

Best Practices Driving Global Category Management

Argon Consulting – CPO Connect

Paris, April 15th 2015

With more than 100 consultants in France and the UK, Argon Consulting is a leading consulting firm in operational performance improvement

Our mission

- We help our clients attain **tangible, impactful** and **sustainable** results through operations improvement.

Our differentiators

- Our success lies upon our thorough **expertise in operations, strong transformation competencies** and an **established culture of engagement**.
- These differentiators allowed us to triple our turnover in the past four years.

Our clients

- We are the **referring partner** of many **major international groups**.
- We accompany **midsize businesses** in the implementation of **competitiveness plans**.
- We are present in **all sectors of industry and retail**.

Our service offering

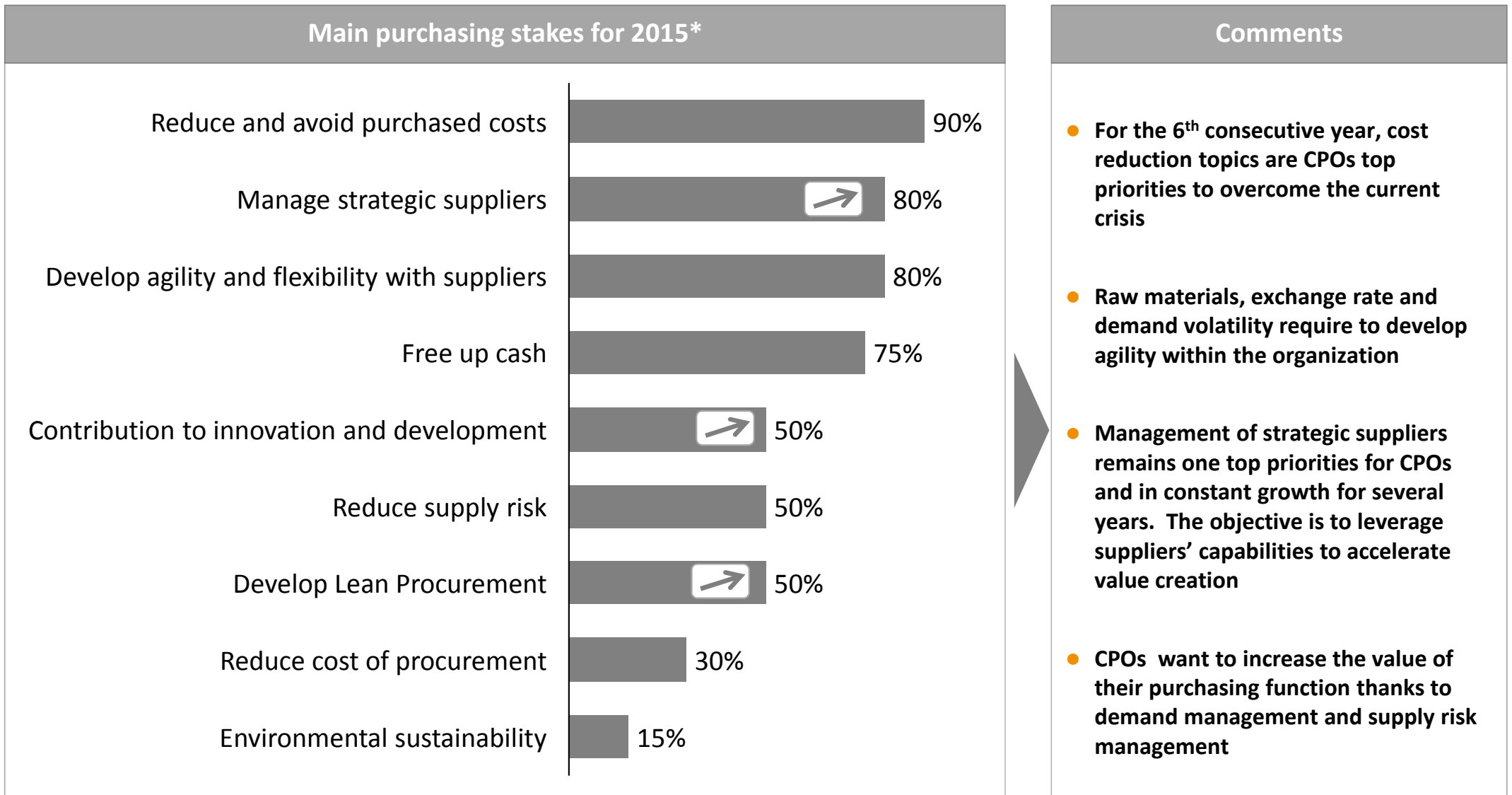
- We intervene in **all parts of operations** while adapting our approach to **the stakes, challenges and specifics** of each sector.

