

Forget Category Management - Start with Customer Management and Context Management

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Category management is awesome. It's foundational to strategic sourcing – even if it's really only implemented as category sourcing rather than it [breaking free of sourcing](#) to support end-to-end supply management.

But, category management is inherently supply focused. We use category managers to organize segments of suppliers (supply) to customize how we manage them and get more value out of that supply. And let's be honest, while procurement does try to engage stakeholders to exert better influence on them, category management still tends to be driven by procurement looking to rationalize the supply base with minimized effort and maximized bookable savings (e.g., via sourcing waves as illustrated in this oil and gas example [here](#)). Procurement is pushing the strategic sourcing activity to meet its savings goals while also having to almost reluctantly get pulled into one-off deals (big and small) that come from the stakeholders.

Let's look at things from a stakeholder standpoint. If I run a large business unit, not only are suppliers trying to sell me stuff but the procurement category managers are hitting up me and my staff to sell me on the value of a rationalized supply base. And I know the financial controllers will not be far behind to book the savings and reduce my budget. So, the category managers are getting their “commissions” (i.e., bonuses from hitting their savings targets) independent of whether I'm actually accomplishing my business goals. And even if I'm running a function like IT, and there's an IT category manager, is the IT category manager also looking after how well I'm getting value from procurement beyond my IT spend? Quite often, the answer is no.

So, shouldn't procurement be a valued business partner that focuses on [relationship management first rather than doing deals](#) and playing the role of internal service provider to make sure that the spend owners get the most value from suppliers (vis-a-vis procurement) to accomplish their objectives? The answer, of course, is yes.

In an upcoming Spend Matters Plus article, we'll dive into specifics about how to organize around categories and “customers” (and the *context* by which those internal customers) need to engage suppliers and also procurement. Basically, customer management is about *who* needs supply (and procurement), context management is about *why* they need supply (and procurement), and category management is about *what* type of supply (and supply management) is needed. Category management also about translating to *how* supply will be provisioned/executed and improved. The core of this how discussion is really about procure-to-pay (P2P) and value chain execution and also the [Centers of Excellence](#) that help support and transform the whole enchilada. It also has implications for the “operating model” (i.e., process design, roles/responsibilities, metrics, organization structure, etc.) which we'll discuss in more detail, so stay tuned.