



Finding the Category Intelligence You Need Amid All the Noise

Why a Hybrid Product and Services Approach Yields a More “Intelligent” Category Management Solution

Category intelligence and analytics are essential to next-level procurement performance. Without appropriate data and understanding of the categories they’re trying to source, category managers are otherwise drilling blindly in their sourcing events. Making the right choices about where to look for value requires a coherent strategy, and building that strategy requires actionable evidence based on the right data and intelligence acquired in a timely manner.

Yet most procurement teams have limited access to the data and intel they need to perform at a high level. The category intelligence market is large and highly fragmented – by category-specific solutions, by delivery model, by level of technical maturity, and many other factors. This makes it even harder to find what you need and figure out what approach is best for your business. At the same time, access to free or low-cost self-service information has become the expectation. This leaves procurement navigating a sea of dubious, generic intel - hoping to find the data needle in the haystack that will drive their strategy creation.

To address this diversity of category intelligence offerings, procurement seemingly would benefit from access to a one-stop-shop for all its category intelligence needs, rather than needing to patch a bunch of different sources together. But a one-stop-shop can also bring its own challenges. “One-stop-shop” can fall into the trap of “one-size-fits all” – and generic category intelligence does little to inform the unique category strategies required by different businesses.

So what’s the right approach? Ideally, procurement could have the best of both worlds: a one-stop-shop with regularly updated, actionable intelligence, but with an appropriate mix of both off-the-shelf data and custom intelligence tailored to unique category and organizational needs. A hybrid solution with category intelligence products and services would offer the best of each approach, without the compromises of the single delivery method or single category solution.

In this paper, we’ll explore the characteristics of various category intelligence solution approaches and why, for the typical Global 2000 business, a hybrid product and services approach provides a convincing “third way” to obtain the benefits of category intelligence solutions.

The Problem

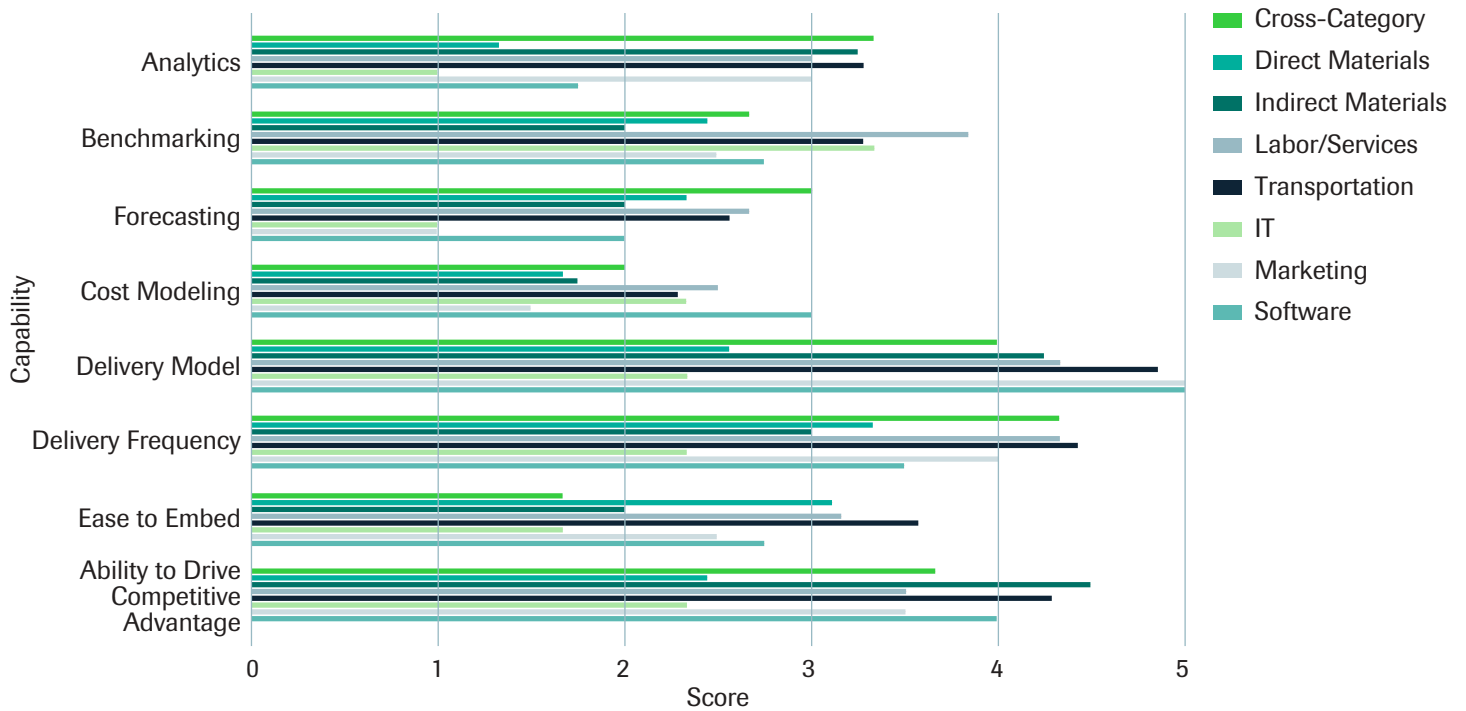
The Category Intelligence Landscape Offers More Noise Than Insight