Our interventions

- We follow our clients in the development of their **operations strategy, the target and trajectory definition** and the **operations accompanying until the reach of results**.






Cost reduction remains CPOs top priority for 2015...but other Value oriented objectives become a priority



(*) % of respondents citing the issue as 'critical'
 Source: Argon Consulting study with CPOs

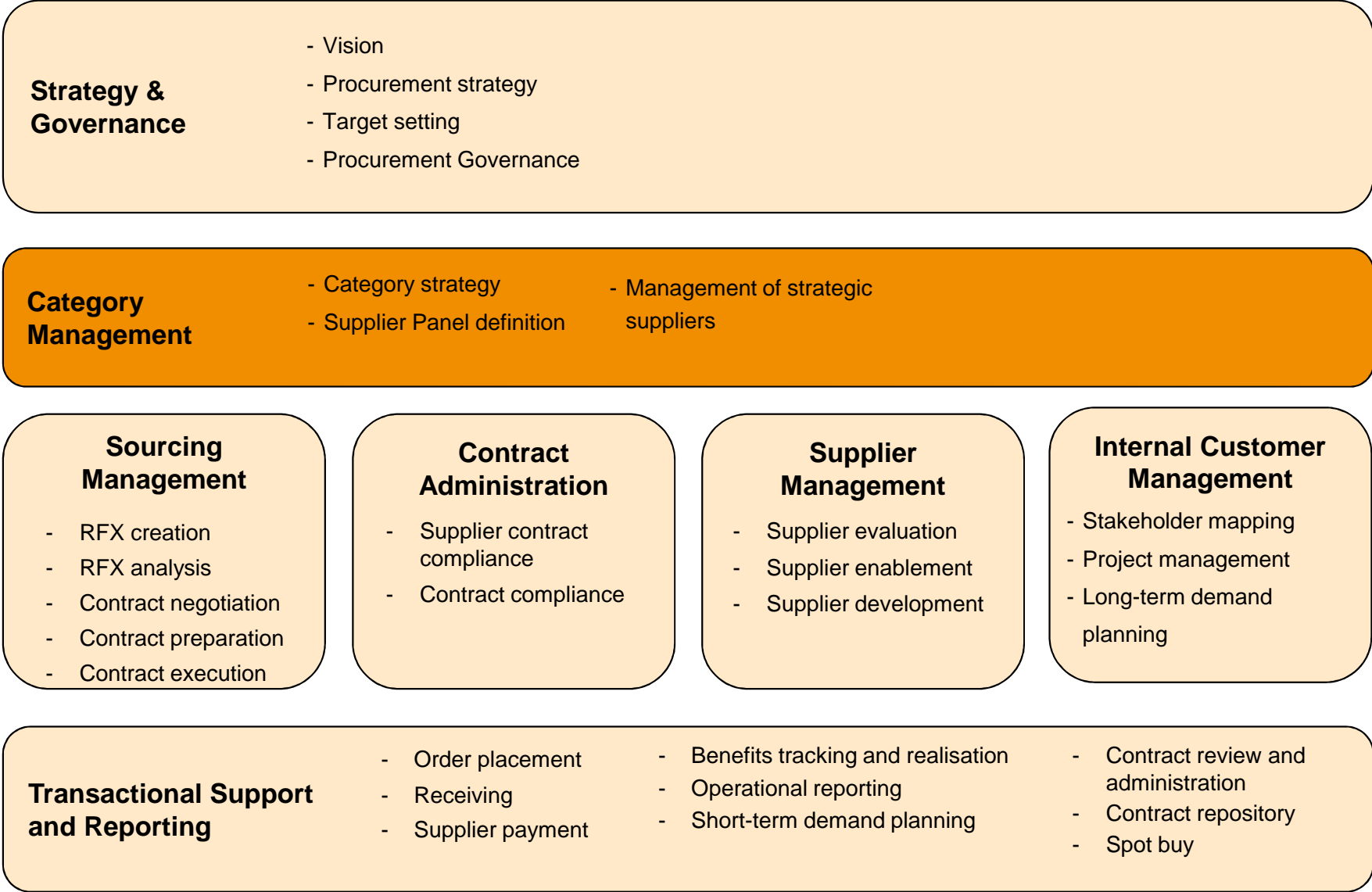
- 1** What is **Category Management** about ?
- 2** **5 Challenges** for a successful **Category Management**
- 3** **10 golden rules** for a successful **Category Management**

