Harnessing procurement value through technology-enabled category management

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As businesses strategize their way out of a slowing economy, focusing on bottom-line cost efficiencies is top of mind.

[Procurement-driven value creation](#) should be a critical part of the response strategy for business leaders. Procurement's role has evolved as they take the lead in navigating price volatility, supply shortages, persistent inflationary markets, and regulatory requirements around sustainability.

At the heart of this ongoing transformation lies the concept of category management – a detailed approach to procurement that entails strategic management of goods and services across various categories.

> What are the most pressing challenges for business leaders today?
>
> ▸ 56% of businesses see inflation as a continued challenge in the near term.
>
> ▸ More than 40% identified the rising cost of inputs, including labour, energy and raw materials, as an obstacle.
>
> ▸ Rising interest rates and debt costs represented the third most expected obstacle, with 42.5% of businesses expecting this over the next three months.

Source: Statistics Canada, Canadian Survey on Business Conditions, third quarter 2023

The benefits of category management are substantial, ranging from improving total cost of ownership to facilitating informed procurement decisions and stronger supplier relationships. However, the journey to harnessing the full potential of category management is riddled with challenges.

> **68%** of CPOs noted that procurement's role is increasingly important for the delivery of their business's strategic outcomes.
>
> *Source: EY CPO Survey 2022*

Lack of reliable and complete data, the demanding task of governance and stakeholder collaboration, and ad-hoc category strategy development processes act as impediments to success. This has a knock-on effect on the brand of procurement within the organization.

> Category management and strategic sourcing can generate **10%-15%** savings in direct and indirect spend, translating to significant impact on the bottom line.
>
> *Source: Based on the EY's organization global experience in procurement cost takeout engagements*

Here are four ways in which leading-edge technologies offer solutions to these challenges while generating a positive return on investment:

1. **Implementation of governance – translating theory into practice:** Effective governance and collaboration among stakeholders is critical for category management success. In the EY organization's experience, this is the biggest failing point of effective category management. While developing paper-based governance models with well-defined RACIs look good in theory, making them a way of working in "business as usual" remains a challenge. Technology solutions provide centralized platforms for governance and collaboration, embedding alignment and focus across the organization.

2. **Automation of processes – reducing manual effort:** One of the biggest roadblocks to successful category management is the significant manual effort required to develop, execute and monitor category strategies. Technology platforms automate these tasks, freeing up valuable resources and allowing procurement teams to focus on strategic initiatives on an ongoing basis.
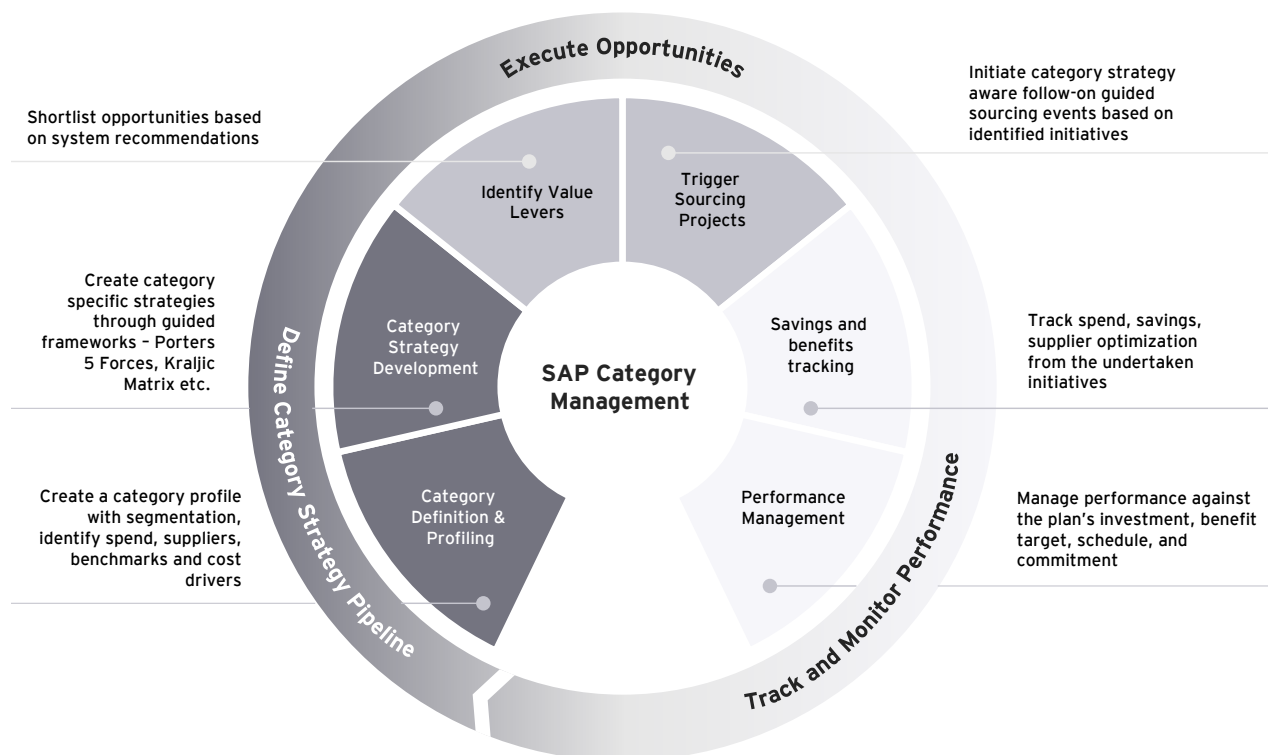
3. **Data visibility, leading practice process, and standardized analysis templates – accelerating decision making:** Traditional procurement approaches and disparate sources of data often struggle to provide broad visibility into spending patterns and procurement demand. This, coupled with a lack of standardized templates, hinders development of effective category strategies. Leading technology solutions offer advanced analytics and real-time data access tailored into easy-to-use templates – for example, SWOT and Porter's Five Forces analyses – that help users focus on the insights and decision-making. More importantly, however, the tools enhances the brand equity of procurement as a strategic partner within the organization.

