

**PROCUREMENT CATEGORY MANAGEMENT AMONG FAST
MOVING CONSUMER GOODS COMPANIES IN KENYA**

BY

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the Requirement for the Award of the Degree of Master of Business
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DECLARATION

This research project is my original work and has not been submitted for award of degree in any other university

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This research project has been submitted for examination with my approval as university supervisor.

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DEDICATION

To my farther who warned me to beware of the bad in the best of us.

To my mother who taught me to look for the good in the worst of us.

To my wife (Betty) who understand that success is not a coincidence but a hard choice.

To my boys(JK & KK) and girl(Lyncy) from whom I look and a man's smile glow.

ABSTRACT

This study sought to establish the benefits associated with implementation a category management strategy among FMCGs multinationals in Kenya. The environment in which organizations conducts business is turbulent and gets more competitive by the day. This leads to shrinking profitability, procurement category management comes up with innovative activities to create more value and reduce cost to the business. This improves organization profitability in a sustainable manner.

In this study, FMCGs mmultinationals were considered since they have local manufacturing operations in Kenya therefore their annual spend on Capital and Operating expenditure is high. Category management concept is particularly beneficial to high spend organisations. This study thus sought to determine the extent of procurement category management adoption and challenges associated with the successful implementation of category management strategy among FMCGs multinationals in Kenya.

Primary data for the study was collected from five selected multinationals in Kenya including East African Breweries, Unilever Kenya, Nestle Foods, GlaxoSmithKline and British American Tobacco Kenya Limited. Data collection was through a self-administered questionnaire and analysis conducted through descriptive means as well as content analysis.

The study showed that all the organizations under study had adopted procurement category management over the past three to five years. The study found out that the major benefit associated with category management is sustainable cost savings to the organization while category management has little effect in the use of technology and management information as well as improving the optimal procurement operating model. The greatest challenge in the implementation of category management strategy is lack of qualified personnel and the high cost of implementation.

The study recommends adoption of category management among companies, government and government agencies who have not implemented procurement category management. The study also suggests investment in the right human resource, development of the correct change management process and appropriate communication mechanism as the levers to successful implementation of category management.

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LIST OF ABBREVIATIONS AND ACRONYMS

FMCGs – Fast Moving Consumer Goods.

MRP – Materials Requirement Planning.

EBIT – Earning Before Interest & Tax.

ISO – International Organization of Standardization.

EBITNA - Earnings Before Interest, Taxation, Depreciation and Amortization.

ERP – Enterprise Resource Planning.

POM – Procurement Operating Model.

SRM – Supplier Relationship Management.

VE – Value Engineering.

BAT – British American Tobacco.

EABL – East Africa Breweries.

GSK - GlaxoSmithKline

CHAPTER ONE: INTRODUCTION

1.0 Background of the Study

Interest in Procurement as a separate, important, and profit-contributing function of management has been increasing from the 1950s to date. A review into the development and attention to the procurement function reveals impressive progress which has been made in the last few years (Hal Sirkin, 2011). The recent advances in knowledge concerning the proper role of procurement within the modern organization overshadow completely the early work and study devoted to this function. Knowledge of what has happened in the past often will give one a keen insight into the problems of today and a better picture of what may occur in the future. A true comprehension of where we are today requires an understanding of where we have been and how, and in what areas, progress has been made. Such a review will show that the Procurement function was established as an important area of activity, and was being written about, much earlier than is commonly known (Sneider & Julie, 2010).

Ed Eisermann (2012), traces the later part of the historical development of Procurement from 1970 to date with milestones highlighted as follows:-

The 70's - Central control of procurement for all corporation manufacturing locations. Orders made from forecasts, reduced inventory turns of three to four per year. Multiple suppliers for commodity type and annual competitive bidding for lowest price attraction. The 80's – Decentralized procurement control (forecasting and order generation tied to MRP) by manufacturing location, joint location negotiation of price driven by performance. Pull system of inventory management developed resulting into smaller order quantity and higher annual inventory turn. The 90's –Just in Time

strategy requiring inventory arrival when required for the production process (Autier et al., 1992).

The 2000 Decade – Vendor Managed Inventory, consignment stocking, electronic Materials Requirement Planning and fill bin process (Guinparo L.G, 2009). The emergence of increased offshore sourcing, supplier relationship management and strategic commodity management. Cross-functional collaboration of Procurement to the entire company (Wassenhove, 2006). The 2010 to date focus on green procurement, strategic sourcing management, category management, account management, supplier relationship management and compliance management are the major drivers of procurement at this phase of its development (Allen, 2012).

In organizations, operations are required to increasingly focus on improving bottom-line to ensure funding for future expansion, increase organization efficiency and profitability. Strategic procurement in the form of category management therefore comes into center play by enabling Procurement transition from an ‘ad-hoc’ support function to a long-term strategic one. To maximize this shift, it is essential that the approach is adequately supported by analytics and a facilitating environment within the organization (Erick, 2012). The successful implementation of category management in procurement can help organizations improve their EBIT margins significantly through savings of three to ten percent which directly translates to the bottom line (Delta Partners’, 2010).

1.1.1 Procurement Category Management

Category Management is a concept in which the range of products purchased by a business organization is broken down into discrete groups of similar or related

products, these groups are known as product categories. It is an approach to managing product categories as a strategic business units (Harris, 2008). In application to procurement and supply management (P&SM), category management refers to organizing the resources of the procurement team to focus on the organization's supply market as opposed to internal structure of the organization. The supply market approach helps in leveraging and optimizing purchasing decisions. Category management can be viewed as a holistic approach to procurement where emphasis is on driving savings from 360 degree instead of on per event basis (Weston, 2009). An example of a category is travel or IT(Information technology) services and equipment, each can be managed as one unit independent of the department requesting for the services. When a travel plan for the whole organization is put in place then category management experts gets insight into the trends, get a single supplier for all the tickets or partnering with an airline for a full annual travel solution. In the case of IT services and equipment, a category management strategy helps in getting the full view of the organizations requirements, looks at the direction technology is taking in the years to come and seeks best partnership as opposed to short term functional solutions. The category management solution may include provision of compatible equipment where a company do not own the assets but gets a service from an IT service provider.

1.1.2 Fast Moving Consumer Goods Multinationals In Kenya

Fast Moving Consumer Goods (FMCGs) multinationals are limited liability companies. Most of these companies have their head offices in the west (Europe, South America and North America). Some of these companies like East African Breweries Limited and British American Tobacco Kenya Limited are public companies listed at the Nairobi stock exchange while others are not listed like Nestle

Foods and GlaxoSmithKline. Most of these companies are in the food, beverage and tobacco industries among others. The FMCGs multinationals listed at the Nairobi stock exchange have shareholding structures between their global operations with controlling shares and minority shareholding owned by the local (Kenyan) shareholders (www.eabl.com).

The organization structures for the FMCGs multinationals is relatively standard. This is through a Global Office being the top organ and Regional offices of approximately four to five across the globe. Kenyan operations mostly fall in the Middle East & Africa patch, while for some there is the addition of Eastern Europe to the patch. These regional structures are based on the geographical spread, culture and time zoning. The Kenyan offices in most cases serves as the Area Hubs for East, Central & West Africa Area. This is mainly due to the geographical location, stability and the human resource capacity (www.eabl.com, www.nestle.com, www.unilever.com & www.gsk.com)

These multinationals have shown general strength in improved profitability over the last five years; this has mainly been driven by closing down of most of the small factories in the East & Central Africa region and consolidation of the volume into one production hub. Most of these Kenyan operating companies are net exporter of their products out of the Kenya factory serving the better part of Africa.

