

Industrial Category Management

 **ISA**
FALL **SUMMIT**

THE CHANNEL'S BEST
PROFESSIONAL DEVELOPMENT EVENT

Industrial Category Management

- Introduction
- What is Industrial Category Management
- Benefits of Category Management
- Key components of Category Management
- Implementation strategies
- Case studies & Best Practices
- Conclusion



What is Category management?

- Category Management is a specific process adopted by both manufacturers and distributors together to streamline the products and suppliers within a defined category to reduce waste, remove duplication, rationalize skus, and provide the best value to the end customers without sacrificing choices to meet their needs
- Although it is a retail industry concept, the benefits apply equally to the Industrial markets
- The objective of this presentation is to provide some understanding of Industrial category management to help us start thinking a differently to improve margins, reduce cost and drive growth

What is Industrial category management?

- Industrial Category Management is a specific process adopted by both manufacturers and distributors to
 - Increase sales
 - Gain additional market share
 - Increase profitability
 - Reduce cost
 - Improve turns
 - Increase collaboration between manufacturers and distributors
 - Better utilize marketing funds
- Concept of “less is more”
- Marketing, Sales, Supply Chain, and procurement all play a role

A 1 percent improvement in the cost of goods sold raises EBITDA by an average of more than 18 percent.

McKinsey & company study

Why Category Management?