As procurement organizations strive to deliver value beyond cost savings and supply assurance, the sourcing support and tools they need become more complicated. Today, many businesses have made prudent investments in systems of record like ERP or dedicated procurement technologies like S2P suites to support such improvement efforts. But when it comes to designing and executing category strategies, there's a problem: these systems commonly provide almost nothing in the way of category intelligence and category management capability.

To supplement their existing toolset, category managers are forced to look outside their current technologies. The numerous, interdependent categories procurement may be responsible for at a typical business have spawned a large, fragmented market of category intelligence providers from which to draw on. This creates a new sourcing project on top of the categories already being sourced – segmenting and selecting suppliers of supply market intelligence and category analytics – with even fewer resources to rely on for guidance.

In fact, category intelligence is a challenging category to navigate. There are numerous data providers available for a variety of purposes, but each has to be accessed separately or integrated into a single system. And there is a high degree of variation in capability (e.g., in ability to support analytics, forecasting, benchmarking) between different categories of intelligence providers.

In one landscape assessment we performed in late 2019, Spend Matters analyzed more than 50 firms offering different forms of category intelligence. For each firm we have evaluated so far, we assessed the following areas, using a five-point scale (1 being the least mature form of the capability/area and 5 being the most advanced), to compare provider offerings. As the chart overleaf illustrates, the level of capability offered in each category varies widely....



Source: Spend Matters PRO, January 2020

So not only is it difficult for procurement to identify potential sources of category intelligence; it also is challenging to find a provider that can meet all of an organizations’ needs across all categories.

What’s more, beyond the providers of category intelligence, category managers are also expected to make use of publicly available resources. The myriad external databases that could be monitored, plus news sources that relate to categories and suppliers, plus the unending depths of what “could” be useful in Google searches, only make a category manager’s job harder. While it’s true that there’s more data than ever available, if that data isn’t contextualized and actionable, it’s not helpful.

Especially in the context of rising pressures businesses are placing on procurement – moving beyond a cost-centric focus to risk management, aligning category strategy with business needs (e.g., new products/market), driving new value via innovative suppliers – category managers need category intelligence tools that support all of these needs, not just features and data related to a specific category.

The Solution

Cut Through the Noise with a Hybrid Data and Services Approach to Category Intelligence

Despite the increasing need for actionable data and intel to inform category strategies, procurement has two polar opposites of category intelligence sources. On the one hand, specialized providers with a diverse range of capabilities; on the other, free and accessible public data but with little guarantee of quality or applicability to the business' unique needs.

The answer to this challenge, we feel, is to find a middle ground between these extremes. Ideally, procurement would have access to a hybrid solution, where all categories can be addressed and monitored, and which combines exclusive category intel with validated public sources, brought into context for the organization at their fingertips via a single, centralized portal.

Core category data would be available at managers' fingertips to begin the decision-making process – category dossiers detailing cost drivers, current prices for well-known commodities, filtered news updates based on relevant events for existing categories and suppliers etc. But for more specific scenarios, where the information needed is highly contextualized to a business need - like new-to-the-business categories - custom requests could be fulfilled by an external service team to supplement what is readily available.

