

WHAT THE FUTURE HOLDS FOR CATEGORY MANAGEMENT

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Category Management

No matter what the future holds, there are some things that won't change. Organizations will still need suppliers and people will still be needed to help make things happen.

THE FUTURE CHALLENGES WE CAN PREDICT

Political uncertainty, volatility, climate change, migration of people and geographical shifts in which the wealth or the future workforce lives will continue. The issue of security of supply will shape thinking for years to come, particularly as the world's population continues to grow and people live longer.

The demand for talented people is set to become fiercer. Organizations will have to work harder to attract and retain key staff who can make a difference.

Medicine is set for a revolution. Smart nanoparticles will travel through the human body looking for specific cells or damaged tissues, ready to change state or release chemicals when they find them to deliver highly precise healing.

The impact of climate change is set to continue and will be significant enough to warrant wholesale action, driving new social norms and legislation, and the way people, organizations and economies act.

Our future lives will demand innovation across technological boundaries which will connect industries and practices that sit separately today. The minute, electronic, digital, wireless, connected revolution and the 'internet of things' mean these 'things' will become the biggest users of the internet (Valéry, 2013)¹.

All this is set against the backdrop of heavy politics and new tensions that concern us all. Russia is flexing its muscles and asserting its position on the global stage, and the relentless expansion of other developing economies continues.

Today, these sorts of changes are well understood - they exist within organizational consciousness and figure in the determination of good category sourcing strategies.

A NEW STRATEGIC PURCHASING (NOW WITH ADDED SUPPLY CHAIN!)

The way purchasing functions exist and are structured will change. In the future, purchasing will combine with supply chains to create a single strategic function that is concerned with identifying and securing how the optimum value flows end-to-end.

Decentralized purchasing structures will have no place, except in those organizations happy to keep local tactical buying. Instead, centralization of a company's entire purchasing effort will be the only viable structure for high-impact purchasing. In time, we will see purchasing performance being driven and structured more around how it adds value and brings innovation and competitive advantage.

Finding ways to satisfy customers, by perhaps fulfilling needs they don't even realize they have right now, enabled by the supply base, will be as much a concern of purchasing as managing suppliers is today. Purchasing will play a key role in connecting end customer needs and aspirations with supply base possibilities and in doing so will unlock huge value for the organization.

How purchasing functions are structured and contribute to organization success is set to change. We will need a new agility to navigate through future changes, however, advances in technology will be able to offer more visibility. This will create a need for new skills and mindsets, especially for digital and data.

THE FUTURE AUTOMATION OF ROUTINE SPEND

Possibly one of the greatest changes for purchasing will be the automation of routine spend, where much of purchasing will simply take care of itself with the full support and engagement of the wider business.

Whilst around a third of global purchasing functions are now implementing collaboration networks or business-to-business market solutions (Deloitte, 2018)² we have not yet begun to embrace the real potential. As new

commercial and sector specific virtual marketplaces become established, traditional purchasing approaches will become redundant.

With the automation of routine spend the need for supplier and contract management will be greatly reduced and become the concern of the virtual marketplace providers. For the suppliers we manage, the relevance and value of traditional contracts will shift as sources of supply become more dispersed around the world. Instead, real-time visibility of a supplier and what they are providing for us will be how we manage risk.

Before we all give up thinking we are not needed anymore, it's important to reflect on what this will mean for the future purchasing practitioner and for category management. Virtual marketplaces will transform routine spend for items that have a common, industry-wide accepted specification. These items will likely sit in the generic quadrant in Day One Analysis, and/or the leverage quadrant within Portfolio Analysis. In these cases, the need for human intervention will disappear.

The need for impactful purchasing intervention for the rest of the organizations' spend, that which is the most important and strategic, will be even more necessary. Complex purchases will require specialist interventions using category management and SRM approaches to ensure good outcomes.

The role of purchasing will shift to become more strategic, less involved in day-to-day acquisitions and more in the systems that manage these. Purchasing will bring new value by ensuring as much spend as possible is routine and undifferentiated, by managing the relationship with the virtual marketplace providers and verifying its integrity and effectiveness ongoing.

THE DIGITAL AND DATA REVOLUTION

Possibly the greatest revolution for purchasing will be the impact of digital technology.

