

## Category Strategies

[00:10] - Matt Hounsome

At Auckland Council, developing category strategies is something that's increasingly important to us. It's an incredibly time-consuming part of procurement. It can take up to six months to develop a category strategy. So it's not something that we look to do too many times throughout the year. So within my team, I target the team to develop one strategy per year.

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What our category strategy is, is effectively something that we do in areas that are particularly complex or areas of spend where we have significant spend, where we may not know the market, we may not know even our internal needs. So we take the time in advance to go for a process of understanding all of that before we then lead into the sourcing aspect of procurement.

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So typically in a category strategy, there are some set phases that we would run through. The first one of those is really about understanding the category. So looking at all the existing arrangements we have in place, who we have contracts with, what we're spending, who are the key internal business stakeholders? What some of the issues or opportunities are that we're currently facing.

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Once we understand that, we move on to understanding the marketplace, so who are the key suppliers in the markets? What are some of the drivers, of cost, of risk in the markets? And once we understand that, we put the two together and then really look at the whole picture and say, okay, based on what we know, what are the opportunities we have, what would be the best procurement approach to effectively manage this spend? And that then leads into the procurement strategy or the procurement plan, which inevitably ends up being some kind of sourcing, whether that be open tender, closed tender or even direct negotiations with existing suppliers, if that's the most effective way to manage that spend.

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One thing to say about category strategies is it's really important that we do it in collaboration with the business. It's no good doing it on our own within procurement and then just sort of passing over a strategy for the business to implement. It's really a partnership approach that should be taken. And one of the reasons for that is sometimes we actually extend beyond just developing our procurement strategy. We actually start veering into business strategy. So we absolutely need to work in partnership with our business stakeholders to develop that.

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Within Auckland Council, one of the category strategies we're looking to develop this year is around security contracts. So across the Auckland Council group, which includes Auckland Transport and Watercare, we have multiple contracts for multiple types of security, quite often with the same suppliers; so there is inefficiencies in what we're doing. There's also some external market forces which really affect the cost to Auckland Council, specifically minimum wage increases, which the last year were unforecasted and really affected our ability to manage our budget. So by putting in place a category strategy, we're hoping that for the next financial year, we have a much better, more efficient, a more controlled approach to how we're spending in the security category.

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Both category strategies and SRM enable us to add much more value than what we would do just through sourcing alone. It enables the procurement team to raise its profile and not being seen as just the centre of transactions. Enables us to bring our strategic thinking to the forefront and to show the business that effective planning, effective frameworks and methodologies, and partnering enable us to really maximize what we get out of our supply chain and how we work with our suppliers.