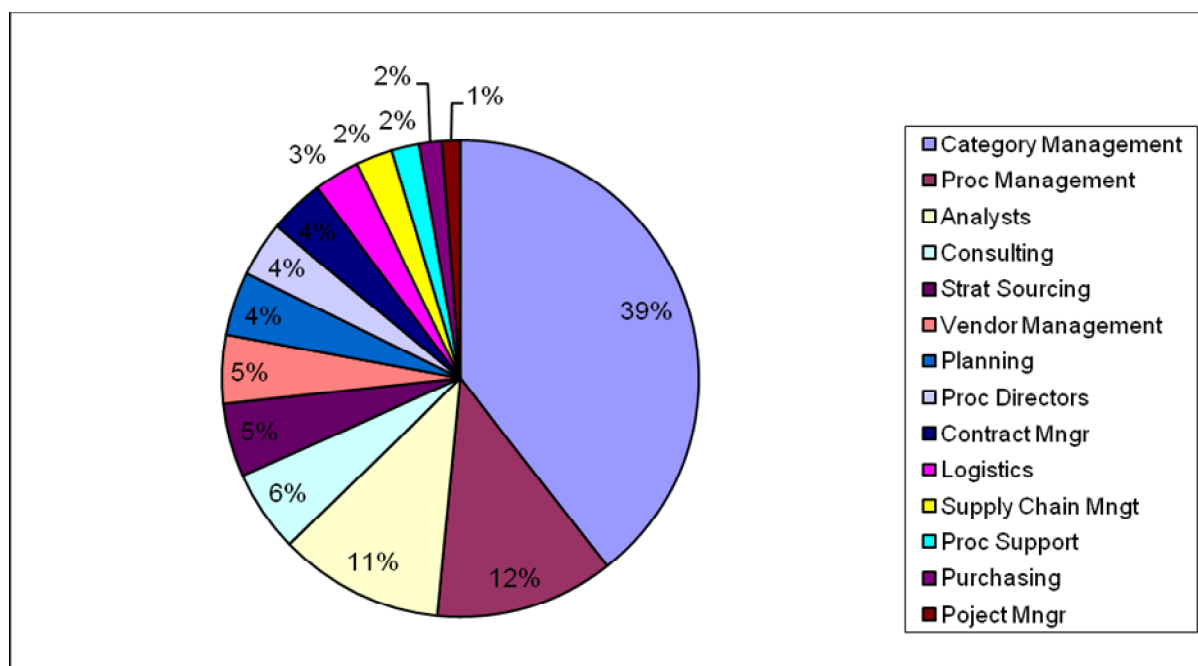


CATEGORY MANAGEMENT FROM A RECRUITMENT PERSPECTIVE

Jigsaw Search is the countries leading specialist procurement recruitment consultancy and has now been transacting in the Asia Pacific market place for over 4 years. In this time the Jigsaw Search team have facilitated over 630 placements in the niche segment of procurement and supply chain an average of 157 placements per annum or 13 a month.

Roles Placed Since January 2007 by Capability



Each and every candidate's core skills and expertise as well as the details of the placements made by the business are fastidiously recorded and core data is quickly converted into useable information to enable our team to understand the market and position the Jigsaw Search business to be better prepared to meet client and candidate demand.

This report aims to share some of the key information we have obtained over the last four years and to give you an insight in to some of the trends that we are observing and the dynamics affecting the category management sector of our industry.

All of which may help aid your supply chain recruitment strategies or help guide you in your own career direction.