Over the last 20 years, Purchasing roles have been diversified to address evolving challenges

	<u>Central, local, lead Buyers</u>	<u>Project Buyers</u>	<u>Category Managers</u>
 When	90'	00'	10'
 Key evolutions	<ul style="list-style-type: none"> • Split between procurement role and purchasing role • Professionalization of buying practices • Optimized sourcing and industrialized RFX 	<ul style="list-style-type: none"> • Cross-functional team with project buyers • Buyers involved in tender/design phases 	<ul style="list-style-type: none"> • Strategic mindset and prospective views • Global supplier portfolio management • Dedicated management of strategic suppliers
 New Challenges	<ul style="list-style-type: none"> • Leverage panel to get more savings 	<ul style="list-style-type: none"> • Challenge specifications and have TCO approach to get competitive offers 	<ul style="list-style-type: none"> • Value Creation with suppliers

What is Category Management about ?

Procurement operating model



Strategic

Tactical

Operational

Category Management

Challenge #1: Choose the relevant organizational model

3 good reasons for centralisation ...

1. Enhance balance of strength with suppliers

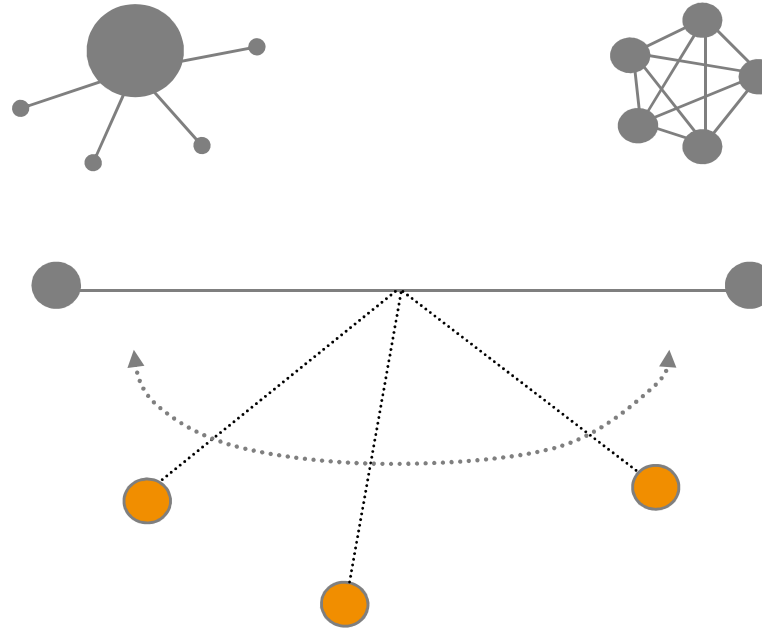
- Leverage savings
- Globalisation
- Transactions savings

2. Optimize internal needs

- Standardisation
- HQ control
- Manage all procurement teams

3. Leverage strategic suppliers into competitive advantages

- Partnership, co innovation, integrated supply chain
- Risk and gains sharing



... and 3 others not to do it!

1. Take into account local specificities

- Norms
- Quality
- Local suppliers market

2. Reactivity/flexibility with local users


3. Manage growth, company size

- Ability to adapt to its own environment (business unit management)

80% of organization mix both centralized and decentralized Category Manager

Expected qualities expected from a category manager

- ❑ Value driven
- ❑ Global Mindset
- ❑ Customer Focused
- ❑ Fact Driven, analytical
- ❑ Strong Project Management
- ❑ A change leader
- ❑ Accountable

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- Identify the best talents to staff the organization
 - Invest in best practice training
 - Succession planning and talent management to retain and grow best people

Retention of talents is a key issue for CPO

- ❑ **Cooperation with R&D** and technical Department to create value & Innovation
- ❑ **Cooperation with local team** (buyers and other stakeholders) to guarantee implementation
- ❑ **Do not create new silos** around category manager



More and more companies work on shared objectives & incentives across functions and BU to promote cooperation

