

Category and Commodity Knowledge

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What matters most to be successful in Procurement?

☐ Category and commodity knowledge

☐ Procurement skills and techniques

Submit

Thesis

Procurement skills are the key to deliver benefits, but only connected with category and commodity knowledge will be a powerful weapon to deliver value

I. Category knowledge

Voice of customer



High number of suppliers makes it difficult to supervise them



Difficulties in prompt reaction on our needs from suppliers



Missing reporting and documentation regarding waste types evidence



Issues with transport capacity and readiness at suppliers' side

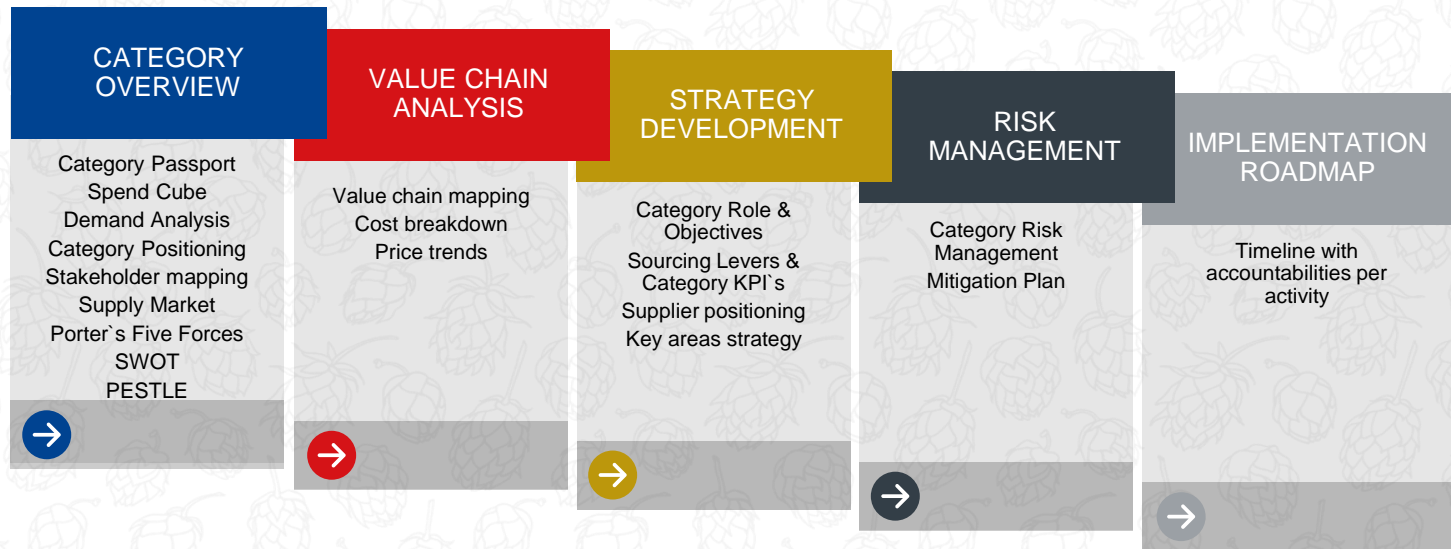


No information what we pay for



Very difficult to change supplier due to dependency on their knowledge

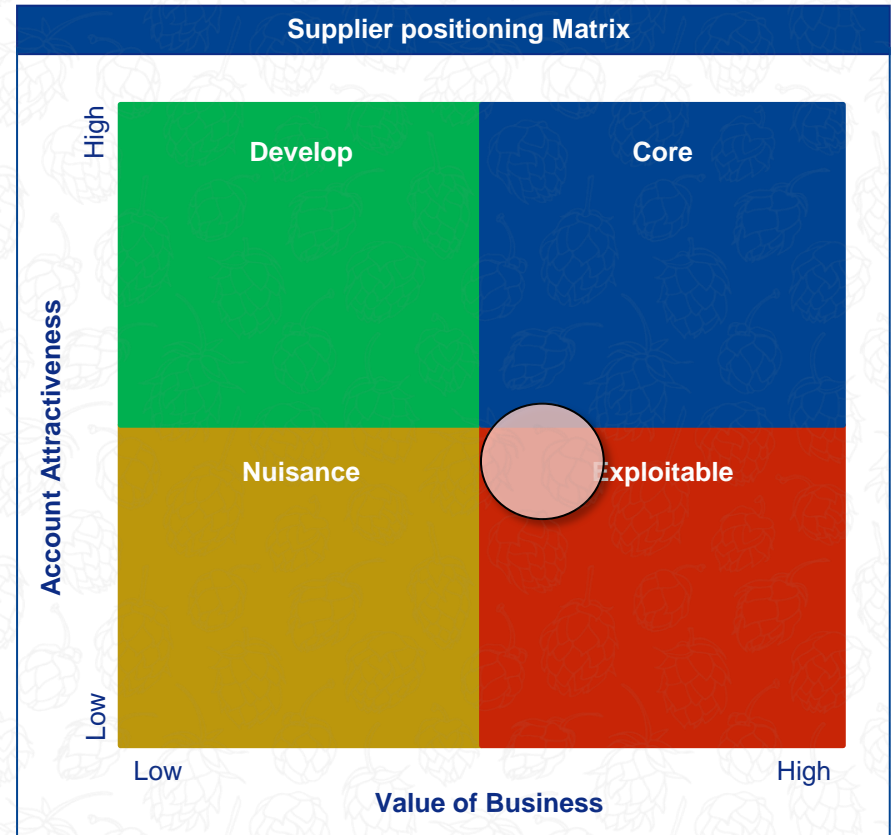
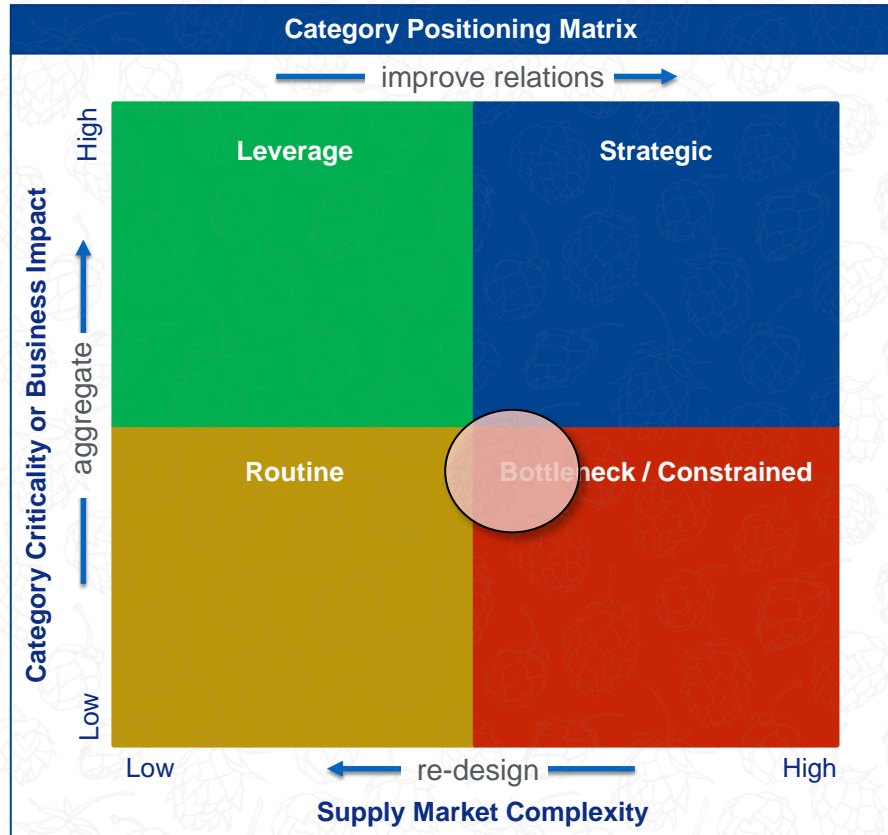
Category strategy



SWOT

Strengths	Weaknesses
	<div>Threats</div> <ul style="list-style-type: none">▪ Chinese waste import restrictions for 24 waste materials (e.g. plastic, foil, paper) since 2018 followed by other Asian countries (e.g. Philippines, Malaysia)▪ Limited availability of suppliers, which are able to cover a wider waste types▪ Problems with labour▪ Increasing cost of transport▪ Additional regulatory changes with new environmental fees (e.g. in Czech Republic)▪ Lack of waste incineration plant and limited capacity of landfills▪ New fire protection and prevention requirements for landfills limiting waste processing capacity
Opportunities	

Supplier relationship tool



Conclusion: not a perfect match for buyer

**Review
specification
and
processes**

**Challenge
demand**

**Monitor
market and
prices and
seek for
alternative
suppliers**

**Reduce
internal
constraints
hindering
supplier
change**

**Perform
should cost
analysis**

Category knowledge output

Standardization of ways of working across countries and spend bundling...