The global offices for these multinationals develops a long and medium term strategy which is then modified and domesticated at the end markets taking into consideration the different market specific environmental conditions. The organization strategy is also used to shape the departmental strategy. Procurement for instance develops its strategy from the overall business strategic plan. The operating model of these companies are mainly informed by their designed global standard operating structure.

These companies like BAT – Kenya Limited and East African Breweries Limited have an above market category management structure or a lead market approach to category management structure to support their business agenda (www.bat.com & www.eabl.com).

1.2 Statement of the problem

Coming up with a procurement category management has several challenges which includes restructuring of the procurement function, change management, training or hiring staff who have the right competence for the roles and laying off staff who fail to adapt to the reviewed approach and structure. There is substantial cost to this effort and the category management strategy must pay off this investment. The category management strategy comes up with innovative activities to create more value and reduce cost to the business (Walker & Brammer, 2009). Organizations however need to review their performance against plan and more important evaluate the return on investment (ROI) to validate category management viability (Faan, 2012).

Procurement Category management is a relatively new concept in Kenya. It has been deployed by a few multinational organizations. Large multi-site or multi-functional organisations use category management to ensure commonly used goods and services are not separately purchased by the various functional teams but are sourced through a single process able to leverage on it's total spend/requirement in the market for the relevant category. The resultant benefits are, better value for money through aggregation of demand, standardizing of specification, enhanced supplier relationship, proper & cost effective procurement skill utilization in market watching and analysis (Green, 2011).

Over the last five years, procurement is starting to be seen and felt in organizations as a substantial value adding department with immense contribution to the profitability of an organization (Steidler, 2007). This is largely evident through cost reduction initiatives, supplier management processes, outsourcing and overall business value creation. With this kind of impact, procurement is being elevated to its rightful place in organizations where head of procurements/ procurement directors have direct reporting lines to chief executive officers (Pfeffer, 2010).

Many procurement organizations are at crossroads. Either to continue doing the transactional sourcing, offer strategic sourcing solution to the business or broaden their approach to include strategic category management. Procurement category management allows procurement to fully integrate with the organization. According to the Hackett Group, Inc; 2010 study on procurement value, performance and capability, the largest obstacle to value evolution is procurement's limited circle of influence which is broken by adapting category management approach. KPMG's 2011 European Business Leader Survey demonstrated that realizing cost efficiencies is the top priority for business leaders across all industry sectors. Businesses have been stripping out costs through headcount reductions as well as sustainable cost savings achievable through procurement. Research by KPMG's 2011 procurement survey indicates a direct link between cost savings and maturity in category management, strategic sourcing and supplier relationship management.

Most organizations are now passionate about procurement's ability to unlock productivity avenues. There is however limited knowledge and expertise in this field. A few companies who do understand the real potential take calculated risk by adopting ambitious strategies to maximize the anticipated benefit. One of the

strategies is investing in procurement category management. An evaluation of the benefits of adopting the procurement category management, whether organizations are getting benefits commensurate to the risk and the level of adoption has seldom been conducted. A limited number of studies have been conducted on the benefits and challenges of value creating procurement (Lorenzo Formiconi et al, 2011; Derick, 2011). Category management survey by the Haket Group (2011) focused in Europe and Transforming procurement and releasing efficiencies through category management at Leicestershire county council (Holbourn, 2010) and a study of the category management benefits at GlaxoSmithKline (Thorpe, 2009). These studies have been conducted majorly in Europe. No known study has focused on procurement category management in Kenya. This study seeks to address the research questions: to what extent has category management been adopted by FMCGs multinationals operating in Kenya? what are the benefits of adopting a procurement category management strategy by FMCGs multinationals operating in Kenya? and what are the challenges in the implementation of category management strategy by FMCGs multinationals operating in Kenya?

1.3 Objectives of the Study

1. To determine the extent of procurement category management adoption among FMCGs multinationals in Kenya.
2. To establish the benefits associated with implementation a category management strategy among FMCGs multinationals in Kenya.
3. To identify challenges associated with the successful implementation of category management strategy among FMCGs multinationals in Kenya.

1.4 Value of the Study

The findings of this study will be useful to different groups of people as explained below:-

1.4.1 To the private Sector in Kenya and other parts of the world who have implemented category management strategy but have not conducted Post Implementation Review, those planning to implement and those who would like to get insight on how category management process works.

1.4.2 To the public sector (Parastatals and Government) in Kenya, Category management can have a huge positive impact. A local study will thus help unravel any challenges or missed opportunities that should be tapped for the public sector.

1.4.3 To the academia, this particular study will build into the body of knowledge. This is by putting together literature on Category Management from different sources in one document.

CHAPTER TWO: LITERATURE REVIEW

2.0 Overview

Category management in procurement is a relatively new concept which is gaining momentum in application. In order to ensure there is successful development and implementation of Category management strategy, while exploiting the procurement untapped potential and realizing maximum anticipated benefits. The correct processes, organization structure, right methodology, governance and supporting structures must be embedded in the Procurement process to support the strategy. Category management is more developed in Europe and America more so in the private sector. The trend is however gaining ground in the public sector. Multinationals in Kenya are borrowing the same from their head offices as a result of their global strategies.

2.1 Category Management Concept in Procurement

Category management is a strategic process-based approach that "focuses on the vast majority of an organization's spend on goods and services with third-party suppliers" (O'Brien, 2009). It is the practice of segmenting the main areas of spend into discrete groups of products and services according to their function and the supply market structure.

There has been a strategic business evolution from purchasing to sourcing to strategic category management in the last ten to fifteen years. The current focus is on understanding categories profile and organizing the Category Management process as an end-to-end function and modeling it in a way that enable it to deliver optimized return on procurement investment (Pandit, 2010). As many organizations move into a category management model for their procurement function they require to employ

category expertise for a given subject matter within their structure and invest in managing top spend portfolios at a strategic level (Sollish, 2011).

Category management is broader than strategic sourcing

The strategic sourcing process is periodic, process based and business driven. This seeks to reduce procurement costs by aggregating demand and rationalizing the supply base in selected commodities. The step by step process involves category profiling, sourcing strategy development, supplier/s identification, Supplier evaluation, negotiation and contract award, transition and contract implementation and lastly suppliers' performance monitoring (Pandit, 2010).

A study by the Hackett Group, Inc; 2012 show that the price-centric methodology is effective for achieving initial savings if well implemented. This requires cross functional process management and creation of robust contracts. Category management, on the other hand, evaluates not only the full cycle of a contract or supplier life cycle, but also looks holistically at the life cycle of the value chains which consume the goods and services in the spend categories. The differences between strategic sourcing and category management is summarized below:-

Table 2.1: Strategic sourcing and category management differentials

	Strategic Sourcing	Category Management
Goal	Reduce costs for a given commodity, through selecting lower-cost suppliers by demand aggregation, competitive bidding and negotiation.	Maximize realized category value to the organization, including total cost of ownership (TCO), risk, operational performance and innovation.
Frequency	Periodic and project-based. Triggered in the course of the demand fulfillment process.	Ongoing, day-to-day process. Triggers project-based activities and other operational improvements as needed.
Approach	Conducted through a defined process sourcing methodology resulting to a new supplier contract.	Develops a category strategy applying appropriate value levers and techniques to meet value objectives (e.g. strategic sourcing, SRM, VE, process reengineering, demand and compliance management).
Results	Reduced contract pricing translating to actual realized savings hitting the bottom line.	Category value is targeted, including validated savings and broader value measurement.

Source: The Hackett Group (2011).