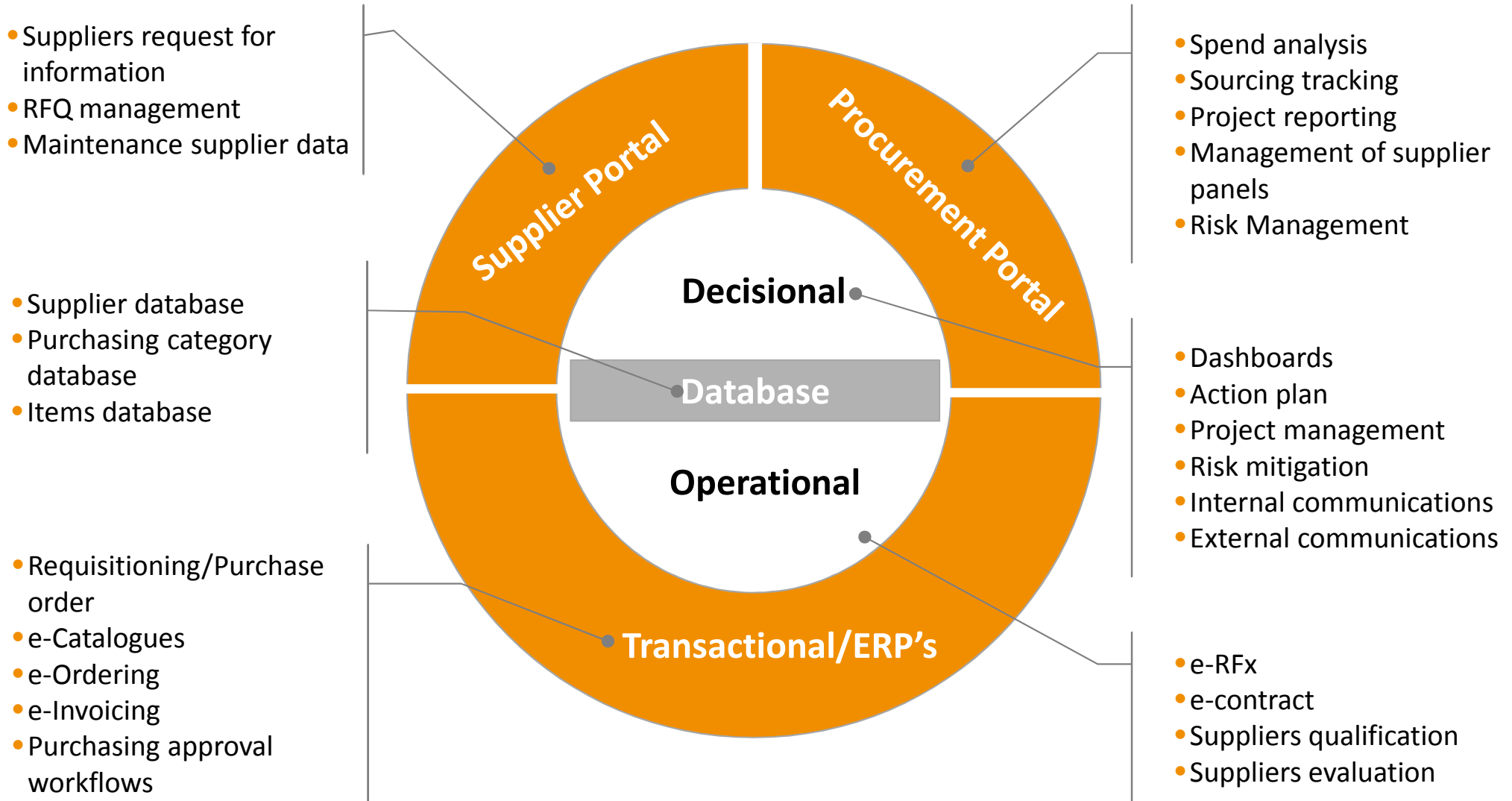
- ❑ **Align internal stakeholders** to ensure implementation plan roll out
- ❑ **Manage compliance** to retrieve savings
- ❑ **Manage supplier** performance



70% of companies face implementation issues

Category Management

Challenge #5: Get the relevant IT Tools



10 golden rules for a successful Category Management - Prerequisites

1. Get CEO blessing
2. Define quantitative objective (top-down)
3. Ensure BU head validation on the category strategies
4. Get BU & category manager solidarity on results (compliance)
5. Wait for appropriate resource available
6. Staff some people not with purchasing background
7. Get a “mirror organization “ for prescription
8. Set a step by step approach : Pilot – Demonstrate – Roll-out
9. Agree on a shared common language first (e.g: segmentation)
10. Be sure data are available and “clean”

If more than 3 pre-requisites are not there, you will face a very tricky journey

Thank you for your attention

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