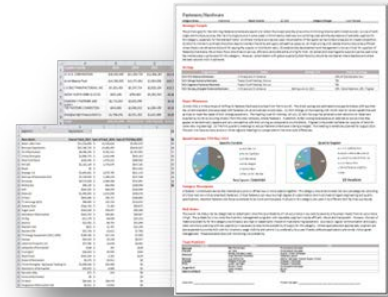


Strategic Category Management

Overview

What is it?

Strategic Category Management is a supply chain management methodology used by supply chain and category managers to effectively manage the money spent on various products, services and assets (i.e. categories) acquired for the business. A sourcing category is a product, service or asset for which there is a definable supply market, and around which a specific sourcing strategy can be developed. From the perspective of NOV Rigs Global Supply Chain, examples of categories include the bearings, forgings, cylinders and fasteners that “feed” into our various product lines (ex. top drives, BOPs, mud pumps, drawworks, cranes, etc.)



Why do we use it?

Strategic Category Management is a method for supply chain and category managers to develop and implement effective strategies anchored in sound knowledge of their respective businesses and supply markets. The category management methodology serves as a means to improve both the quality of supply management strategies and the results that they achieve. Effective management of material/supply acquisition and category spend ultimately leads to a lasting competitive advantage. Finally, Category Management offers major opportunities for reductions in prices paid to category suppliers as well as significant reductions in the Total Cost of Ownership (TCO).

Principle Details

The management of supply is a very critical aspect of overall business and operations management. In many cases, it is via supply management that a majority of company income “flows out” in the form of category purchases, operating supplies and related business expenses. The resources allocated and money spent on suppliers has to be supported with sound analytics and knowledge-based strategies. To be effective in producing a lasting competitive advantage, category managers are required to have comprehensive knowledge to plan, develop and execute category strategies successfully. Here are some examples of category management activities:

Category Management Activities

Global Sourcing

- Assessing Business Needs
- Building Cross-functional Teams
- Analyzing the Markets
- Developing Sourcing Strategies
- Selecting Suppliers and Awarding Business

Price & Cost Analysis/Modeling

- Analyzing Category Costs
- Evaluating Price with a Cost Focus

- Building Cost Models (ex. TCO Modeling)

Managing Supplier Relationships

- Developing “Key” Supplier Relationships
- Managing Supplier Performance

Supply Chain Risks

- Assessing Supply Chain Risks
- Developing Risk Management Strategies

