

Category Management

A transformational change in the overall business model

Category Management is a great opportunity – as long as its many complexities are addressed

Category Management (CM) is by now well established in the private sector and increasingly being implemented worldwide in the public sector. The opportunity is significant: greater awareness and responsiveness to customer needs, improved understanding of market forces, alignment of contracting to mission objectives, and significant short-term and long-term total cost savings.

Those undertaking CM implementation should avail themselves of the best practices and lessons learned from decades of experience in both private and public sector organizations. Too many organizations fail to appreciate that Category Management is a profound change to the business model. Leadership must reassess the organization's business strategy, organizing principles, assumptions about the markets they serve, supply chain strategy, and talent and performance management systems.

There are eight keys to successful Category Management implementation:

1. A multi-year CM strategy and roadmap
2. An effective governance structure that stakeholders can buy into
3. A credible category structure that reflects customer and market realities
4. A spend and business intelligence platform that unifies the organization and drives reliable analysis and insight generation
5. A methodology that fits the organization and supports rigorous planning, execution, and performance management
6. A practical organizational alignment and change management plan
7. A learning and development program that addresses individual skills gaps
8. A communications plan that effectively addresses all key stakeholders

The Privatin team has supported successful CM implementation in federal government and other large organizations by addressing those eight keys to success. Our team has provided critical experience and capability in setting CM strategy, developing CM operational capability, and achieving organizational buy-in. Importantly, Privatin applies lessons learned from private and public sector CM implementations to avoid key pitfalls that can drastically undermine implementation progress and organizational performance.

Category Management Goals

Boost alignment with customers

Increase total cost awareness and performance

Reduce purchasing complexity

Improve market responsiveness

Collect and use business intelligence more effectively

Break down organizational siloes

Manage vendor relationships more effectively

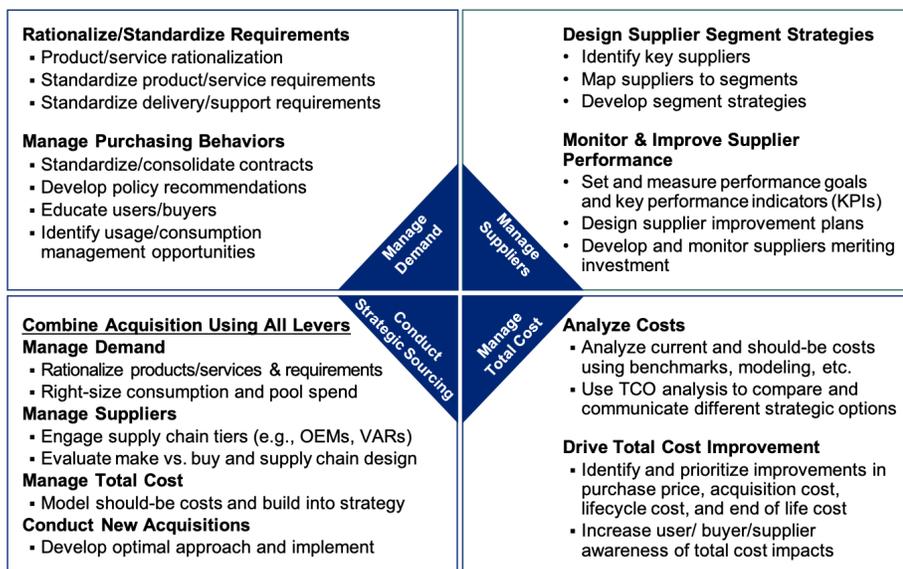
Develop a more agile supply chain

Privatin delivers expertise in the critical category and functional areas

Privatin has developed its category management capability and experience through years of work with commercial and non-profit organizations. Our team has both directly managed categories and advised category and procurement executives on a wide range of categories; we have also applied and refined expertise in the key functions that enable successful category management (see table below).

Category Expertise (Partial List)	Functional Expertise (Partial List)
IT Hardware and Software	Stakeholder Engagement
IT Services	Spend Intelligence
Professional Services	Category Strategy Development
Travel	Strategic Sourcing
Transportation/Shipping and Logistics	Supplier Management
Facilities and Construction	Total Cost Management
Industrial Products and Services	Demand Management
Office Products and Management	Process Improvement
Medical Equipment and Supplies	E-Procurement
HR/Human Capital Services	Compliance Management

Privatin helps executives and their teams pinpoint areas of greatest opportunity for improvement in value for cost and then develop and execute the strategies to lock in those gains. We help organizations accurately understand and respond to market dynamics as well as internal organizational and purchasing behaviors. We do not rigidly impose cookie-cutter solutions across categories; rather, we use data and market and organizational understanding to pull on a combination of four levers to improve category performance: Manage Demand, Manage Suppliers, Manage Total Cost, and Conduct Strategic Sourcing.



Selected Client Outcomes

Developed Category Structure Used for U.S. Government-Wide Category Management

Designed and Implemented Category Management across a large federal agency

Developed an innovative strategy for IT Services that produced 31% savings for a federal agency client

Generated over 25% savings in Wireless Services for a federal agency client

Produced 9.6% savings in logistics costs while fuel prices rose and reduced shipment times by 50% for an International Non-Profit



About Privatin Consulting

Privatin is a consulting firm that focuses on driving extraordinary client outcomes in government and non-profit environments. We enable our clients to achieve unsurpassed results by increasing productivity, reducing costs, and improving efficiencies through our strong subject matter expertise.

Our Consulting Focus

- Category Management
- Strategic Sourcing
- Procurement Management
- Supplier Relationship & Performance Management
- Business Transformation
- Supply Chain Transformation
- Business Intelligence Capabilities
- Program Management
- Total Cost Analysis & Management

SBA Certified Small Business

Past Performance - Federal Government

In 2014, the Office of Federal Procurement Policy launched a Government-Wide CM program. That same year, the Federal Acquisition Service (FAS) undertook CM implementation, led by a dedicated CM Program Management Office (PMO). Privatin provided leadership and expertise for both the Government-Wide and FAS CM implementations. Tasks addressed by Privatin include:

Strategic Direction



- Developed the CM Concept of Operations and Guidance Documents, defining CM methodology, governance, and metrics
- Created the three-year CM strategic roadmap in coordination with senior CM and overall agency leadership
- Brought in cross-industry CM experts to help CM leaders identify CM capability gaps and apply best practices to address them
- Improved the CM PMO's ability to provide CM leadership
- Developed the CM capability maturity model

Operational Capability



- Designed agency and government-wide CM operating models
- Developed government-wide category structure in collaboration with DoD, DHS, and DoC; mapped 3,198 PSCs to the category structure
- Developed 24 tools and templates to support key CM activities
- Established a repeatable spend classification process, increasing accuracy and precision of spend analysis and reports

Organizational Buy-In and Capability Development



- Developed customized FAS and Government-Wide CM training
- Delivered highly rated training to 200+ category team members
- Established and supported CM Community of Practice (CoP)
- Provided direct guidance and support to all category teams

Privatin support has boosted the CM PMO and overall CM implementations in several critical ways:

Prior State of CM	Privatin-Enabled State of CM
No strategy and structure for FAS and Government-Wide CM beyond high-level guidance No unified structure or system for classifying spend	Multi-year plan being executed, with goals, governance, and category teams established Category structure established; spend analysis system is in place and used by category teams
Little to no CM understanding, methodology, and capability	CM methodology established; category teams showed vast improvement in year-over-year CM planning and management CM PMO meets regularly with category teams and provides critical guidance and support
CM PMO barely organized and associated more with "data calls" than useful support	