



## In the public good: the case for category management

**Millions can be saved in the UK public sector according to the latest government-backed report. But this can only be achieved if there is a fundamental shift in the approach to procurement, says Jonathan O'Brien**

Once again the challenge of making procurement in the public sector more efficient is under the spotlight. Public sector waste has reached “staggering and shameful” levels, according to Sir Philip Green, costing the taxpayer billions of pounds every year. If one of his own retail businesses were run like this, he said, “the lights would go out”.

With massive cuts unveiled in the recent Comprehensive Spending Review, the pressure to make savings quickly throughout the public sector has never been greater.

A total of £20 billion could be saved on £191 billion spend without cutting a single public sector job, Green estimates. On the £2 billion telecoms bill alone, £700 million could be saved, let alone the huge savings available on print, hotel accommodation, office supplies and a range of other goods and services.

Green's Efficiency Review is the best attempt so far to highlight inefficient public sector procurement. Once the air has cleared, however, the big question will be whether the massive savings identified in the report can be achieved.

The answer depends on whether public sector organisations are willing to embrace a modern category management approach to their procurement. Our experience in the public sector suggests that some have already done so, but unfortunately they are in a minority as yet.

Procurement professionals will be well aware of the term “category management”: an approach to purchasing in which third-party spend is segmented into discreet categories according to their market-facing nature.

This apparently simple idea has far-reaching implications: it means full data on bought-in goods and services must be collated and analysed, supplier markets properly researched and contracts negotiated for items aggregated across disparate parts of your organisation or, in the case of the public sector, potentially across several very different organisations.

Some immediate responses to Green suggest he underestimates the complexity of the public sector. This is a red herring. Many public sector organisations have much in common and there is huge scope for further collaborative procurement. A change in mindset is required - if public sector organisations keep telling themselves they are all different they will never break the current mould.

As some have pointed out, a system is needed to look at the entirety of public sector spend so that organisations can define their particular requirements but within a framework negotiated centrally that allows the enormous combined buying power to be leveraged.

The mandate for such radical action is established. The government and senior management throughout the public sector are by now well aware of the need to

modernise and streamline procurement strategy. The key to success is for public sector organisations to take a different view of what excellent procurement means in practice.

A major challenge is that many people working in procurement departments have never been given the opportunity to develop a category management approach. Commercial awareness is often lacking and the drive to succeed dulled through years of unimaginative and ineffective practice.

But it can be done. If there is the will, results-driven procurement based on a category management strategy can be learned and put into effect.

The Green report provides the latest boost to the mission to modernise public sector procurement. By adopting category management, the goals of reducing inefficiency and saving taxpayers' money - concepts that everyone surely supports - can be achieved.

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