

2023 Post-Event Paper

Categorypalooza



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While category management is a well-known and much-discussed practice area within procurement, each individual category comes with its own set of opportunities, challenges, and nuances.

For the last three years, we have paused in late summer for Categorypalooza, Art of Procurement's festival of category insights, to look at individual spend categories as well as the skills and approaches that procurement can apply across categories to drive maximum business impact.

This year we brought together another impressive group of experts, each of which had specialized expertise to offer. After watching each of the sessions, here are my key takeaways:

- **Scale continues to be a challenge for procurement, regardless of what they are doing.** Managing more spend may require procurement to work with more suppliers, but it also raises the stakes for their performance - especially when customers, and therefore revenue, are directly involved.
- **It is easy to oversimplify what it means to manage spend globally, especially when 'global' does not always mean global.** Applying category expertise across geographies requires procurement to have exceptional data as well as boots-on-the-ground visibility into how strategies and tactics are playing out.
- **Procurement struggles with inaccurate stereotypes about their skills and priorities - but they are not alone.** Resources such as group purchasing organizations (GPOs) may be typecast as well, causing them to be overlooked when they are exactly the right solutions for some categories of spend.
- **Sustainability is a critical and high-impact initiative for most companies, and procurement is often called upon to play a central role in turning vision into action.** When packaging is part of a sustainability program, procurement will need to interface with suppliers, customers, and executive leadership to make sure that decisions align with all relative expectations.
- **Complex categories like energy and utilities can either bring out the best in a procurement organization or over-leverage it past the breaking point.** Looking across process areas and ensuring that data is available in near real-time are critical success factors, allowing procurement to consistently connect strategy with execution.

Philip Ideson,
Founder and Managing Director,
Art of Procurement

Managing Services Procurement on a Grand Scale

Matt Mehler, President of PROcurement Solutions

and former former VP of Procurement for Madison Square Garden

Managing services procurement for a large entertainment venue is a complex and challenging task. The stakes are high, the audience is large, and everything moves fast. There is no room for error, and the pressure is on to make sure that everyone's needs are met and the show goes on without a hitch.

"There are things coming at you from every direction," said Matt Mehler, former VP of Procurement for Madison Square Garden, "You have to make sure you structurally set that up so that you're successful and you can continue to manage challenges as they come at you."

Madison Square Garden, for example, hosts hundreds of sporting events every year and some of the highest-profile concerts in New York City. During Matt's tenure with the organization, they also operated an on-site theater, Radio City Music Hall, the Beacon Theatre in New York, The Chicago Theatre in Chicago, and The Forum in Los Angeles. On any given day, 20,000 people or more – most armed with smartphones and the ability to comment in real-time on their experience – pass through the venue, adding another layer of "stakeholder" complexity and expectations for procurement to meet.

One of the biggest challenges of services procurement for large venues is the sheer number and variety of services to be managed: facility management, front-stage services, security services, guest services, food and beverage, back-of-house services, production support, corporate services, and IT. And that's just the short list.

The key, Matt says, to delivering on time every time is having strong relationships with contractors and suppliers. Building relationships with service providers means understanding their needs and how they define success so procurement can align and offer support. "You have to make sure you understand their business," he said, and make sure you're monitoring, managing, and improving those relationships on a continuous basis over time so they'll be there to deliver for you when and how you need.

"All of this is on the largest stage in the world's greatest arena," said Matt. "There's a lot of pressure and a lot of excitement around that, so you really need relationships that you know can deliver for you in that industry."

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When Service Demand Exceeds Capabilities

Andrew Henson, VP of Energy, Utilities and Sustainability, *Fine Tune*

When an organization's service demand exceeds resource capabilities, procurement may feel the increasing pressure of spend under management. This pressure can squeeze already-over-taxed category experts and lead to disruptions, inefficiencies, and lost opportunities for cost savings.

For example, energy and utilities is a category that is undergoing a rapid transformation largely fueled by shifts in sustainability requirements, market volatility, and geopolitical factors.