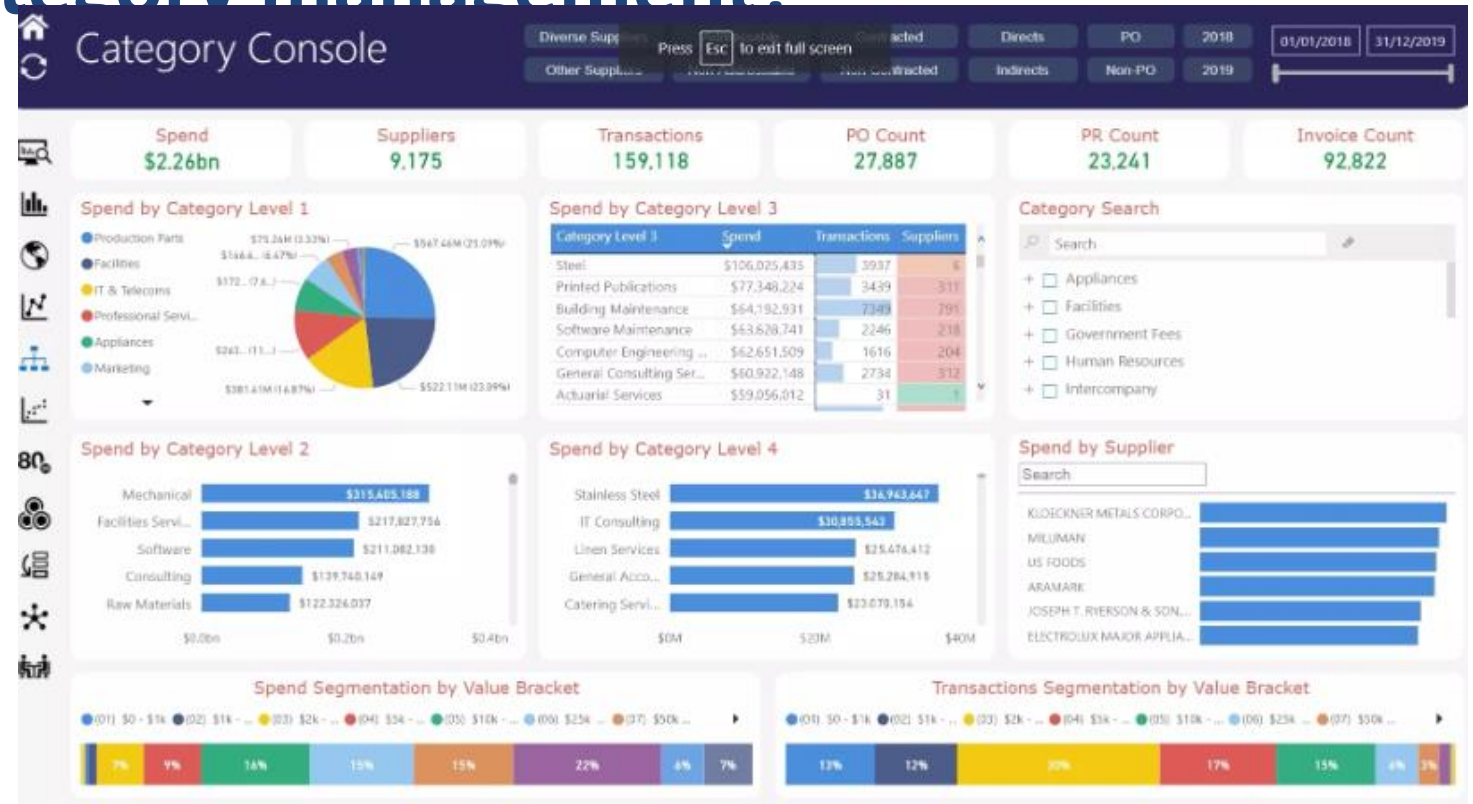
IPI FORECAST

| | Q4/23 | Q1/24 | Q2/24 | Q3/24 |
|--------|-------|-------|-------|-------|
| USA | -1.1 | 0.6 | 1.2 | 0.7 |
| Canada | -0.6 | 0.3 | 0.3 | 0.6 |

- Slowing economy
- Pressures on margins
- Increase in COGS
- Higher cost of capital, human resources
- Increased cost of doing business
- Increasing customer demand and expectations
- Sku proliferation
- Better software & Analytical tools
- Better omnichannel experience

Key components of Category management?

- Spend Analysis
- Supplier evaluation
- Strategic partnerships & sourcing
- Contract management
- Performance metrics
- Sales engagement
- Marketing execution
- Rebates and Incentives
- MDF



Category Management Dashboard by Simfoni Analytics

Types of Data

1. Spend Data

- Details on spending in various categories
- Purchase & Sales history, including quantities, costs, margins

2. Key Supplier Data

- Supplier performance metrics, like on-time delivery, quality, and cost.
- Supplier risk assessment data (e.g., financial stability, geopolitical factors).
- Supplier brand equity, compliance and certifications.

3. Market Data

- Industry trends and forecasts.
- Price indices for relevant commodities or materials.
- Data on demand fluctuations in the market.

4. Inventory Data

- Inventory levels for different categories, by supplier
- Inventory turnover rates.
- Storage and logistics costs.

5. Contract Data

- Details of existing contracts, including terms and conditions.
- Contract renewal and termination dates.
- Compliance and performance against contract terms.

6. Sales & Pipeline Data

- Sales by customer, type
- Opportunity pipeline
- Account value

7. Quality Data

- Quality control inspection results.
- Data on defects and recalls
- Compliance with quality standards and regulations.

8. Financial Data

- Cost structures for different categories.
- Budgets and actual spending.
- Cost savings expectation through category management.

9. Environmental and Sustainability Data

- Data on carbon emissions.
- Information on sustainability initiatives.
- Compliance with environmental regulations.

10. Supplier & customer Feedback and Surveys

- Feedback and satisfaction scores from internal stakeholders on suppliers
- Surveys and feedback from customers regarding suppliers

Implementation process

Clearly define category & its sub-categories

Complete analysis of all suppliers

Assess all current processes including x-references

Clarity in goals and objectives

Assign project owner

Determine companies who will be category leader(s)

Sign NDA

Become creative. Ask for “nice to haves”!