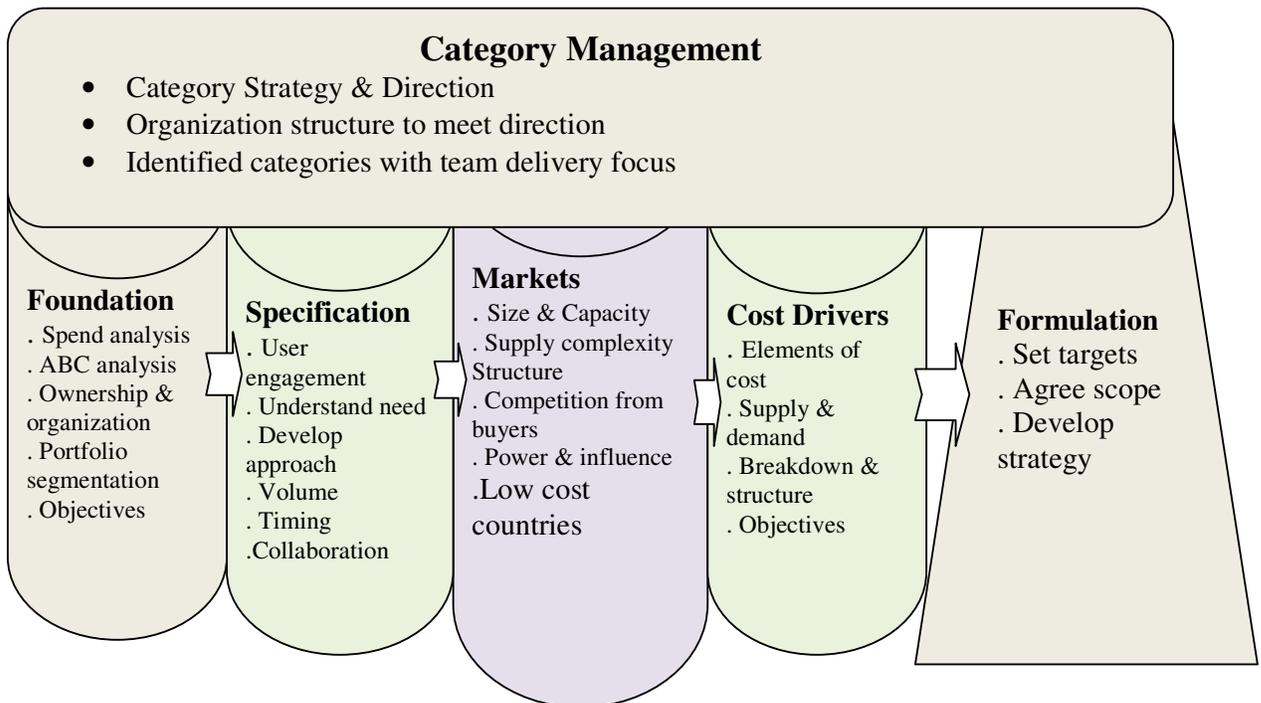
Category management organizes processes and resources around supply markets, sources the market categories and continually analyses them on an ongoing basis. It builds a clear understanding of the organization’s key value objectives for the category based on business objectives and then developing a set of executable strategies (Pandit, 2010).

2.2 Procurement Category Management Formulation

Staying aligned to business demand and crafting flexible supply solutions that deliver value, procurement is be viewed as an enabler rather than just a negotiator, and as a gate-opener to the supply markets rather than a gatekeeper (O’Brain, 2009).

In order to develop a category management structure and the supporting system the process below can be adopted.

Figure 2.1: Procurement Category Management Formulation



Source: Redcap associates (2010).

The success of category management is based on its five building blocks. This is through conducting a business spend analysis and coming up with spend categories. The procurement organization then seeks to understand the categories by engaging the spending functions. Once the segments are clear, market analysis kicks off by use of models like porters five forces. A fit for purpose category strategy is then developed considering cost drivers for a particular category. The success of a category

management strategy requires a range of learning, development and coaching interventions, toolkit application relevant to different categories/suppliers and working with the procurement leadership team/key stakeholders, encouraging them to apply governance and programme management in a motivating manner (Brown, 2011).

2.3 Category Management Process/Model

Category management process involves segmenting the main areas of organizational spend into groups of products and services according to their function. The categories are then managed from a procurement perspective since they require the same supplier market intelligence, same sourcing strategies and similar supplier relationship management programs. Like any successful change, the benefits need to be sold to the rest of the organization. Category segmentation requires organisations to work cross-functionally on individual categories and examine the entire category spend, the market places and individual suppliers (O'Brien, 2009). Category management has been mostly successful in large product categories. Smaller traders usually do not have the structure and resources to implement it (Varley, 2006).

Typical Category Management Process

Below is a suggested Category Management model approach, which is delivered through a framework of seven structured process steps, cross functional collaboration and by considering both demand and supply environment.

Figure 2.2: Typical Category Management Process



Source: Epago Group partners (2011).

2.4 Category Management Methodology

Category management is not so much a perfectly serialized step by step methodology, but rather a five-part framework that uncovers spend segments/categories, determines category strategy, sets up the governance of the category, executes and monitors performance against strategy as well as supporting of projects and processes (Sollish, 2011).

Observations that support the methodology around category management. These includes:-

Evaluation of the broader value objectives, required levers and support techniques/tools that will drive value for the categories individually, as well as across categories (Brown, 2011).

Segmentation and demand type structure; outsourcing service-provider market may be fragmented into various spend categories for IT, HR and Finance among others. A more encompassing category structure and strategy might however create a mega-category around outsourcing that aggregates these different categories. Category strategy execution consists of a set of sourcing, supplier management, supplier collaboration, supply chain redesign and other processes. The difference is on the front end, in terms of the life cycle of this activity, which is tied to the needs of the

primary stakeholders who consume the products and services in those categories (Weston, 2009).

Category performance management; this ties into the demand/planning activity, performance management of the category and stakeholder mapping. Procurement integrates its services with those of other functions, such as risk management and competitive intelligence. Category management aggregation of commodities into even higher-level categories can unlock additional value; this can help to optimally allocate the expanded market basket to the best combination of suppliers (Sollish, 2011).

2.5 Structures supporting Category Management Implementation & Success.

Category management requires a strong customer management competency and is more of a solutions-assembler rather than process execution. The capabilities and skill sets of the category management function therefore become more expansive inclusive of customer management role. The category management process addresses relationship management, communications, program management, change management including consensus building and cross-functional teaming as well as leadership. Success also requires strong change management skills, support from senior management, so that procurement can obtain “credit” for its facilitative approach to steward a broader best-practices based approach even though many non-procurement resources are used to drive some of the value (O'Brien, 2009).

Category management is a client-friendly framework; it brings out the organization’s key value objectives and develops a set of executable strategies that meet those objectives. Some of the business objectives supported by category management includes:-

Table 2.2: Category Value Objectives Link to Stakeholder Objectives

Reduce Total Cost of Ownership		Increase Revenue	Support Other Goals
Reduce purchased costs	Improve cost of quality	Improve marketing effectiveness	Improve flexibility/responsiveness/delivery
Reduce internal process costs	Improve delivery performance	Enter new markets	Variabilize asset structure
Reduce cost of risk	Reduce working capital	Accelerate new product development	Support sustainability goals
Reduce fixed costs	Reshape consumption	Enable new business capabilities	Strengthen the brand

Source: PMMS Consulting Group (2011)

Broad category management objective otherwise narrow objective excludes too many potential cost savings/avoidance opportunities. Pulling together a variety of value levers that are needed to extract opportunities from the supply markets and inbound supply chains. For commodities in a category, transformation might start with strategic sourcing to rationalize the supply base. Some strategic commodities might move toward a strategic supplier relationship management and “design for supply” path, while other, less-strategic ones might adopt an outsourcing and integrated supply approach (Sollish, 2011).