“In the past four or five years, there has been a big sustainability revolution and a lot of volatility in markets and weather events,” said Andrew Henson, VP of Energy, Utilities and Sustainability at Fine Tune. “With all of those things together, energy and utilities has started to pick up a little bit more mainstream coverage and, with that, more eyes on it. But with changing political landscapes, there is a lot of volatility.”

This sector consists of various subcategories, each of which is impacted by demand management, data management, accounts payable processes, sustainability initiatives, tariff optimization, and regulatory support. Each requires unique expertise and a specialized approach. This can be challenging for procurement to bring into scope and get a centralized view of all the information and data needed for each subcategory.

By bringing together various stakeholders across the business, including functions like accounts payable and experts in different subcategories, companies can streamline processes and avoid siloed inefficiencies. Centralization also enables procurement to integrate their strategies with other category managers and align with the overall business strategy.

Effective energy and utilities management relies on real-time, data-driven decision making facilitated by tools like building management systems that are essential for optimizing consumption patterns and identifying opportunities for efficiency. Data is the linchpin of effective energy and utilities management, empowering organizations to make informed decisions and optimize their consumption patterns. But, adopting new tools and technologies to manage demand and increase efficiency also requires procurement to be measured while adapting quickly in a rapidly changing digital environment.

“It’s counterintuitive to slow down,” said Andrew. “We’re in a society of ‘move fast and break things,’ and with that kind of approach you have to establish what your goals are at very high levels then provide those in the trenches on a day-to-day basis.”



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Andrew Henson

VP of Energy, Utilities and Sustainability,
Fine Tune

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The Great GPO Misunderstanding

Brian Halpin, Vice President and General Manager, *Procure Analytics*

Group Purchasing Organizations are frequently misunderstood and even maligned by procurement practitioners, but they can be a critical component of a successful category management program.

One of the most common misconceptions about GPOs is that they only benefit suppliers. Brian Halpin, Vice President and General Manager at Procure Analytics said, "GPOs do benefit suppliers, but those benefits typically work their way down to the member" in the form of lower costs and better contract terms.

Procurement also often assumes that GPOs only benefit small companies “who end up riding on the volume-based coattails of big companies,” said Brian. GPO pricing is based on collective volume, and ensures that no matter the company's size, they can never match the purchasing power of a GPO.

Brian busted the commonly-held misconception that GPOs solely provide price discounts. He discussed the ways that GPOs can offer additional value, including on-demand professional category management support, helping identify value drivers within a company's purchasing requirements and efficiently executing projects. In addition to cost savings, GPOs offer extended payment terms and valuable analytical data derived from aggregating spend data. GPOs can also streamline sourcing processes, resulting in more significant savings than individual RFPs, especially in complex, data-intensive categories like MRO.

Despite the many misconceptions about GPOs, they benefit suppliers and member companies of various sizes, catering to unique product mixes and providing multifaceted value beyond price discounts. GPOs may be an effective approach for even the most nuanced categories and a viable sourcing model as well.

Leveraging Robust Data in Global Sourcing

Lyle Dixon Smith, SVP of Business Development, ProcurementIQ, and Ben Kempenich, Senior Business Research Analyst at ProcurementIQ

Global sourcing and procurement offer businesses significant benefits, such as cost savings, access to new markets, and increased innovation. But they also pose a number of challenges, including political and natural upheavals, differing business norms, and supply chain disruptions.

Data plays a vital role. It can be used to identify new suppliers, assess their capabilities, negotiate contracts, track performance, and identify areas for improvement. As Lyle Dixon Smith, SVP of Business Development at ProcurementIQ, said, "When we're talking about data, it's not just external. It is a mesh of internal and external that determines what your spend universe looks like."

To leverage data effectively, procurement needs to have a clear understanding of market intelligence and supplier information, including their performance.

When developing a global procurement strategy, it is important to consider regional expertise. The term "global" is used frequently, but it may involve select regions or even individual countries. The need for local expertise is especially important in regions with different reporting standards or regulatory challenges.

"The norms of doing business can be dramatically different from one country to another," said Ben Kempenich, Senior Business Research Analyst at ProcurementIQ, adding that global sourcing means procurement "will inevitably encounter more political upheaval, natural disasters, and supply chain breakdowns than they may have otherwise expected." Having regional understanding and expertise can help procurement deal with unexpected risks and challenges when they inevitably crop up.