II. Commodity knowledge

Starting point



Process owned by the business

Limited Procurement involvement

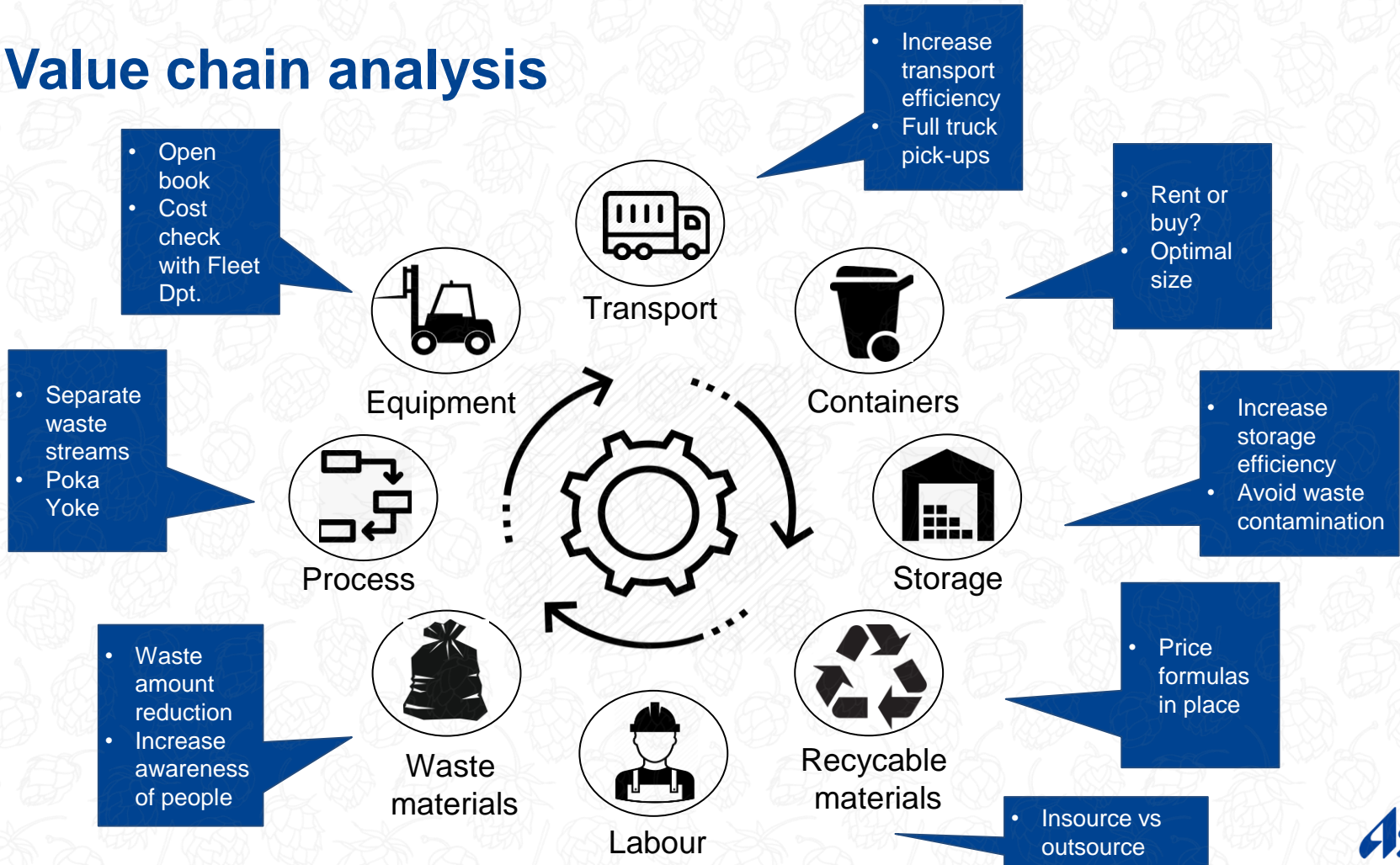
Difficult to negotiate

„Inherited” suppliers

All-inclusive price

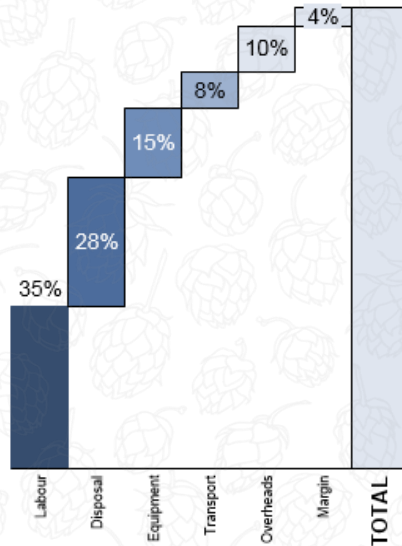
Questionable transparency of processes

Value chain analysis

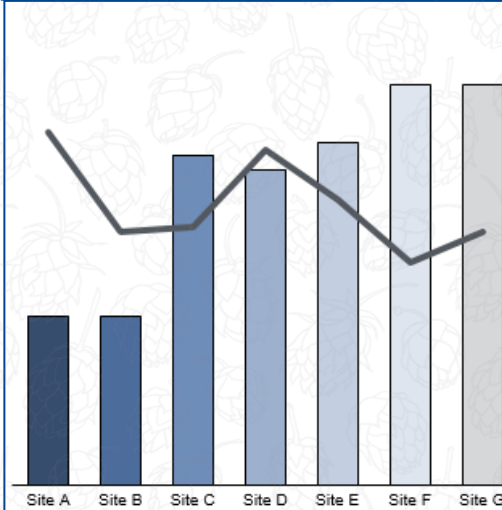


Commodity knowledge