If procurement is to be viewed as a service provider, category management becomes the primary service line. A successful procurement organization has four focus areas of Account Management, Sourcing, Supplier Management and Category

Management. Without the three other focus areas, category management success will remain a pipe dream (Farrington, 2009)

Account Management in supporting category management

Progressive procurement organizations organize themselves around an account-management structure on the demand side, usually staffed by people who come from that part of the business, and then assembling ‘solutions’ drawn from the horizontal service lines. In some cases, category managers or their staffs personally lead the service delivery. Increasingly, procurement organizations are establishing formal, internal Centers of Excellence (COEs) that build competencies around the various methodologies, techniques and tools that support the services delivered to clients, more and more via a category management approach (Kippenberger, 2009)

In general, though, the customer management role tends to align to the hierarchical organizational structure of the business units, while the category management organization tends to report to global procurement, cascading down to the regional level and at times to the business unit level for truly specialized commodities. The prime factor is not the organizational chart but clarity between customer management and category management roles and appropriate staffing (Walker & Brammer, 2010).

Strategic Sourcing Management in supporting category management

The overall goal of strategic sourcing is to achieve large and sustainable cost reductions, long-term supply stability and minimization of supply risk. The strategies to achieve such goals can be as wide as rationalizing supplier base, leveraging spending across departments, business units and geographical regions, reconfiguring supply specifications, and developing strategic partnerships/alliances with selected

suppliers. The strategic sourcing planning is often not performed properly despite the fact that supply-base management processes contribute extensively to business-unit and company-wide goals. This results in “disconnected” sourcing from company goals. There is need for formalized/standardized processes to develop and apply sourcing strategies, this results in optimal use of company’s resources (Weston, 2009)

The category management solution is achieved by developing a superior knowledge framework to drive capability and accelerate user buy in. This is achieved through a combination of best practice strategic procurement considering stakeholder relationship management, cross functional working, and organizational change management. It enables understanding of user wants and needs and aligning these with business strategy, management of categories on a business wide perspective, deep understanding of suppliers and supply markets, developing and delivering incisive category management plans and effective cross-functional and collaborative team working (Brown, 2011).

2.6 Benefits of Category Management

Proper execution of Category Management results into value improvement in terms of reduced price, cost and risk, increased innovation, brand/product value, greater effectiveness and a stronger competitive position. It contributes to EBITDA (earnings before interest, taxation, depreciation and amortization) and can make a solid contribution to share-holder equity.

Erick Haag (2012), states that Category Management has the ability to gain greater stakeholder support and influence via the in-depth understanding of the make/buy/sell

decision process. This enables the category management process to further influence internal demand as opposed to concentrating on price, compliance and risk as is the case with traditional sourcing practice.

Some of the key benefits of category management include:-

Linkage of customer requirements with supply market capabilities. Once you know what core supplier capabilities deliver and customer requirements, one can identify and work with those suppliers that are "best of breed" in that capability. A deeper understanding of the commercial and operational risks associated with a particular supplier can also be gained by benchmarking against other similar suppliers (Carter, 2012).

Enabling and shaping the business requirements definition or specification to be developed so that it delivers best value. Defining business requirements is a team game considering user requirements and commercial expectations. A balance between the two is what delivers best value (Carter, 2012). Ensuring the right skills and experience are applied to the right activity within the category management process. Category management creates the critical mass needed to have experts for each of the activities in this process rather than generalists having to do a wide range of differing activities (Carter, 2012).

Ensuring that all relevant spend is included in the category so that your leverage is maximized. Without category management there is a danger that the purchase of individual items are spread across an organization in quantities that are too small to get volume related benefits (Allen, 2012).

Providing insight to anticipate and plan for changes in technology; An understanding of changes in customer requirements might also change suppliers plan. Identifying supplier innovations early enough helps in shaping the offering made to the relevant stakeholders. Risk reduction; creating categories and putting them under the proper management of experts, enables one spot any trends or developments that might create a commercial risk and formulate a mitigating plan (Allen, 2012).

Developing the right supply capability for today and the future. An understanding of changing capabilities over the next few years and suppliers plan, can influence both positively the organization expectation in line with changing supplier capabilities. Category management helps in building good communications across the entire value chain. Value chains are made up of people and communicating the right message to the right people promotes the right results (Allen, 2012).

Building trust and co-working across all of the value chain. Trust comes from delivering your promises. Category understanding provides the ability to set goals for everyone in the value chain that meet their needs and the delivery is within guaranteed capability. It unlocks supply option that can be put under consideration other than the obvious traditional one. The category management process ensures all options are explored and considered before a conclusion is drawn (Dunne et al. 2010).

Category management can leverage expertise and insight into a whole category as a means of driving value from a particular deal providing better, sustainable savings to the business (Chun and Cadeaux 2010). Procure to Pay (P2P) processes are often defined by category and similar ways of working can be replicated across a range of

suppliers. This process defines the cash to cash cycle which directly influence the working capital factor procurement plays in an organization (Chun and Cadeaux 2010)

2.7 Challenges of Category Management

Proper implementation of category management requires in- depth insight into the spend portfolio. This is only possible with an adoption of a robust ERP (Enterprise Resource Planning) system achievable by investment in a modern ICT (Information communication Technology) platform (Falgione, 2009).

Procurement category management is sold to the organization by putting together a proper business case. This is the first and most important aspect of category management. Resistance to change is a normal human nature, until this is overcome; no change process ever takes place. Change agents must be identified and mobilized. Top management support is also important in realizing success in the implementation process. The organization structure of the procurement function must change. To realize smooth transition between the existing structure and the optimal one. The organization must put in place a plan to achieve this. Consultants and change managers can also be employed to see through the transition (Bourne, 2011).

Implementation of category management strategy comes with huge cost of training current staff to plug the skills gap and expertise to deliver value to the business. There is need to also employ new category managers. Since category managers are strategic managers in the organization, they are senior and their pay bill is equally higher. The company therefore increases its wage bill before realizing any benefit (Attwood, 2011)

