuring across different service areas
- Need to design and implement efficient procurement processes per Category
- Need to build and maintain supplier approved lists on a per category basis

- Need to lead the management of Category teams comprising representatives from all the Service Areas to explore, identify and implement innovative approaches to the delivery of goods, services and works in order to enhance levels of service and minimise costs, improve efficiency and safeguard the Council's contractual and commercial risk.