All of this would be supplemented by category management-specific tools to drive execution off the provided information. Tools like category diagnostic questionnaires could assess a company's position as buyer relative to supply market inputs and recommend sourcing strategies to pursue, or procurement KPIs and goals could be modeled and tracked in the system to better communicate the organization's impact back to stakeholders.

The benefits to such an approach would come from several areas. Combining self-service intelligence gathering and analysis with support from an external partner in a single tool would drive procurement improvements to include:

- **Self-sufficiency** – Category managers would largely be able to meet the majority of their analysis needs on their own
- **Agility to rise to new challenges** – Access to external research and analytics support could be used to familiarize the business with a new category, or to help mitigate a risk event for which procurement may not have been prepared
- **Contextualized intelligence** – Rather than being delivered in generic, one-size-fits-all formats, category data would be contextualized for the business' own demand situation and category needs
- **Obtain value, not just cost savings** – All of the contextualized data would allow category managers to take a holistic, business-level approach, as well as see the true risks and opportunities beyond negotiating an annual price decrease.



Why The Smart Cube’s Category Intelligence Solution:

The Spend Matters Perspective

For a purpose-built solution that supports a hybrid vision of cross-category data coverage with supporting services and analysis, The Smart Cube’s Category Intelligence solution provides a convincing approach. The solution empowers clients with contextualized, actionable category data and insights to help them deliver value from their category management strategies.

The Smart Cube solution supports procurement organizations in their end-to-end category management lifecycles – from development to implementation and execution. It does this by connecting intelligence from internal procurement data and external market developments to identify and deliver value across categories.

Specifically, Category Intelligence comprises three components:

Standard intelligence: Amplifi PRO	Custom intelligence: Intelligence catalogue	Custom intelligence: Category monitors
<p>This is The Smart Cube’s on-demand digital procurement intelligence platform – a pre-populated offering containing the basic information needed to understand a category, and a starting point for making category decisions. It provides:</p> <ul style="list-style-type: none"> • Market insights • Cost structure/drivers • Commodity information • Sustainability and innovation trends • Latest news <p>In addition, Amplifi PRO comes with several tools that augment what category managers can do with this data, including a strategy development wizard that can inform “next step” planning, and RFX templates and supplier scorecards to use in sourcing efforts</p>	<p>For needs that fall outside the coverage in Amplifi PRO, The Smart Cube provides a catalogue of intelligence requests that procurement can readily make. Options on the menu include:</p> <ul style="list-style-type: none"> • Supply market intelligence • Supplier intelligence • Product cost intelligence • Trend and event intelligence • Spend and demand analytics • Other (e.g., validate a hypothesis, analyze contracts) 	<p>Beyond standard supply market and price intelligence to support sourcing strategies, The Smart Cube also provides proactive coverage of various category risks and opportunities via category monitors for strategic categories. These can consist of:</p> <ul style="list-style-type: none"> • Category opportunities and risks (e.g., subject matter expert’s advice on how to create new advantages) • Key news like new services from competitor suppliers, M&A, etc. • Risk ratings (e.g., financial risks related to incumbent suppliers) • Internal KPI tracking (e.g., spend under management, spend vs. budget, contract compliance, etc.)

Conclusion:

No Size (and Approach) Fits All for Modern Category Management

Data without context is just a bunch of numbers. In many procurement organizations, category strategy is merely based on what was spent last year as described in internal systems and disparate pieces of data gathered from external sources of varying quality and timeliness. But in order to drive value, category intelligence should be more than this. Ideally, it should be

- **Forward looking** – rather than an analysis of what you did last month or last year
- **Contextual** – rather than one-size-fits-all analysis
- **Outcome-driven** – rather than open-ended and vague
- **Proactive** – rather than driven by external events learned about yesterday
- **Easy to consume** – rather than disaggregated and held together via manual methods (e.g., spreadsheets)

Many category intelligence solutions available satisfy some of these requirements expertly. But few do all well at the same time. To get the benefits of category intelligence without the compromises, a hybrid solution makes sense for many businesses, especially those overwhelmed by the growing complexity and pace of change within their key categories

The Smart Cube solution is one example of this, and we think the effort to drive self-service improvement while offering easy access to custom and contextualized intelligence provides a model of what's possible when a category intelligence provider looks beyond a one-size-fits-all approach.