The report is generated using the following data sets

- Candidates 3533
- Companies 1935
- Jobs Filled 638

Average Salary for Category Management across Industry Sectors

Information taken directly from Jigsaw Search's real time salary guide

Category	Consulting	Distribution	Financial Services	FMCG	Heavy Industry	Manufacturing	Outsourced Services	Pharmaceuticals	Public Sector	Retail	Services	Technology
3PL	117,500	150,000	145,000	156,967	145,373	144,000	155,000	132,500	135,000	140,000	181,250	125,000
Building Products	200,000	n/a	160,000	n/a	152,216	165,000	n/a	125,000	147,500	n/a	203,334	n/a
Capital Works	160,833	145,000	148,000	148,194	156,649	145,762	153,000	n/a	130,000	140,000	154,306	140,000
Clothing & Apparel	n/a	n/a	n/a	n/a	122,500	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Commodities	182,500	n/a	160,000	154,727	148,657	132,449	160,000	134,120	130,000	n/a	174,167	n/a
Components	n/a	n/a	150,000	120,000	137,793	134,044	n/a	140,000	130,000	160,000	151,667	180,000
Contract Manufacturing	n/a	n/a	n/a	120,000	141,667	160,000	n/a	n/a	n/a	n/a	n/a	n/a
Corporate Services	144,250	180,000	144,560	130,472	142,030	130,373	148,778	135,000	137,075	143,750	145,708	125,744
Engineering	160,000	n/a	153,333	135,000	159,833	147,687	160,000	n/a	151,667	n/a	159,086	n/a
Facilities Management	n/a	130,000	173,929	150,000	138,923	151,334	142,250	n/a	140,000	125,000	142,238	n/a
Fleet	n/a	n/a	137,500	n/a	139,262	140,000	n/a	n/a	140,000	130,000	144,167	136,250
Ingredients	120,000	n/a	n/a	152,011	114,122	132,667	n/a	n/a	n/a	143,000	127,167	n/a
IT	159,167	n/a	161,292	160,000	164,006	180,000	172,500	n/a	148,089	165,000	152,000	n/a
Labour	143,750	n/a	144,834	135,667	141,443	150,000	220,000	n/a	167,000	n/a	150,000	131,250
Marketing	n/a	n/a	144,334	130,000	142,021	147,500	180,000	146,667	n/a	155,000	142,500	133,334
Merchandise	n/a	n/a	105,000	155,000	144,322	100,000	n/a	n/a	n/a	155,857	160,000	142,500
MRO	151,667	145,000	171,667	144,167	157,692	138,484	155,000	n/a	135,000	140,000	133,199	122,500
Packaging	220,000	n/a	n/a	148,122	144,617	146,296	165,000	139,120	170,000	135,000	144,667	127,500
Plant/Equipment	n/a	n/a	150,000	120,000	139,167	n/a	n/a	n/a	130,000	n/a	n/a	n/a
Print	n/a	n/a	144,000	n/a	142,944	165,000	100,000	n/a	n/a	n/a	153,333	110,000
Prof Services	155,000	n/a	157,492	175,000	159,147	150,000	185,000	n/a	205,000	n/a	172,222	150,000
Software	125,000	n/a	180,625	170,000	171,220	n/a	165,000	n/a	150,000	n/a	150,000	165,265
Sub Contractors	n/a	n/a	200,000	n/a	146,667	n/a	n/a	n/a	n/a	n/a	90,000	115,000
Telecoms & Networks	125,000	n/a	155,861	142,500	159,573	200,000	180,000	n/a	157,500	n/a	n/a	153,584
Transactions	n/a	n/a	151,250	n/a	146,111	110,000	n/a	n/a	n/a	n/a	150,000	n/a
Travel	117,500	n/a	135,834	125,667	137,863	157,500	153,500	n/a	160,000	90,000	149,417	137,500
Utilities/Energy	n/a	n/a	160,000	n/a	149,000	137,500	n/a	n/a	140,000	n/a	173,334	110,000

The gaps in the table above indicate that Jigsaw Search have no record of any category managers employed in the industries shown, often indicating that these industries simply do not have a need to employ category expertise for certain portfolios within their structure, or they may have simply not invested in managing the spend portfolio at a strategic level.

Alternatively their organisational charts may represent strategic sourcing/vendor management structure as opposed to the more popular and proven category management structure.

From the data it appears that Distribution (3PL) businesses seem to invest the least in category management, with pharmaceutical and retail businesses a close 2nd and 3rd. This may be a result of cash rich businesses not seeing the importance of category management or they may simply have no interest in increasing the margin between sales and the cost of sales.

Another interesting aspect of the data is in the consulting industry, where the data tells us that Mining, Heavy Industry and FMCG businesses are utilising professional services across the MRO, Commodities and Packaging categories.