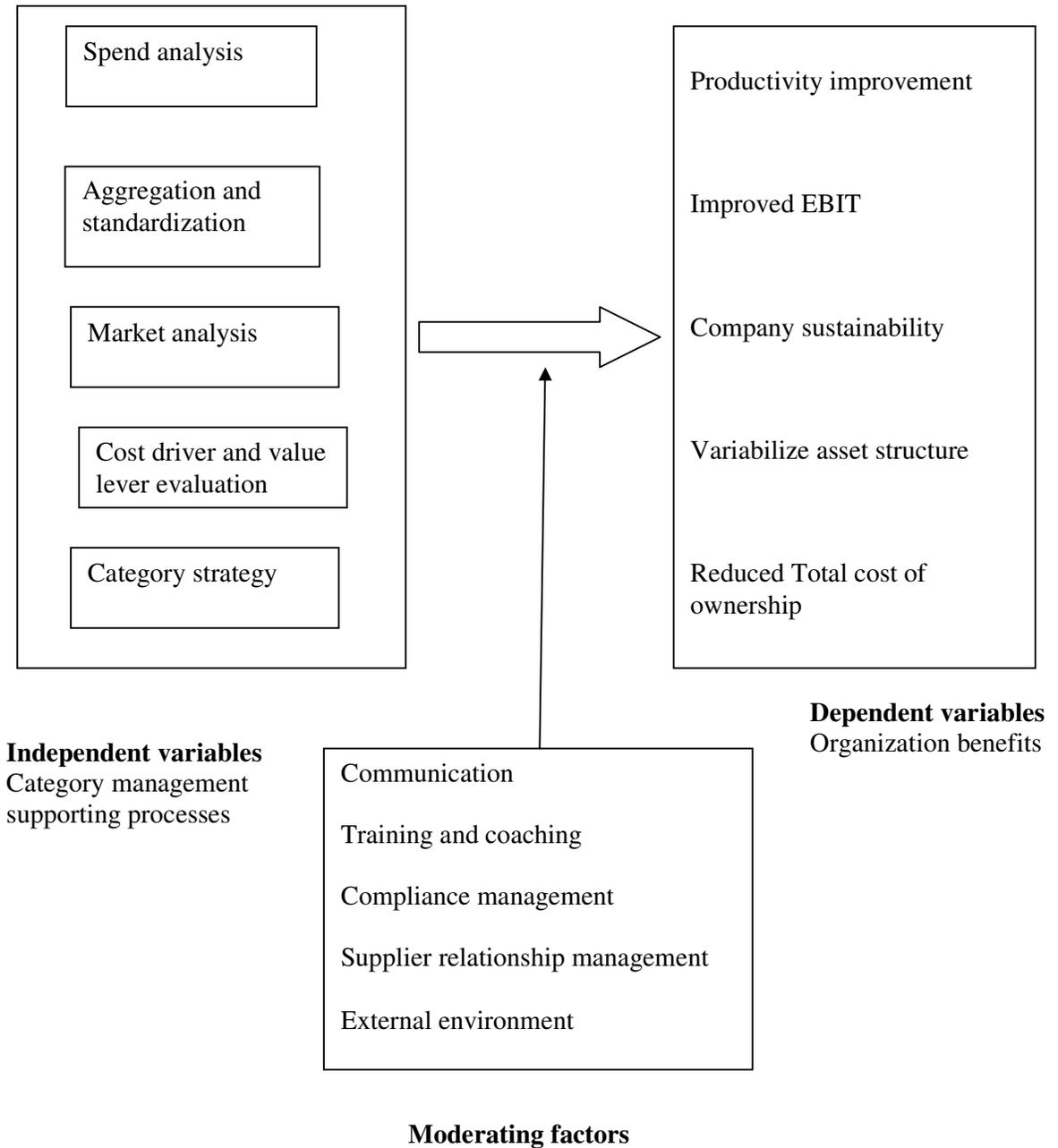
2.8 Category Management Strategies Used in Multinationals

Category Management is an approach to Procurement that is gaining ground in both the public and private sectors. Strategic sourcing which used to be considered as the engine of procurement has now evolved to Category Management and a lot of the top organizations are now deploying organizational structures that support category management approach as opposed to the traditional strategic sourcing structures. Organizations work to identify key spend categories across their organizations and proactively manage them to ensure that supplier arrangements put in place deliver the maximum benefit identified during the contract life (www.abcprocure.com).

Multinationals in Kenya are adopting category management approach through the top down approach where the global offices develop the strategy which is then implemented by the regional, hub offices or end markets. The structure around category management however vary from organization to organization with some of the organizations adopting a lead market approach while others adopting above market approach where category management strategy is conducted at above market level. The category management strategies has led to the development of optimal support system like above market sourcing team, aggregation structures and consortiums as a way of maximizing the category value.

2.9 Conceptual Framework

Figure 2.3: Conceptual Framework



CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents the research design, the population of interest, sample size, data collection method and data analysis. Information gathering was done in a systematic and objective manner to realise the set objectives.

3.2 Research Design

The research was conducted through a survey of Fast Moving Consumer Goods multinationals operating in Kenya. FMCGs multinationals was considered since they have local manufacturing operations in Kenya therefore their annual spend on Capital and Operating expenditure is high. Category management concept is only beneficial to high spend organisations. The concept of category management also has its origin from the western world and these multinationals have their strategies developed from the west and implemented on a global scale inclusive of the Kenya operations. Surveys provide a quick, inexpensive, efficient and accurate means of assessing information about the population (Zickmund, 2003).

3.3 Population

The population of the study was drawn from five major FMCGs multinationals based in Nairobi – Kenya. These multinationals includes, East African Breweries Limited, GlaxoSmithKline, Nestle Foods, Unilever and British American Tobacco Kenya Limited.

3.4 Sample Size

Four respondents were drawn from each of the five major FMCGs multinationals i.e East African Breweries Limited, GlaxoSmithKline, Nestle Foods, Unilever and British American Tobacco Kenya Limited. This gives a sample size of twenty focusing on the staff with required level of understanding to provide accurate and relevant information to this particular research. The sample consisted of procurement management staff.

3.5 Data collection

Data was collected through questionnaires and interview guide administered to management in each of the FMCGs multinationals to evaluate the level of adoption, benefits and challenges of category management. The questionnaires was self-administered and distributed to the respondents by e mail or dropped to each respondent. The researcher followed up with phone calls or personal visits to ensure quick and timely response. Section A of the questionnaire comprised of general questions about the respondents, while section B address the level of adoption of category management in the FMCGs multinationals. Section C evaluated the benefits of category management strategy and the last section focused on identifying the challenges in implementation of category management strategy.

3.6 Data Analysis

Data collected was edited for accuracy, consistency, uniformity and completeness in preparation for analysis. The data was summarised and tabulated using descriptive measures. In accomplishing all the analysis efficiently and effectively Statistical Package for Social Science (SPSS) software was used. This provided a clear

relationship between firms relative to the adoption of category management in value and spread. It was also analysed to determine the commonality in benefits to the different FMCGs multinationals. Content analysis was also be used on challenges in the implementation of category management. This approach allowed meaning to be extracted from information collected and relate them to the core areas in the study and the major challenges experienced by the selected firms in the implementation of category management.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.1 Introduction

This chapter is presented in four parts. The first part presents findings on the sample characteristics, which include the general information which the respondents were asked about professional and organizational experience. The second part presents findings on the category management adoption levels both in value and spread. The third part presents findings on the benefits associated with the adoption of category management strategy among the various organizations under consideration. Lastly, the fourth part presents findings on the challenges associated with the adoption of procurement category management.

4.2 Sample Characteristics

The researcher sought to establish the experience of staff in procurement as a profession and respondents experience in the organizations where they work. This part also provided general information on the response rate based on the sample population. Data in this section was analyzed and results presented using frequency distribution and percentage.

The response rate to the questionnaires was at 85% which was considered satisfactory for analysis. Among the respondents, all the data qualified for analysis. A total of twenty questionnaires were sent out targeting four respondents from each of the five selected organizations. The five firms targeted for the study were East African Breweries Limited, GlaxoSmithKline, Unilever, Nestle Foods and British American Tobacco Kenya Limited.

The response received from each of the organization is summarized below. British American Tobacco Kenya Limited and Nestle Kenya recorded the highest response rate of four while the rest had their response rate at three.

Table 4.1: Response rate

Response	Frequency	Percentage
Responded	17	85%
Non Response	3	15%
Total Number sampled	20	100%

Source: Research data (2012)

The general information about the respondents professional experience and their organization’s experience pointed to Procurement as a relatively infant profession. Out of the total management staff of seventeen surveyed, 17% had more than 10 years’ experience, while those with one to three years professional experience in procurement was at a high of 35%. The results also show the most mature procurement organization being GlaxoSmithKline, followed by BAT Kenya, then Nestle Kenya. East African Breweries has the youngest procurement professionals among the companies surveyed.

4.3 Category Management level of Adoption

Assessment of the adoption of procurement category management was done by presenting questions that helps in identifying the spread and value in the practice. This includes looking at the number of years within which FMCGs have practiced category management in Kenya, category classification by lines and the total spend covered by category management.