Case Study – Category Intelligence

Client

A leading global pharmaceutical company with operations in 85 countries

Business challenge

Category teams had access to a variety of information from multiple sources, but they were finding it difficult to extract insights from the data, a majority of which was very generic in nature and not contextualised to their business needs. This was leading to inefficiencies and delays in category strategy execution and value delivery.

As part of its procurement transformation journey, the client had also recently set up a new Procurement Excellence team to drive benefits from advanced analytics and digitalisation across category management. Embedding the new team and accelerating results was an additional driver for the client.

The Smart Cube solution

The Smart Cube worked with senior category leaders and the Procurement Excellence team to embed its agile and flexible Category Intelligence solution across the function. The solution was aimed at making the function insights and analytics led, supporting the move from a purely reactive to a proactive approach, and helping category teams manage the supply ecosystem as well as their business stakeholders.

The solution covers 3 modules:

- ▶ **Amplifi PRO (self-serve standard intelligence)** – All category teams across 5 pillars were given access to The Smart Cube’s on-demand digital procurement intelligence platform, which enabled them to:
 - Access essential supply market and cost intelligence across several categories on a self-serve basis
 - Leverage multiple decision-making tools and templates to enhance their day-to-day activities
- ▶ **Intelligence Catalogue (custom intelligence)** – In cases where category teams had specific hypotheses or needed bespoke research on a certain topic, they had the option to raise custom requests. During the last 12 months, custom requests in the following areas have been covered:
 - Supply market analysis
 - Supplier landscape assessment
 - Peer benchmarking
 - Trends and innovations
 - Should cost scenario models
 - Negotiation fact packs
 - Spend and KPI dashboards

Through an online workflow (linked to Amplifi PRO), requestors, senior category leadership and the Procurement Excellence team can track the progress of each request, as well as search and download all custom reports commissioned from different intelligence providers over a 5-year period. This has strengthened knowledge management across globally dispersed teams.

▶ **Category Interventions (proactive intelligence and analytics)** – For highly strategic categories identified by the client's procurement leadership team, The Smart Cube developed a programme to create and deploy category monitors and apply advanced analytics. Through collaborative discovery and diagnostic workshops with the client teams, categories to be monitored and use cases for analytics application were shortlisted.

- For 10 sub-categories, The Smart Cube developed online dashboards/monitors that provided continuous intelligence through a 360° view by leveraging the client's internal data (spend, PO, invoices, etc.) and external intelligence (market trends, supplier insights, commodity price forecasts, etc.).
- The Lab Supplies category was chosen as a use case for advanced analytics. Here The Smart Cube team analysed heterogeneous, offline and online data sources; developed algorithms and assets to clean, standardise and integrate these large datasets; and identified SKU rationalisation and spend consolidation that could accelerate delivery of savings targets and enable longer-term value. Following a successful POC, similar approaches were adopted in other categories.



Key metrics and results

- ▶ 350+ users across the client's procurement team
- ▶ 150+ on-demand custom MI reports delivered
- ▶ \$4million+ savings opportunities highlighted via category interventions



Categories Covered

- ▶ Packaging
- ▶ R&D
- ▶ Clinical services
- ▶ Chemicals (APIs, solvents and intermediaries)
- ▶ Medical devices and diagnostics
- ▶ Lab consumables and supplies
- ▶ Drug manufacturing
- ▶ Facilities management
- ▶ Logistics
- ▶ MRO
- ▶ Professional services
- ▶ IT & Telecom



For leading businesses around the world, The Smart Cube is a trusted partner for high performing intelligence that answers critical business questions. And we work with our clients to figure out how to implement the answers, faster.

Through custom research, advanced analytics and best of breed technology, we transform data into insights – enabling smart decision-making to improve business performance at the top and bottom line. We call it: Intelligence. Accelerated.

Our clients include a third of the companies in the FTSE and Fortune 100, primarily in the CPG, Life Sciences, Energy, Chemicals, Industrials, Financial Services, Professional Services and Retail sectors.

We serve our global client base from our offices in the UK, the USA, Switzerland, Romania and India.

For more information, visit thesmartcube.com