We know from the market that over the past 4 years many of the FMCG businesses have merged and this would explain the demand in packaging and commodity driven experience to service sourcing and process integration.

The strong demand for building products and MRO categories would suggest and reconcile with our knowledge that many heavy industry and construction based clients have only just started the journey of procurement from a category management approach and that consultancy firms have played a large part in developing the category platforms and procurement structures.

Over the past 4 years Financial Services as with the Consulting industry has made the move from the fragmented strategic sourcing model which many organisations embraced at the start of the decade and have now heavily invested in category management structures and employees.

This trait has developed due to poor results being realised in those more fragmented models, within them the make/buy/sell strategy has been diluted and value delivery transcends to the SRM group.

Technology, Labour and Professional Services have been most in demand and a premium has been awarded to strong candidates with this expertise. The next phase of financial services evolution will be to head towards global category management as they align their models with their aggressive off shore acquisition policies. This global framework is already in play with many of the global resource business.

As our data also shows subject matter demand was highest within technology (hardware, software & applications) and most placements were transacted within the financial sector. The driver for this appears to be a result of many financial institutions acquiring new businesses and requiring in-depth procurement and technology knowledge to merge and leverage their combined operations.

The weakest demand in category management was for components (valves, bearings, washers) due to the ever growing move of businesses towards the outsourcing/off-shoring of manufacturing operations to low cost countries. This has directly affected the need to appoint procurement capability, but has consequently led to an increase in demand for Category Managers (OEM and Co-Packing) within these FMCG and Technical Engineering sectors.

As an aside another trend in the Category Management recruitment market has been the increased demand for long term contractors instead of direct to permanent appointments.

Recruiting Category Managers

Of the 74 allocated position titles within Jigsaw Search's unique skills list, by far the most common request for our services has been for experienced Category Managers, 239 Placements or 39% of all of our placements are for this unique skill set.

However as this is often a relatively new aspect of recruitment within organisations and the engagement with recruiters is undertaken by HR not the hiring manager it is clear that many recruitment operations fail to understand the nature of true

category management and in turn fail to get the best employees for their recruitment dollar.

Evidence of this stems from the very fact that most of our placements in this segment are with customers with whom we have no panel relationship in place.

This which means that clients have had to break their own compliance rules, by using a non-listed supplier (us) in order to ensure their business can obtain the desired level of products and services for the Human Capital Category of their business – In other words their preferred solution providers can not service the needs of the business in category management and procurement so hiring managers are forced to fight their own HR policies in order to maintain the level of competence they need for their own departments!

Demand v Supply Category Management (APAC Region)

• Total Procurement Candidates Registered	3533	(100%)
• Total Category Managers Registered	501	(14%)
• Average Annual demand for Category Managers	60	(1.7%)
• No of Category Managers actively available at present time	49	(1.4%)
• No of Category Managers passive at the present time	249	(7%)

As can be observed from the above figures experienced category managers are in the minority within the APAC Region and it would be fair to assume this trend is comparable with Europe and the Americas.

As the figures above show of the total candidate pool of procurement professionals only 14% constitute Category Managers whilst demand for this key skill set is at 12% of all jobs registered. As a rough guide based on these figures at any one time there are only enough active candidates with a skill set in category management to fill 81% of the markets requirement.

This is of course a crude figure, but we should also consider the added complexity of subject matter and cultural requirements for each role which makes the right candidate for the role even scarcer.

From a wider macro level if we consider that unemployment levels in Australia are at record lows hovering between 5-6% - within Category Management that figure is nearer to 1-1 ½% with demand rising all the time. Then take into account the market shift to embracing category management (process, knowledge depth and consultative) as a preferred model to achieve sustainable value to the business above that of project based strategic sourcing (process and reactive) and it seems reasonable to assume that companies are going to struggle to fill their category management needs within their organisational charts from both a structural and expertise perspective.