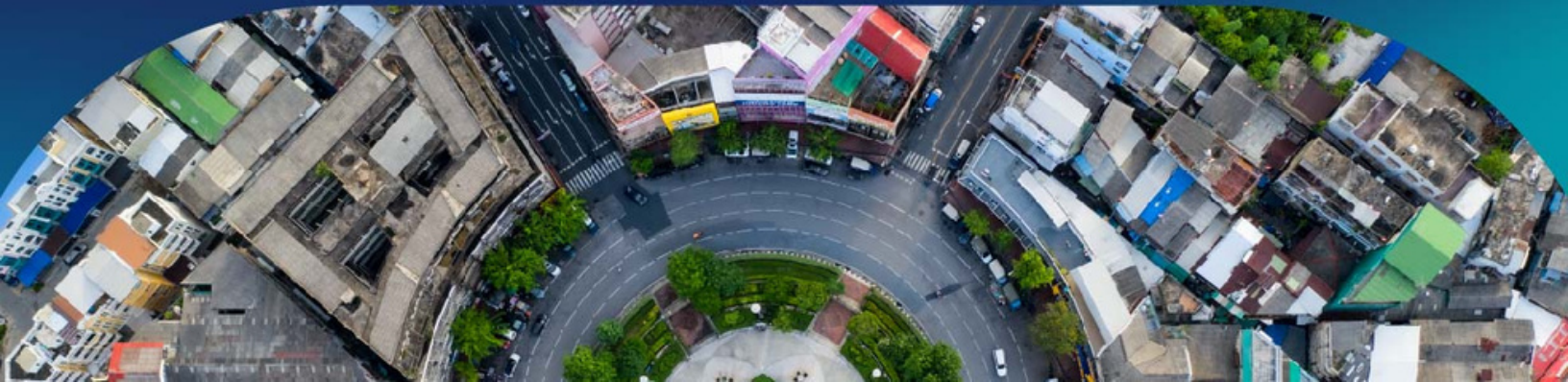
Compliance is another critical aspect of global procurement, and complexity levels will likely vary from one organization to another and across industries. The key is to start early and ensure that compliance is a part of the upfront strategy, considering the different requirements and regulations in effect in each region.

Expanding globally often necessitates onboarding suppliers regionally as well. Supplier onboarding will need to reflect the needs of each supply partner, including their technological capabilities and ability to align global strategies already in place.



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Leading the Charge Towards Sustainable Packaging

Kathleen Jordan, Director in Advisory, *Corcentric*, and Todor Naydenov, Consultant in Advisory, *Corcentric*

Businesses are facing increasing pressure to adopt sustainable packaging practices, and the potential for procurement to make an impact is high and urgent.

In this session, we spoke with Kathleen Jordan, Director in Advisory, and Todor Naydenov, a Consultant in Advisory, both from Corcentric, about how procurement should lead the charge towards sustainable packaging and reduced waste.

One of the key challenges, they said, is identifying the right starting point. There are many different ways to make packaging more sustainable, and it can be difficult for procurement to know where to focus first. Benchmarking current performance makes it possible to set clear goals for improvement, then work with suppliers to identify and implement sustainable solutions.

Another challenge is coordinating with different stakeholders within the supply chain. Transitioning to sustainable packaging requires collaboration across businesses, suppliers, and customers. Companies need to clearly communicate their sustainability goals to suppliers and work with them to develop execution plans. They may also need to educate customers about the importance of sustainable packaging and how they can help reduce waste.

Kathleen and Todor provided some recommendations for businesses that are interested in implementing a sustainable packaging program:

- **Start small. It's not necessary to implement a fully sustainable packaging program all at once.** Start by making small changes, such as reducing the amount of packaging you use or switching to more sustainable materials.
- **Collaborate with your supply base.** Your suppliers can help you identify and implement sustainable packaging solutions. Be sure to communicate your goals to them early on and work together to develop a plan.
- **Don't be afraid to ask for help.** There are many resources available to help businesses with sustainable packaging. Contact your industry association, local government, or sustainability consultant for assistance.