



Supply Chain Strategy,
Planning & Execution

Category Management *The Seller's Perspective*

- 2011 Queensland Supply Chain & Logistics Conference – Friday Breakout Session 1

2 September 2011

Real People. Real World. Real Results.

Category Management – The Seller’s Perspective

- Is it good or bad?
 - depends on market dynamics and how ready you are
- Is it collaboration or subjugation?
 - depends on intent
- If you’re ready, Category Management can be great for the Seller
 - you have someone responsible for the performance of your products in your customer’s business; not just a purchaser
 - creates opportunities to add value and grow your Category
 - provides valuable customer insights
 - improves your competitiveness (e.g. shelf ready packaging, development of value added services, reduced transaction costs, quicker time-to-market, optimisation of range, enhanced supply chain capabilities)
 - educate & develop other customers based on your experiences
 - relationship quality – become a true business partner
- But only “If” you’re ready – let’s take a look...

Depends on Market Dynamics & Intent – where are you relative to your customer?

| | Low Procurement Value | High Procurement Value |
|-----------|--|---|
| Low Risk | <p>Routine</p> <p>These are items that can be purchased from many sources and are non-critical. Typically the transaction costs are high relative to the value of the product. Focus on consolidating purchases to fewer suppliers and reducing transaction costs.</p> | <p>Leverage</p> <p>These are items which can be purchased from many sources and may include commodity items. Significant savings may be realized by intense negotiations competitive bidding, on-line auctions, long term contracts.</p> |
| High Risk | <p>Bottleneck</p> <p>Suppliers in this category tend to be overlooked by supply management until some sort of failure occurs. Focus on ensuring supply by implementing safety stocks, standardizing these items and finding alternate source of supply.</p> | <p>Critical / Strategic</p> <p>These are items which are critical to your business, involving design complexity, custom tooling, patent / intellectual property etc. Build partnerships.</p> |

What can we do to improve our position? How can we add value?

| | Low Item Value, Low Product Complexity, Low Buyer Strength | High Item Value, High Product Complexity, High Buyer Strength |
|---|--|--|
| Low Market Complexity, Low Risk, Low Supplier Strength | <p>Often involves 'commoditised' products and services.</p> <p>Establish efficient processes to minimize the time and effort for both sides, i.e. reduce transaction costs.</p> | <p>Buyers have extensive choice because of the number of suppliers is large and competition between them.</p> <p>More aggressive buying tactics are acceptable</p> <p>Buyers can exercise volume leverage to get the best deals.</p> |

What can we do to enhance our position? How do we stay “wealthy & healthy”?

| | | |
|---|---|--|
| | <p>Low Item Value, Low Product Complexity, Low Buyer Strength</p> | <p>High Item Value, High Product Complexity, High Buyer Strength</p> |
| <p>High Market Complexity, High Risk, High Supplier Strength</p> | <p>Critical yet infrequent contract negotiations, which is the challenge. Can be difficult to attract and maintain priority and attention from suppliers, so buyers need to maximize the appeal and interest for the supplier. Buyers therefore need to be creative, pragmatic and adaptable, to increase appeal and priority for the supplier. The likelihood is that contracts will be more important than relationships, due to the difficulty in sustaining senior level interest from the supplier.</p> | <p>Develop and maintain strategic alliances or partnerships with high quality strategic suppliers. Ongoing collaboration and review are essential. Relationships are likely to be more important than contracts. Foster multiple relationships between buyer and seller at various counterpart levels to maximize mutual understanding of issues. Investment in coaching suppliers may be beneficial.</p> |