Category Management Structures in Australia

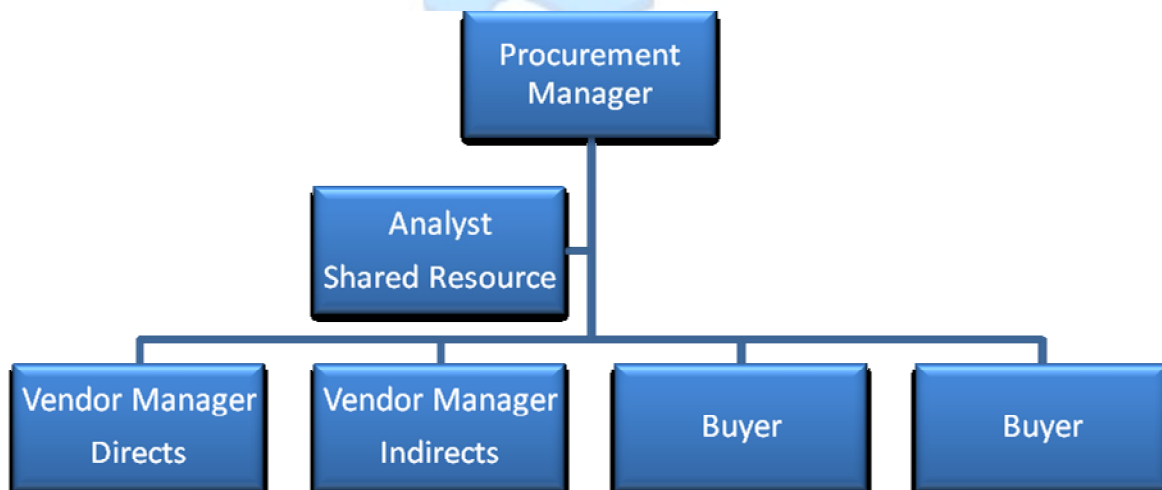
As businesses transcended from purchasing to around the turn of the century there was a lag between skill demand and skill supply. Many candidates had simply not been exposed to sourcing practices before and have effectively learnt on the job itself gaining experience and making many mistakes along the way.

This learning process cycle will also be the case for end-to-end Category Management as process driven sourcing experts and vendor managers attempt to fill the plug between the demand for experienced category managers and the supply in the market.

The ultimate benefit of the category management model is the way in which knits procurement in to the operational fabric of the business, cementing the procurement function as an area of expertise. It demands greater stakeholder traction through in-depth understanding of the make/buy/sell decision enabling Category Manager to further influence internal demand as opposed to just concentrating on price, compliance and risk.

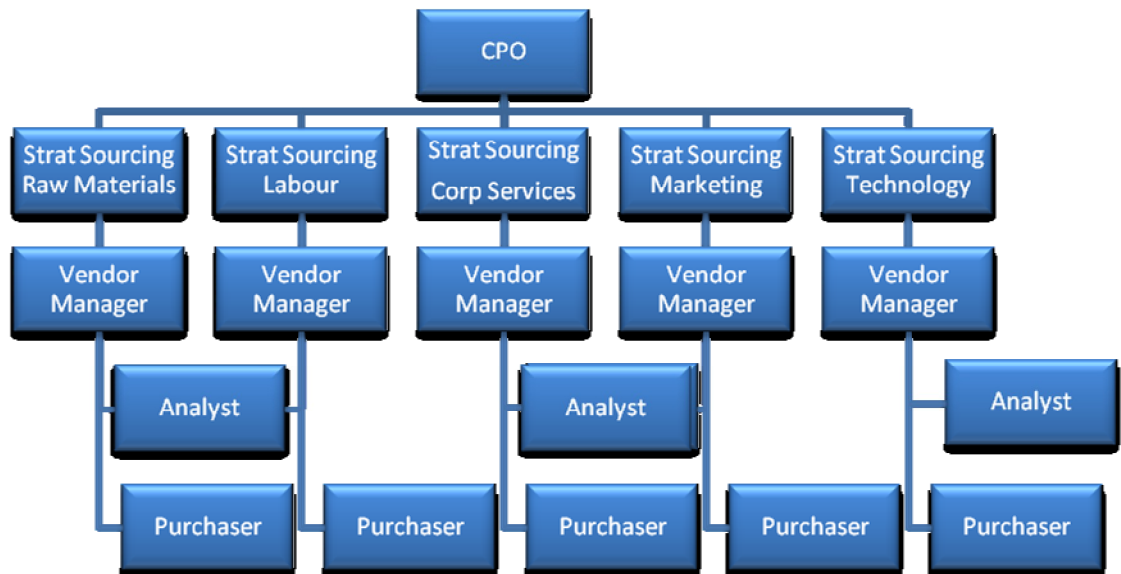
Below are examples of three of the most popular procurement department structures currently being utilised in Australia.