Cost breakdown



Service cost vs FM cost



Price formulas

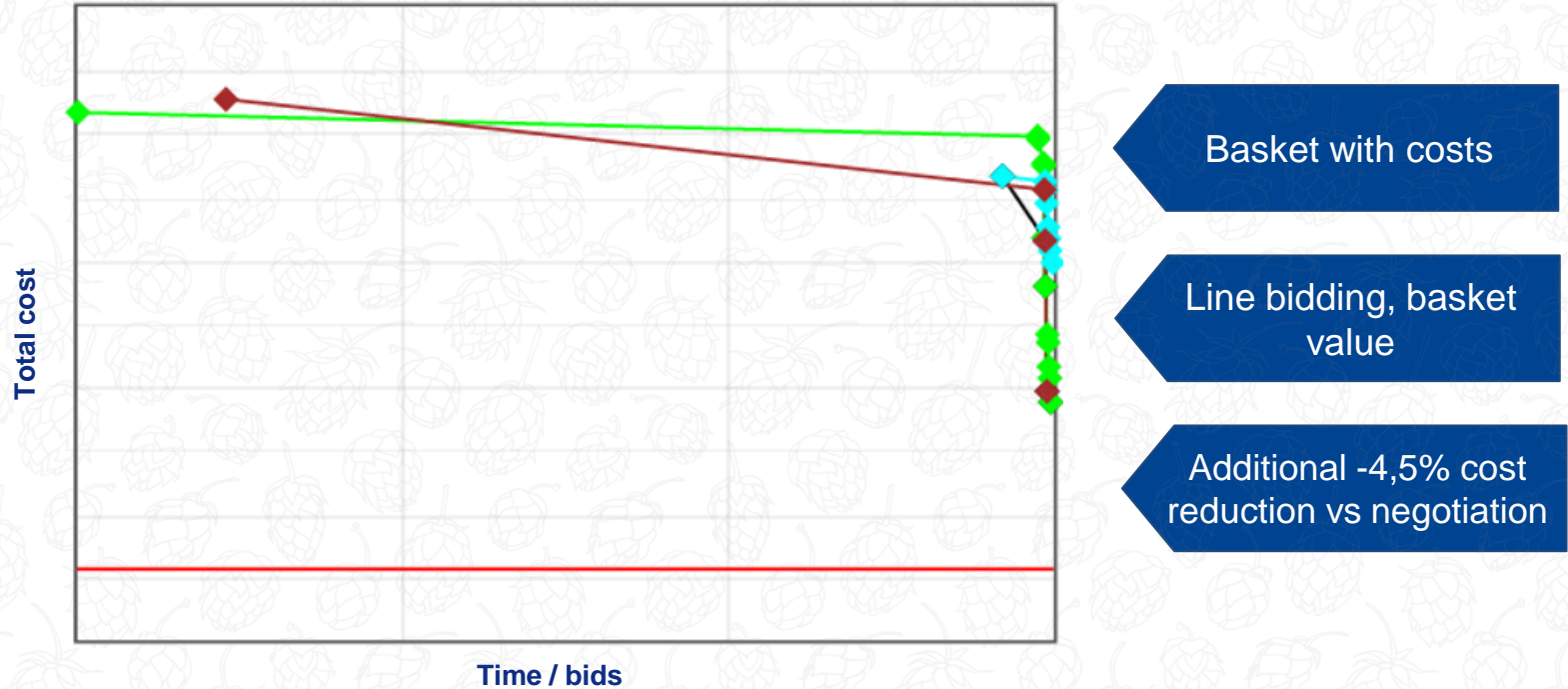
- BDSV sorte 1 for steel (Bundesvereinigung Deutscher Stahlrecycling)
- LME (London Metal Exchange) Aluminium Alloy average
- ICIS LOR /icis domestic Prices FD Europe LDPE
- PIX Paper / (EUWID Europäischer Wirtschaftsdienst GmbH) for paper
- Platt's for PET, EUWID for paper)