Communicate, communicate, communicate

Monthly/ Quarterly update to all stakeholders

Keys to Success



TOP TO TOP ALIGNMENT
BETWEEN DISTRIBUTOR
AND SUPPLIER(S) ON
INTENT, STRATEGY, AND
WHAT DOES SUCCESS
LOOK LIKE



OVER-ALL BENEFITS
INCLUDING INCREASED
TURNS, BETTER COST,
INCENTIVES,
ENGAGEMENT, GROWTH



AGREED UPON PROCESS
ON OVERCOMING
ROADBLOCKS



COMPLETE
TRANSPARENCY ON
POTENTIAL DIFFICULTIES



WIN-WIN ESTABLISHES
TRUST AND ENHANCES
CREDIBILITY

Project Charter

| | | | | | | |
|---------------------------------------|-------------------------------------|-------------|-----------------|-------------|--------------------|--------------|
| Project Name | Increase GM% | | | | | |
| Function or Business Team | | | | | | |
| Project Leader | Typically a GB or BB | | | | | |
| Process Owner | | | | | | |
| Project Champion(s) | | | | | | |
| Element | Description | | | | | |
| Project Description | | | | | | |
| Process/Value Stream | | | | | | |
| Defects | | | | | | |
| Metrics to be used to measure success | ID | Name | Baseline | Goal | Entitlement | Units |
| | Y1 | Yield | 70% | 85% | 100% | % |
| | CB1 | | | | | |
| | | | | | | |
| | | | | | | |
| | | | | | | |
| Project Y-Goal Statement | Sentence format - From x to y by __ | | | | | |
| Business/Financial Benefit | Millions, | | | | | |
| Scope | In: | | | | | |
| | Out: | | | | | |

| | | | | |
|------------------------------|--|------------------|---------------|------------------------|
| Corporate Critical Y | Look up in GPS | | | |
| Business Critical Y | Look up in GPS | | | |
| Key Decisions | | | | |
| Key Deliverables | | | | |
| Key Milestone Dates | Milestone | Estimated | Actual | |
| | Start project | | | |
| | Complete analysis | | | |
| | Make Improvement | | | |
| | Pre-close | | | |
| | Close Presentation | | | |
| Project Considerations | Assumptions: | | | |
| | Constraints: | | | |
| | Risks and Issues: | | | |
| | Complementing or Conflicting Projects: | | | |
| | Intellectual Property Position: | | | |
| | Partnerships: | | | |
| Project Team | | | | |
| Role/Function | Team Member Name | | | % Time Required |
| Project Leader | | | | |
| MBB | Typically a GB or BB | | | |
| Champion | 0 | | | |
| Process Owner | 0 | | | |
| Coach (consult) | | | | |
| Financial (consult) | | | | |
| Team Members / Role | | | | |
| Team Members / Role | | | | |
| Team Members / Role | | | | |
| Key Stakeholders / Approvers | | | | |

Control Plan

| Control Plan Summary | | | | | | |
|---|--|---|------------------------------------|---|---|--|
| Process Indicators | Desired State | Monitoring Approach | Monitoring Frequency | Reaction Plan | Responsible | Additional Information |
| Critical Ys, Xs & CBs (Monitor the Ys & CBs, Control the Xs) | What is the level we would like to see the X, Y or CB at? | How to check if the Xs, Ys, and CBs are at the desired state? (Include SOPs or other documentation related) | How often should we verify? | WHEN should they react? HOW to react if X, Y, or CBs are not performing at the desired level | Who is responsible for identified actions? Include function or role & name. | Any other important information to support monitoring or reacting |
| Include all your Ys Xs | Y/CB performance achieved Also list entitlement | Monitor Ys/CBs with something like the IMR | | | | |
| Include all your Xs | | Control the Xs | | | | |
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Real Life examples - Discussion

Simple CM exercise

Assumption

Category size : 25M

Supplier 1: 25%

Supplier 2: 20%

Supplier 3: 15%

Private label : 10%

Bottom 4: 30%

Total suppliers : 8

Target: Maximum 4

Able to consolidate: 8M

Current total GM : 10% (2.5M)

Current net margin : 2% (500K)

New GM Target: 12.5% (3.12M)

Net margin target: 3% (750K)