Under Invested Fragmented Structure



In this example the strategic sourcing function is nearly always undertaken by the Procurement Manager, day to day governance of supplier activities is managed by the Vendor Managers and the purchasing activities are undertaken by the Buyers.

Well Invested Fragmented Structure



Within a more mature fragmented structure that has had investment in staff the strategic sourcing activities are undertaken by specialist practitioners as opposed to the Procurement Manager in the earlier example

Category Management Platform



Organisations using the Category Management platform use Category Managers to execute the full end-to-end procurement process. These procurement experts interpret the strategic goals of the business and its stakeholder and combine that with the supplier landscape in order to devise a category plan for the portfolio of goods and services they control.

They then manage and execute both the sourcing and vendor management activities becoming the technical product and service experts in the process.

This activity is then reported back to the business showing how strategic value has been added.

Advantages of the Category Management Structure

Suppliers have one point of contact in both the negotiation and delivery stages of the procurement cycle which prevents them from renegotiating their terms in the delivery phase rather than improving their performance.

In this model the Category Manager is also able to develop the relationship in line with future corporate strategies as opposed to simply reacting to an agreement negotiated by somebody else.

Disadvantages of the Category Management Structure

The main disadvantage is that the organisation is reliant on one person for the entire delivery of value for each category, leaving them venerable if this person leaves.

This is often counteracted in large business (and especially in retail), by allocating assistant Category Managers or other types of category hierarchies.

Category Managers - Career Positioning

From the information provided Jigsaw Search would advise candidates to position themselves within a global business that embraces the category management model, trying to learn or execute category management processes and methodologies within a business without a category management structure is a waste of your time and the wrong hire from the business' perspective.

Targeting different industries will depend on whether your drivers are salary or security and so in turn would the category you develop your experience within.

Financial Services would deliver the highest salary when combined with experience in technology and professional services, whilst interestingly 3PL seems to be the only category that is in demand across every industry segment. And this would suggest that candidates with this experience would have a broader choice of industry when looking for a new role, whilst on the flip side salaries seem lower probably due to the relative lack of criticality to the business and the wider range of potential candidates with the base 3PL knowledge (Logistics Managers, Transport Manager and existing 3PL category experts).

In summary as this report has shown Category Managers are in short supply and highly sought after in an ever-increasing amount of businesses.

If you are currently employed within a business which does not deploy a category framework with well invested headcount to deliver outcomes, you may run the risk of finding your skill set being obsolete in the coming years.

However titles should not be seen as a barrier to progression as a Procurement Manager within a \$500m turnover business may have considerably less responsibility than a category manager in a \$4 Billion turnover business and will almost certainly be delivering less value and often earn less than the expert Category Manager.

The key factors in establishing the value of category management within a business is to understand whether the business has or is investing in Category Management and then which categories are most critical to the profitability and success of that business.

Key Points to Consider...

- Category Managers are effectively Procurement Managers of defined portfolios of products & services
- Categories and goals are different in every business.
- Categories have phases of maturity and need different skills for each phase.
- Employers pay salaries based on the criticality of the category.
- Jigsaw Search's estimated mean salary for CM's is \$130k.
- The best CM's add validated value to their employers.
- End to end Category Managers are always in demand.
- The best CM's collect category tools and techniques.
- The very best CM's know which of them to use and when.

If you would like to discuss any of the above further or would like access to our live online Salary Guide or our Candidate Search facility or would like any other specific information or market data for you or your business, please e-mail us at ...

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