4. **Tracking, monitoring and reporting of category performance – bringing discipline to managing spend:** Even the best laid-out category strategies fail to sustain value due to lack of tracking the key performance indicators (KPIs). KPIs should include the financial and non-financial benefits generated, the health of sourcing and/or non-sourcing projects underway, spend under management and more. Leading technology solutions integrate spectrum of source-to-pay activities to generate customized category performance dashboards that provide real-time information. This enables category managers to identify and focus on key areas.

EY is helping organizations use technology to enable category management

The EY organization and our alliance partners bring the depth of category management experience facilitated by leading technology solutions to help organizations achieve better value-for-money outcomes from procurement.

SAP Ariba Category Management

Built on the SAP Business Technology Platform, SAP Ariba Category Management is an application that provides an extensible, configurable and integrated solution with actionable market intelligence and category insights for category managers and strategic procurement professionals. SAP Ariba Category Management digitizes the development, execution and monitoring of the category strategy through seamless integration with source-to-pay processes to drive value and ensure ongoing performance.

Execute Opportunities

Initiate category strategy aware follow-on guided sourcing events based on identified initiatives

Shortlist opportunities based on system recommendations

Identify Value Levers

Trigger Sourcing Projects

Create category specific strategies through guided frameworks – Porters 5 Forces, Kraljic Matrix etc.

Define Category Strategy Pipeline

Category Strategy Development

SAP Category Management

Savings and benefits tracking

Track spend, savings, supplier optimization from the undertaken initiatives

Create a category profile with segmentation, identify spend, suppliers, benchmarks and cost drivers

Category Definition & Profiling

Performance Management

Track and Monitor Performance

Manage performance against the plan's investment, benefit target, schedule, and commitment

ServiceNow

EY and ServiceNow streamline the flow of information, remove friction and deliver richer human experiences when it comes to category management.

The platform enables Category Managers to effectively manage their spend areas by providing real-time visibility and tracking of category insights across initiatives, contracts, requests, etc. The ServiceNow platform:

‣ Streamlines user experiences

‣ Enforces process consistency and efficiency

‣ Augments specialized source-to-pay tools

User Experience

MULTI-TEAM WORKFLOW
‣ Streamlined interface for teams
‣ Captured durations & queuing

EMBEDDED TASKS & APPROVALS
‣ Consolidated requirements
‣ Ease of Access

PERFORMANCE MONITORING
‣ Metrics and SLAs
‣ Integrated analytics access

SEAMLESS INTERFACE & INTEGRATION
‣ Single point of entry
‣ Stitched together digital solutions

END USER ALERTS & VISIBILITY
‣ Alerts for End User status updates
‣ Open items tracking

ENABLED BY AUTOMATION
‣ Reduce manual tasks
‣ Guided process

SEARCHABLE DATA REPOSITORY
‣ Communications & references
‣ Policy & Process Documentation

ON-DEMAND VIRTUAL SUPPORT
‣ Timely support via Chatbot
‣ Increased productivity

To learn more about how EY can help your organization get the most out of your procurement spend, please contact:

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