4.3.1 Experience in the procurement category management practice

The researcher sought to determine the extent of procurement category management adoption among FMCGs multinationals in Kenya. The study showed that category management has been practiced in the past three to five years, with a 47% view supporting this position. 35% of the respondents felt that the practice has been there for over five years while 17% feel that it is in the two year band.

Table 4.2: Years of Category Management practice by the organizations

Years of category management	Frequency	Percent
1-2 years	3	17.6
3-5 years	8	47.1
Above 5 years	6	35.3
Total	17	100.0

Source: Research data (2012)

Nestle Kenya has practiced category management longest with a 50% of the organization's respondents showing that the organization has practiced category management for more than five years. Unilever, GSK and EABL has practiced category management for a relatively shorter period of time at an average of four years for each of the companies

Table 4.3: Years of category management practice by each organization

NAME OF THE ORGANISATION	Years of category management practice in your organization			Total
	1-2 years	3-5 years	Above 5 years	
BAT KENYA LTD	0	3	1	4
EAST AFRICAN BREWERIES	1	1	1	3
GLAXOSMITHCLINE KENYA LTD	1	1	1	3
NESTLE KENYA	0	2	2	4
UNILEVER KENYA LTD	1	1	1	3
Total	3	8	6	17

Source: Research data (2012)

4.3.2 Extent of procurement category management by value

The researcher sought to determine the extent of procurement category management adoption among FMCGs multinationals in Kenya. The study showed that the organizations surveyed had an annualized spend ranging between Ksh. 0.1 billion and Ksh.30 billion.

Table 4.4: Organization spend influenced by Procurement (Opex& Capex).

Annual spend Ksh. “billion”	Frequency	Percent
.10	1	5.9
1.35	1	5.9
1.50	1	5.9
1.60	1	5.9
2.00	2	11.8
2.20	2	11.8
3.00	1	5.9
4.00	1	5.9
5.00	1	5.9
6.00	1	5.9
7.00	1	5.9
8.40	1	5.9
30.00	1	5.9
Total	15	88.2
Missing	2	11.8
Total	17	100.0

Source: Research data (2012)

82.4% of the respondents indicated that category management covers more than 50% of the procurement influenced spend by value. This shows that most of the procurement influenced spend is category managed.

Table 4.5: Category managed procurement influenced spend by value

Percentage of spend	Frequency	Percent
Below 25%	1	5.9
26-50%	2	11.8
51-75%	7	41.2
Above 75%	7	41.2
Total	17	100.0

Source: Research data (2012)

4.3.3 Spread of procurement category management

The researcher sought to determine the extent of procurement category management adoption among FMCGs multinationals in Kenya. The study showed that the organizations surveyed had category lines ranging between 3 to 25. The general spread for procurement categorization range between 10 to 20 category lines. The highest incidence is for 10 category lines with an incidence rate of 23.5%.

Table 4.6 Organizations category count

Category count	Frequency	Percent
3.00	1	5.9
5.00	1	5.9
6.00	1	5.9
8.00	1	5.9
10.00	4	23.5
13.00	2	11.8
15.00	2	11.8
20.00	2	11.8
25.00	1	5.9
Total	15	88.2
Missing	2	11.8
Total	17	100.0

Source: Research data (2012)

Out of the category lines in organizations, the study showed that 25-50% of these category lines are category managed. It shows that out of the more than 50% of the spend by value which is category managed, this value accounts for between 25-50% of the category lines.

Table 4.7: Percentage of category managed lines

Percentage of category lines	Frequency	Percent
Below 25%	2	11.8
26-50%	6	35.3
51-75%	3	17.6
Above 76%	5	29.4
Total	16	94.1
Missing	1	5.9
Total	17	100.0

Source: Research data (2012)

4.4 Benefits of procurement category management

The researcher sought to establish the benefits associated with implementation of category management strategy among FMCGs multinationals in Kenya. The study indicated that smart cost savings is the most important benefit realized out of procurement category management. The second highest ranked benefit is improved role of procurement by the organization. The benefits which are perceived to have the least influence from category management are maximizing use of technology and management information as well as assessment of the optimal procurement operating model. The six factors under consideration had high scores of above 4.0 on a scale of 1-5. This is an indication that all the factors under consideration were real benefits of category management.

Table 4.8: Benefits of category management - summarized

	a) Improved role of procurement by the organization:	7. b) Smart cost savings:	c) Asses the optimal procurement operating model:	d) Taking a more active role in risk management:	e) Maximize the use of technology and management information:	f) Guaranteed cost savings and smart spend management
Valid	17	17	17	17	17	17
Missing	0	0	0	0	0	0
Mean	4.6471	4.7059	4.2941	4.5882	4.2941	4.5294

Source: Research data (2012)

The table below provides more details on the number of respondents and their detailed response. The response was from a scale of 1 – representing lack of knowledge, 2 – representing strongly disagree to 5 – representing strongly agree. The results show that for all the factors under consideration, all the respondents gave their view indicating a good level of knowledge of the benefits of category management by all the respondents. Four of the benefits, smart cost savings, improved role of procurement, risk mangement and smart spend management did not record any respondent showing disagreement on the benefits. Maximization of use of technology and management recorded an 11.8% of the respondents not concurring that it is a benefit while optimization of the procurement model recorded a 5.9% non-concurrence of the factor being a benefit.

Tables 4.9: Detailed rankings of the benefits of category management

(a): Improved role of procurement by the organization			
		Frequency	Percent
Valid	Agree	6	35.3
	Strongly Agree	11	64.7
	Total	17	100.0
(b): Smart cost savings:			
		Frequency	Percent
Valid	Agree	5	29.4
	Strongly Agree	12	70.6
	Total	17	100.0
(c): Asses the optimal procurement operating model			
		Frequency	Percent
Valid	Disagree	1	5.9
	Agree	10	58.8
	Strongly Agree	6	35.3
	Total	17	100.0
(d): Taking a more active role in risk management:			
		Frequency	Percent
Valid	Agree	7	41.2
	Strongly Agree	10	58.8
	Total	17	100.0
(e): Maximize the use of technology and management information			
		Frequency	Percent
Valid	Disagree	2	11.8
	Agree	8	47.1

	Strongly Agree	7	41.2
	Total	17	100.0
(f): Guaranteed cost savings and smart spend management			
		Frequency	Percent
Valid	Do not know	1	5.9
	Agree	4	23.5
	Strongly Agree	12	70.6
	Total	17	100.0

Source: Research data (2012)

4.4.1 Sustainable cost savings

Procurement is majorly a cost conscious function, driving cost savings and this results in sustainable cost savings being the major benefit of category management. The average annualized savings realized over the past three is at an average of 2-4 %. Considering the procurement influenced spend of Ksh. 0.1 to 30 billion which the procurement function in these organizations control. It shows that out of category management, organizations do realize annual savings of between Ksh. 4 million to Ksh. 1.2 billion annually.

Table 4.10: Percentage cost savings to total sourced spend over the last three years

Annualized cost savings to spend	Frequency	Percent
Below 2%	1	5.9
2-4%	7	41.2
4.1-7	5	29.4
Above 7%	4	23.5
Total	17	100.0

Source: Research data (2012)

Among the organizations surveyed, GSK recorded the highest level of annualized percentage savings, followed by EABL then BAT Kenya. Their level of annualized savings is above 4.1% which is better than the industry average of 3%. Nestle Kenya records the lowest percentage annualized savings.

