Category Management Guidelines

These guidelines have been developed to assist individuals who are responsible for managing categories to comply with policy and procedures. Most importantly, they seek to advise how to undertake category management. All expenditure involves a type of contract, be it purchase order or a complex signed contract. Contract management together with supplier relationship management needs to be proportionate and appropriate to the complexity and size of the contract. Whilst competitive procurement exercises can help achieve attractive deals, if the contracts are not effectively managed then the true benefits may not be achieved.

Whilst it is recognized is that different categories and suppliers will have different activities and outcomes. It is expected that the following overall process will be followed.

1. Establish the Scope of the Category

The Category Manager could include the following:

- Determine the scope of the category. Identify what is included or excluded. Agree this with the rest of the team
- Categorise suppliers by spend and commodity
- Determine the procurement approach
- Consider equality and sustainability matters associated with the category. Determine the risks as laid out in the sustainable framework agreement to identify high, medium and low risk
- Explore the markets for frameworks or contracts already in existence for the category.
- Ensure that existing contracts have been implemented according to the agreed terms.
- Ensure that all users adhere to the established agreement (endorsed and strategic contracts).
- Review supplier performance, transaction data, savings and continuous improvement initiatives and look at supplier rationalization.
- Look into category opportunities, including those identified during strategic sourcing and over the life of the contract
- Consider any risks associated with the category or supplier. Take steps to mitigate risk and consider contingency plans as appropriate
- Identify at an early stage if any training requirements of stakeholders or category managers are needed
- Review the sustainability risk and identify the impact of the goods and services purchased by the University from the supplier. Work with high risk suppliers to embed sustainability performance indicators into the contract management process
2. Spend Analysis & Market Analysis

- Review spend analysis to include:
  
  1. Name of supplier
  2. Description of goods or services purchased from each supplier (taken from line item detail on PO’s if available)
  3. For goods, state volume purchased during last financial year and where possible, forecast demand for the forthcoming short, mid and long term.
  4. Name of Department(s) or School(s) using the supplier
  5. Name of internal stakeholders and requisitioner’s for each supplier
  6. Is there a contract in place? Expiry date?
  7. Is the Institution locked into using this supplier for other reasons
  8. Are there alternatives in place e.g. framework agreements
  10. Review external markets to see what is available
  11. Review local and regional competition ensuring that the University is achieving value for money
  12. Undertake off contract spend analysis and remedy mechanisms to be progressed
  13. As appropriate, look at other institutions costs and compare. Work with Purchasing Consortia as necessary

3. Identify and Meet Key Stake Holders (set up user groups as necessary)

- Act as the main point of contact with suppliers and internal stakeholders
- Resolve operational issues raised by local users and suppliers
- Prepare for your category a communication plan
- Plan and schedule meetings as required with internal and external stakeholders.

4. Develop a Category Strategy Document & Implementation Plan

- Document your category strategy. Make sure you understand what the user’s wants and needs are. Incorporate effective cross-functional and collaborative team working
- Use a systematic approach to maximize the contribution Procurement makes to the University’s performance and bottom line results
- Document how you will manage the implementation of new arrangements, managing the change with both internal stakeholders and suppliers; this could include milestones and outcomes. Understand and report the consequences.
- In the plan include the benefits within the category and possible outcomes, these will then be used to set or determine SLA’s
- Include your communication methods to stakeholders and determine at the outset the frequency.
5. Managing the Supplier

Identify the type of supplier and business requirement:

- Consortia agreement (framework)
- Lancaster University Agreement
- Ad hoc supply/one off

Determine how critical the supplier is to the University and what are the risks of the supplier. Prepare an action plan relevant to the type of supplier. Monitor supplier's performance; where appropriate apply KPIs or SLAs.

6. Reporting, Monitoring and Reviewing

The Category Manager is responsible for preparing management reports. These should be produced quarterly, and provide the following:

- The benefits provided to stakeholders including supplier performance, transaction data, savings and continuous improvement initiatives to stakeholders
- Benefits tracking
- Opportunities to improve environmental and social performance of the University and its suppliers.
- Progress on continuous improvement opportunities
- Progress on category objectives
- Define the benefits to be achieved, which benefits will be measured and how progress of value for money and continuous improvements opportunities will be reviewed and reported.
- Significant open issues
- Account/debt management issues