Technology available to purchasing today can best be regarded as 'islands of technology' - specific solutions for individual aspects of purchasing. The future is about how technologies combine and how data is obtained, processed, merged and analyzed to bring unique new insights and drive tailored purchasing interventions across the supply base.

The potential for data to advance purchasing and the wider organization is immense. For example, if we could take multiple sources of data about customer market behaviour, together with some predictive analytics, and combine this with other data about the external environment at any given time, we can model and predict customer demand. This, together with insights into the supply base derived from data sets about commodity pricing, market conditions and what is happening with current suppliers, means we can understand the entire supply chain and its ability to

supply at any given time as well as dynamically modelling the price we need to pay.

This combination of data and information enables us to create an agile, highly responsive supply chain and a dynamic system capable of sourcing exactly what is needed and when, for the best price at that time. Add virtual markets into the mix and the automated purchasing for routine spend outlined above becomes a reality.

Data will also be key for non-routine and strategic purchasing. Category management and SRM will continue to underpin the purchasing functions of the future, however they exist and operate.

In the future, data and how we use it will make purchasing more effective by removing the uncertainties that hinder it today and will help us embrace the sourcing, satisfying and strategy imperative. This is already happening in some organizations which have embraced the potential of data and analytics.

Some of this future digital and data revolution will be served up for us, some of it is already here and, if not, new enabling technology will appear – just like how the smart phone and Amazon did.

Yet, the most powerful digital solutions of the future may not come from a single provider. Instead, it will be about how individual organizations vision the ways that data can bring strategic advantage and then find ways to connect the right things together to offer new insights. These should then be used to help drive how the organization buys. This means we cannot stand still and wait for things to happen. We need a strategy for how we will travel head first into the future digital world.

THE ROLE OF CATEGORY MANAGEMENT FOR THE FUTURE

Where does all of this leave category management and its role for the future?

Category management will become embedded into future digital platforms. Today, platform providers are keen to feature category management and SRM modules and promote this functionality. There can be some value here, and also some health warnings. The majority of solutions available today do little more than offer the digitization of existing category management processes. What might appear to be a modern solution with a dashboard of management information regarding category team progress, could in fact be worthless if the category teams are just ticking boxes to satisfy the system.

Category management is successful because people collaborate across organizations and apply their combined deep thinking to doing something differently. If a digital solution automates this too much and removes the important business-wide engagement and

interaction, then practitioners will take the path of least resistance and thinking can get diluted.

The key to adopting any sort of digital solution for category management is to be really clear about the functionality needed, how process rigour will be assured and how it will connect to wider data sources and systems. With that said, future brilliance in category management will not so much be about the process or indeed the systems that enable it, it will be about the people that make it happen in a very new way.

THE FUTURE SKILL SET FOR PURCHASING PRACTITIONERS

The purchasing teams of the future will add their greatest value to the organization through their ability to use data and they will be home to a new generation of highly talented individuals.

Traditional knowledge of economics, strategic purchasing and supply chains will continue to be a staple building block. Future practitioners will also need an advanced capability in category management and SRM, except they are unlikely to be working tools and manually creating sourcing strategies for implementation as we do today. Instead, they will be piloting the new generation of systems that do this. 'Piloting' gives us a great analogy to help understand the shift. Previously, only the pilot of a commercial airliner would fly the plane. Today, the pilot will fly the plane for the critical parts of a journey, while the plane's computer does the rest of the work.

In the future, the computer will fly the plane and the pilot's role will shift to ensuring the systems are doing the right things, including taking decisions and acting in response to issues. As a result, we will need a new generation of pilots who can not only fly planes, but who are also system experts.

Similarly, the purchasing professionals of tomorrow are more likely to be either highly talented mathematicians, digital experts, pioneers of AI, experts in cryptography and data security, or strategic thinkers who understand and can connect with the entire organization.

I am convinced that retaining talented people is the single most important success factor for the future of purchasing and category management. Having talented people involves more than just developing capability, it requires organizations to think about who is on the team, where they come from, how they think, what possibilities they might bring and of course, the talent and skills they can deploy.

With organizations set to face incredible challenges over the next 20 years, the role of purchasing in supporting them; using proven strategic approaches and including category management as it exists today and in its future digital form, is crucial. It is the ability of organizations to work collaboratively in our changing world, supported by a new generation of highly talented people who will find ways through complex problems, that will unleash the true power of human brilliance. With that, organizations can achieve anything.

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