Table 4.11: Percentage cost savings to total sourced spend over the last three years by organization

Name of Organization	What cost savings has the procurement function realized over the last three years as a percentage of the sourced spend?				Total
	Below 2%	2-4%	4.1-7	Above 7%	
BAT KENYA LTD	1	1	1	1	4
EAST AFRICAN BREWERIES	0	0	2	1	3
GLAXOSMITHCLINE KENYA LTD	0	1	0	2	3
NESTLE KENYA	0	3	1	0	4
UNILEVER KENYA LTD	0	2	1	0	3
Total	1	7	5	4	17

Source: Research data (2012)

4.4.2 Other benefits of procurement category management

The respondents provided additional benefits that they have experienced due to procurement category management which includes Innovation driven agenda on products and services, consolidation of requirements from the business and standardization of the specification across departments and end markets. This in effect allows the organization to benefit from reduced supply base, better partnership with service providers and economies of scale. The procurement function leverages on expertise within the procurement organization across different markets and have better insight of the supply market not just at the local end market but on a global scale.

Business risk has reduced over time due to better management of suppliers and creation of supply chain value partnership. This does not look at the supplier only but at the supplier systems, processes and the supplier's contingency plan. Organization working capital management is getting more attention from category managers and getting healthier by understanding and application of the correct stock management policies like vendor managed inventory.

4.5 Challenges in the implementation of procurement category management

In this section, questions were presented to the respondents on the procurement category management strategy formulation hierarchy, investment on training & development, structural changes, and specific challenges in the adoption of procurement category management.

4.5.1 Strategy formulation, training and development

The research wanted to identify challenges associated with the successful implementation of category management strategy among FMCGs multinationals in Kenya. The research findings indicated that the strategy formulation for category management for multinationals happen at the global level with a 53% of respondents supporting this view. 82.3% of the respondents indicated that category strategy formulation is done at either global or regional levels. This shows a high level of standardization among different end markets requirements in support of the category management benefits. It also confirms the expertise leverage at the global and regional levels by appropriating the right skills to business needs.

Table 4.12: Level of category management strategy formulation

Category management formulation level	Frequency	Percent
Global	9	52.9
Regional	4	23.5
Global & Regional	1	5.9
Global, Regional & Area	3	17.6
Total	17	100.0

Source: Research data (2012)

Between 26 – 75% of the training investment in procurement goes towards category management. This was supported by 58.6% of the respondents. This provides a clear indication on the level of focus given to procurement category management within FMCGs multinationals in Kenya. The study showed that global strategy formulation and the high investment are some of the challenges in the implementation of category management.

Table 4.13: Level of focus, investment, training(formal & on the job) given to category management compared to other elements/modules of procurement

Investment in category management	Frequency	Percent
Below 25%	3	17.6
26 -50%	5	29.4
51-75%	5	29.4
Above 75%	3	17.6
Total	16	94.1
Missing	1	5.9
Total	17	100.0

Source: Research data (2012)

4.5.2 Changing procurement structure & category management

The study indicated that category management comes in with changes in organization structure with 76% of respondents supporting the view. Some of the factors that lead to changes in structure include the drive towards having dedicated Category Managers and having a lean & more professional procurement organization.

Table 4.14: Change in organization structure due to implementation of category management

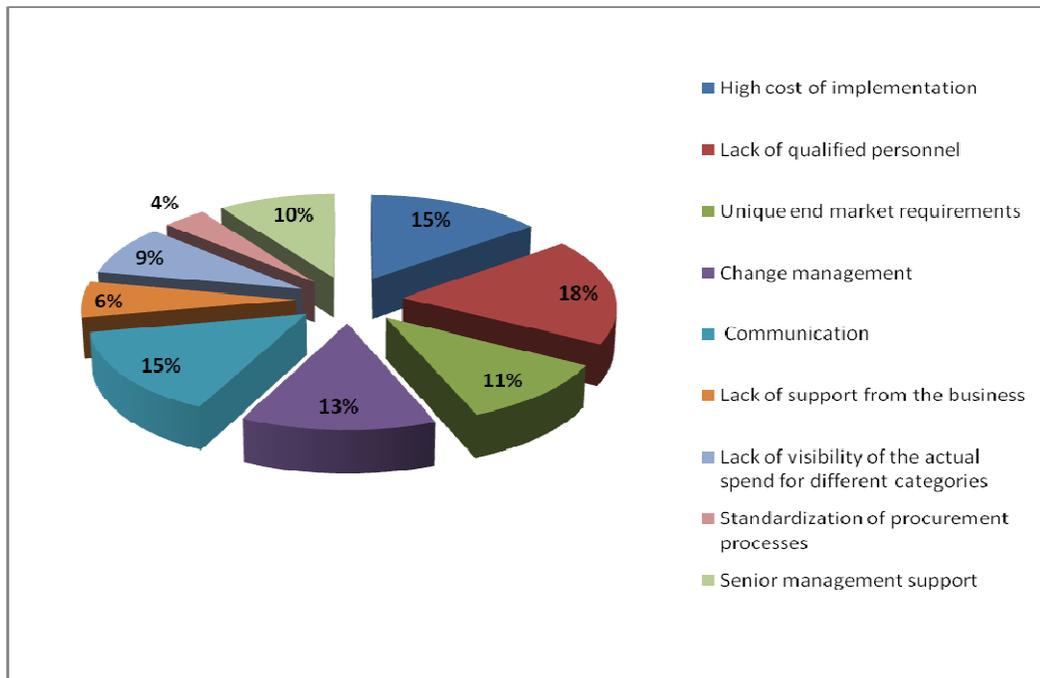
Organizational structure change	Frequency	Percent
Yes	13	76.5
No	3	17.6
Total	16	94.1
Missing	1	5.9
Total	17	100.0

Source: Research data (2012)

4.5.3 Other category management implementation challenges

The factors that came out of the survey as the limitations in the implementation of category management includes; high cost of strategy implementation, lack of qualified personnel, unique end market requirements, change management, communication, lack of support from the business, lack of visibility of the actual spend for different categories, standardization of procurement processes and senior management support. These factors were analyzed based on the frequency and it was noted that lack of qualified personnel was the greatest challenge followed by high cost of implementation while change management was the third prominent factor. The factor with the least consideration was standardization of procurement processes. These challenges are summarized below.

Figures 4.1: Other category management implementation challenges



Source: Research data (2012)

4.5.4 Category management recommendation

82% of the respondents believe that category management has been successfully implemented in their organizations despite the challenges. Only 11.8% of the respondents indicated that procurement category management has not been successfully implemented in their organizations while one respondent failed to respond to this particular question.

Table 4.15 Success in implementation of procurement category management

Implementation success	Frequency	Percent
Yes	14	82.4
No	2	11.8
Total	16	94.1
Missing	1	5.9
Total	17	100.0

Source: Research data (2012)

All the respondents recommended the adoption of category management to other firms who have not embraced this strategy. This clearly shows that the benefits of procurement category management are much higher than the challenges posed by the strategy.

Table 4.16: Recommendation in implementation of procurement category management strategy to other organizations

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Yes	17	100.0	100.0	100.0

Source: Research data (2012)

4.6 Discussion

The study put six benefits of category management to validation among FMCGs organizations in Kenya. Through the study it was confirmed that category management is not only beneficial to the West where it was first practiced but also provides

immense benefits in the Kenyan environment. The six benefits were confirmed to have been realized by the organizations surveyed. The procurement Function in FMCGs multinational organizations in Kenya have not practiced category management for a long period of time but for an average of three years. The number of years when category management have been practiced proves the infancy of procurement category management in Kenya's FMCGs sector. The research provides the information that the procurement organization is now integrating better with the entire organization and improves organization profitability by embedding sustainable cost savings opportunities/avenues. The study proves that the benefits of category management is much higher than the investment and all the FMCG organizations who have adopted this practice reports benefits and a healthier profitability. Category management implementation comes with challenges which includes, high cost of strategy implementation, lack of qualified personnel, unique end market requirements, change management, communication, lack of support from the business, lack of visibility of the actual spend for different categories, standardization of procurement processes and senior management support. These challenges however when overcome leads to sustainable benefits which are of greater value.