Commodity knowledge output

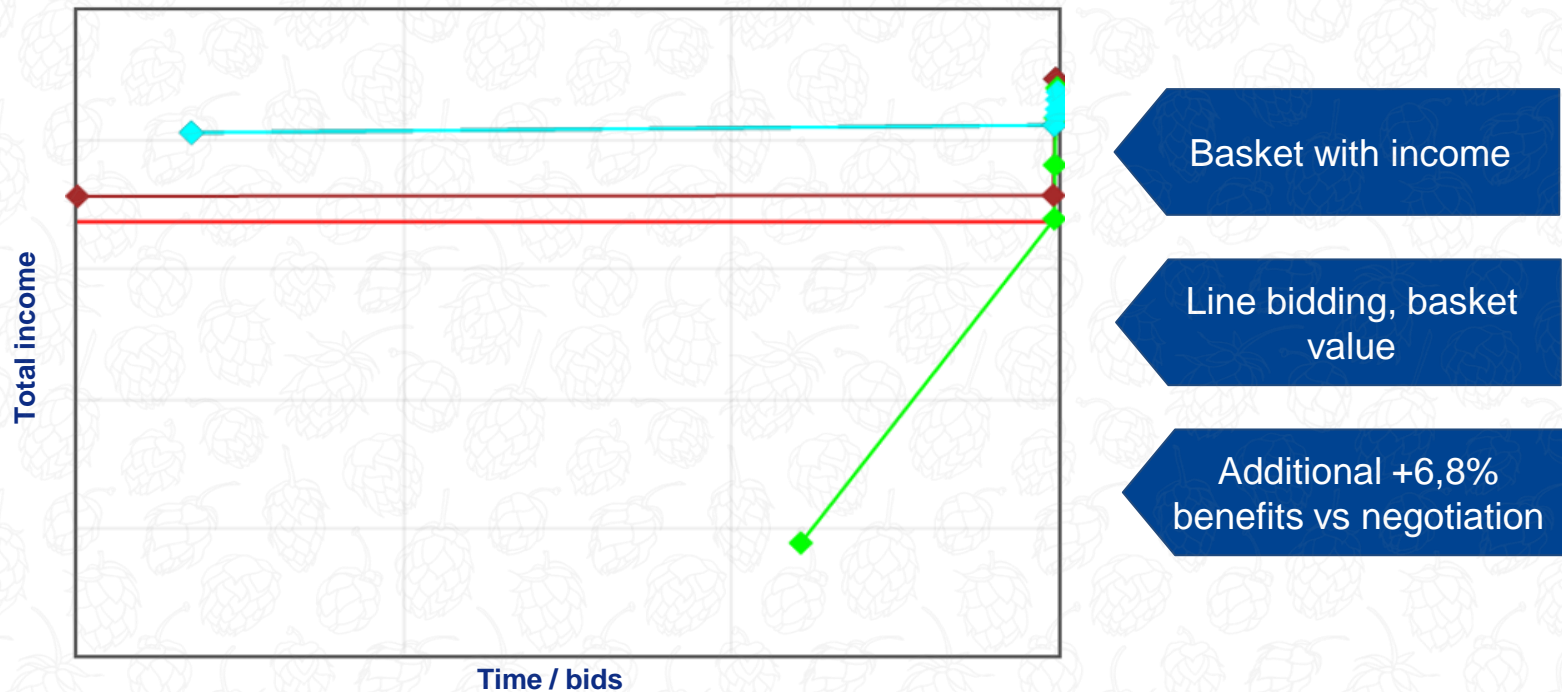
...through demand management and open book pricing

III. Procurement skills

E-Auctions: reverse



E-Auctions: forward



Procurement skills output

...in order to identify bottom price and establish long term partnership with strategic suppliers

Highlights

Category knowledge

Enables to grasp quick wins and is successful when market is favorable for buyer, but will not prevent from price increase if market is going up or suppliers decide to exploit customers

Commodity knowledge

Helps to connect the internal world (business) with an external world (suppliers, innovations) and mitigate cost increase requests

Procurement skills

Set of tools making it possible to put together category and commodity knowledge and move into delivering value function ensuring sustainable benefits

Thank you!