CHAPTER FIVE: SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary

Respondents who participated in the survey were drawn from FMCGs multinationals. Point to note is that procurement is a young profession with majority of the management staff having practiced for the past 3-5 years, this represented 35% of respondents. Those who had practiced for more than 10 years were only 18% of the total respondents.

The study showed that all multinationals had adopted category management with coverage of above 51% of the total spend in the organizations being category managed. This spend is however represented by 26 – 50% of category lines. This shows that focusing on 26 – 50% of category lines results in a spend coverage above 51% of the total organization spend. This view validates the 80:20 Pareto rule of vital few and trivial many.

The study showed that category management has a significant influence to multinational organizations sustainable cost savings (2–4%) of annualized organization spend. Cost savings scored 4.7 out of a possible 5. The other benefits resulting from procurement category management includes collaboration with other functions (4.6), Risk management (4.6), smart spend management (4.5) while optimizing the procurement operating model and maximizing use of information technology was at a score of 4.2.

The study identified challenges in implementation of procurement category management which includes high cost of implementation, lack of qualified personnel, unique end market requirements, change management, communication, lack of support from the business, lack of visibility of the actual spend for different categories, standardization of procurement processes and senior management support. The study confirmed that category management is being formulated at the global level in multinationals and the implementation in Kenya among other end markets. The implementation of category management in these multinationals has been a success.

5.2 Conclusions

The study confirms that procurement category management has several benefits, the most important of which is improving a firm's profitability. It also confirms that the general trend in procurement over the past three years has been moving away from transactional procurement to strategic procurement through category management.

The procurement organization in most of the firms surveyed indicated their knowledge of the benefits accrued as a result of adopting procurement category management. Some of the respondents did not have full understanding of the depth of some of the questions in the questionnaire. This can be related to the newness of procurement category management and also the level at which category management is being formulated. Most of the respondents therefore are only involved in the implementation without fully understanding the strategy development.

All the respondents recommend procurement category management to other organizations due to the benefits associated with this strategy adoption. The general caution is however to consider unique circumstances of the organization i.e. there is no one size fits all for category management.

5.3 Recommendations

The study suggests that for category management to succeed, organizations must invest in the right human resource, develop the correct change management mechanisms and procurement developing a structured communication with the business. The study also recommends the adoption of procurement category management to organizations who have not yet embraced this strategy. In this front governmental organizations and parastatals who are the entities with high expenditure should start adopting this procurement strategy. Organizations including Local governments also have huge spend on products of generic nature should adopt the strategy, this can be of major value if conducted at the headquarters as opposed to the local levels. The study also recommends that strategy formulation and implementation should not be generic but should consider size of the organization, the spend, the level of product standardization, the maturity of the procurement Function and level of investment in change management to support the strategy. The study also suggest a “lead category strategy” as the best way of category strategy implementation, this is where the process starts off with one category line, the right processes are put in place around the specific line, implementation done and post implementation review done to evaluate the effectiveness of the strategy before adoption to a wider scale of category lines.

5.4 Limitations of the study

Some of the respondents took a long period before giving back the questionnaire while some did not return the questionnaire at all. Some answers to the open ended questions were out of context showing lack of full understanding of the subject matter by some respondents. For the closed ended questions the response rate was not 100% with some opting not to give their opinion on some questions.

5.6 Suggestions for further research

Since this study focused in the FMCGs and has revealed that category management results in a 3% savings on organization's spend. A study can be conducted at the government and government agencies to view the utilization of procurement category management strategy. Similarly a study can also be conducted to evaluate the potential of adoption of category managements strategy by aggregation across organizations like institutions of higher learning.

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APPENDIX I

QUESTIONNAIRE

SECTION A: GENERAL INFORMATION

Name of Organization

Respondent's Professional Experience in Procurement (Tick one)

1-3 Years 4- 5 Years 6 – 10 Years Above 10 Years

Respondent's Years of Experience with the Company (Tick one)

1-3 Years 4- 5 Years 6 – 10 Years Above 10 Years

SECTION B: PROCUREMENT CATEGORY MANAGEMENT ADOPTION LEVEL

1. Do your organization practice procurement category management? (Tick one)

Yes No

2. For how many years have you practiced category management in your organization? (Tick one)

1-2 Years 3- 5 Years Above 5 Years

3. What is your annual firms spend where sourcing is influenced by procurement (both Opex & Capex spend) in Kenya shillings? **This should exclude non negotiated bills e.g electricity and water.**

4. What percentage of the spend in **(3)** above is category managed? (Tick one)

Below 25%	
26 – 50%	
51 -75%	
Above 76%	

5. How many category lines e.g POS, Machinery & Parts e.t.c do your organization have?(state i.e **Twenty(20) categories, do not list**)

6. What percentage of the category lines in **(5)** above is category managed?

Below 25%	
26 – 50%	
51 -75%	
Above 76%	

SECTION C: PROCUREMENT CATEGORY MANAGEMENT – BENEFITS

7. The six factors below are some of the benefits of category management to the organization. Tick (√) the statement that best your view on each benefit.

i) Improved role of procurement by the organization: close collaboration with other functions and involvement in company strategy formulation.

Strongly Disagree	Disagree	Agree	Strongly Agree	Do not Know

ii) Smart cost savings: procurement’s ability to influence sustainable cost reduction to the business.

Strongly Disagree	Disagree	Agree	Strongly Agree	Do not Know

iii) Assess the optimal Procurement operating model: Coming up with a structure that optimally serves the business.

Strongly Disagree	Disagree	Agree	Strongly Agree	Do not Know

iv) Taking a more active role in risk management: Influencing the sourcing cycles and cash flow opportunities.

Strongly Disagree	Disagree	Agree	Strongly Agree	Do not Know

v) Maximize the use of technology and Management Information: Leverage technology to automate transactional tasks and realize enhanced value.

Strongly Disagree	Disagree	Agree	Strongly Agree	Do not Know

vi) Guaranteed cost savings and smart spend management.

Strongly Disagree	Disagree	Agree	Strongly Agree	Do not Know

8. What cost savings has the procurement function realized over the last three years as a percentage of your sourced spend?(Tick one)

Below 2%	
2 – 4%	
4.1 -7%	
Above 7%	

9. What specific benefits within your organization can you directly relate to procurement Category management? List any two.

- i) -----
 ii) -----

SECTION D: PROCUREMENT CATEGORY MANAGEMENT INVESTMENTS AND CHALLENGES

10. In your organization, at what level of procurement hierarchy is category management strategy formulated?(Tick one)

Global	
Regional	
Area	
Local	
Global & Regional	
Global, Regional & Area	
All Levels	

11. Within procurement, what level of focus, investment, training(formal & on the job) do the organization give to Category management compared to the other elements/modules of procurement?

Below 25%	
26 – 50%	
51 -75%	
Above 76%	

12. Has the Procurement organization structure changed with the implementation of the current Procurement category management strategy? If yes briefly explain

13. Do you believe that Procurement Category Management in the organization has been successfully implemented? If yes, state any two factors which has led to this success.

- i) -----
- ii) -----

14. Despite the success or failure in implementation of Procurement Category management in your organization, what are the major challenges that have been faced during implementation. State any three challenges.

- i) -----
- ii) -----
- iii) -----

15. Based on your experience, would you recommend Procurement Category Management to other companies who have not implemented this strategy? If yes briefly explain.

What would be your caution? Briefly explain.

THANK YOU VERY MUCH FOR YOUR RESPONSE