

Category Intelligence: Building market and supplier knowledge systematically

Category Intelligence refers to the systematic preparation of market, supplier and cost knowledge relating to a specific category or procurement category. The aim is to give procurement a robust basis for decision-making in strategy, negotiation and supplier selection. In practice, Category Intelligence is thus a central link between category strategy and day-to-day operations.

Key facts

- Category Intelligence provides structured knowledge about the markets, cost drivers, suppliers and risks of a procurement category.
- Typical components include cost breakdown analyses, supplier profiles, market and price trends as well as risk assessments.
- The results frequently feed into a category board and form the basis for requests for quotation and negotiations.
- In practice, monthly or quarterly update cycles have become established to keep data current.
- Category Intelligence reduces dependence on isolated pieces of information and strengthens procurement's negotiating position.

Definition: Category Intelligence

Category Intelligence encompasses all systematically collected and prepared information relating to a procurement category – from cost structure to the supplier landscape. The term originates in strategic procurement and is frequently considered together with category management.

Distinction from Category Management

Category management describes the process of managing a category across its entire life cycle, including strategy, supplier relationship management and performance review. Category intelligence, by contrast, is the informational foundation: it provides the facts on which the strategy is built. Without solid intelligence, category management remains an organisational shell without reliable substance.

Levels of intelligence

In practice, three levels are distinguished: market intelligence (supply, capacities, price development), supplier intelligence (financial strength, quality, capacities, succession) and internal intelligence (demand structure, specifications, process costs). Only the interplay of all three levels enables well-founded sourcing decisions.

Methods and approach for building Category Intelligence

The build-up typically follows a defined approach: category definition, data collection, analysis and regular updating. It is important that the results end up in a structured product prepared for

decision-makers – for example a category dossier or a category board.

Data sources and research steps

Relevant sources include price indices, trade and customs data, supplier information, tender responses and one's own contract data. Operational business also provides valuable benchmarks, for example through requests for quotation and quoted prices. A basket analysis also shows which items of the category carry which volume and thus which negotiating relevance.

Cost breakdown and should-cost analysis

A core tool is the decomposition of the price into material, production, logistics and overhead cost components. Using a should-cost analysis, procurement calculates what a part should cost and thus identifies negotiating headroom. Typically, material shares are determined via commodity indices and production shares via benchmark times.

Risk and market assessment

Portfolio models have become established for assessing procurement risks, in which availability, supplier failures, price volatility and geopolitical factors are evaluated. For raw-material-intensive categories, raw material surcharges are additionally monitored systematically in order to conduct price adjustment clauses on a factual basis.

Key KPIs and evaluations

Category Intelligence only becomes effective once it is made measurable. The KPIs serve to monitor the state of the category and to demonstrate the success of measures.

Cost and price indicators

Key metrics are savings versus baseline, the price index development of the category and the share of negotiated prices versus list prices. With tight payment terms such as prepayment or long cash discount periods, capital tie-up effects are also factored into the assessment.

Supplier and supply indicators

These include the number of qualified alternative suppliers, the number of critical single-source suppliers and the average replenishment lead time of the category. In practice, a falling number of qualified alternatives is an early warning indicator of increasing dependency risks.

Quality and process indicators

Quality data also belongs to intelligence: the complaint rate per supplier and category shows whether price advantages have been bought at the cost of quality risks. For process services, process cost analyses complete the picture in order to identify inefficient processes.

Category Intelligence in the procurement process

Intelligence only unfolds its value when it connects to concrete process steps: from demand identification through tendering to the contract. It is not a one-off project but a continuous cycle.

Use in tendering and negotiation

Before a tender, the intelligence provides the basis for the award strategy, for example whether a

two-envelope bid (separate evaluation of price and quality) makes sense. In negotiations, the cost breakdown helps to understand or reject price increases such as raw material surcharges on a factual basis.

Use in supplier management

Findings from supplier intelligence feed into the development of a preferred supplier as well as into their regular evaluation. For critical dependencies, the intelligence also supports decisions on dual sourcing or an outsourcing potential analysis for in-house production versus purchased parts.

Use in project and lifecycle topics

In project procurement, the intelligence ensures that new products are set up with the right supplier portfolio from the outset. In ramp-up management and ramp-down management, it helps to align capacity and phase-out planning with market data.

Risks and controls

Category Intelligence carries risks when data is outdated, one-sided or prepared without an evaluation logic. Controls and clear responsibilities are therefore indispensable.

Data quality and currency

Outdated market data lead to weak negotiating positions – for example, when commodity price declines are not factored into price adjustment talks. In practice, fixed update cycles and clearly defined data owners have proven effective. Every set of figures should be documented with details of the source and the as-of date.

Interfaces with compliance and law

Market and supplier information must not be obtained in grey areas. In particular, the exchange of sensitive supplier data among competitors can be relevant under cartel law; individual conformity and disposal obligations such as WEEE directly affect certain categories. Legal assessments should always be examined on a case-by-case basis.

Missteering due to an incomplete view

Anyone who only looks at purchase prices overlooks total cost of ownership: transport, quality and process costs can undermine price advantages. Topics such as the returns process and complaint handling therefore also belong in a holistic category assessment.

Current developments

Category Intelligence is changing as a result of digitalisation and geopolitical uncertainty. Data access and analytical depth are increasing, while at the same time the requirements for resilience are rising.

Automation and data analysis

Digital tools today enable automated evaluation of market data, supplier portals and one's own transaction data. In practice, spend analysis platforms increasingly take over part of the routine intelligence tasks, while interpretation remains with the category manager.

Resilience and sustainability

Supply chain shocks in recent years have significantly increased the demand for risk intelligence: proof of origin, multiple availability and compliance data are moving into focus alongside price. Sustainability criteria are increasingly becoming part of the category profile and thus of the award decision.

Typical metrics

Savings versus baseline: 3–7 % p. a.

common rule-of-thumb figure in practice for actively managed categories

Number of qualified alternative suppliers: >= 2 per critical component

minimum target to safeguard supply

Proportion of updated category dossiers: > 90 %

share of categories updated in the current quarter

Spend analysis coverage ratio: > 95 %

share of procurement volume captured in the intelligence

Practical example

A mid-sized mechanical engineering company with an annual procurement volume of around €120 million built up systematic category intelligence for the standard electrical components category. The trigger was repeated supply shortages and an opaque price jungle spanning more than 40 suppliers. Within one quarter, the three-person procurement team created a category dossier with cost breakdowns, supplier profiles and a risk assessment and mirrored the results in a category board.

- Consolidation of the range, based on a basket analysis of around 20 % of items, down to three preferred suppliers
- Derivation of target prices from should-cost analyses for the 50 most important components
- Establishment of an early warning indicator for replenishment lead time and capacity utilisation of key suppliers
- Standardised assessment of raw material surcharges based on documented commodity indices

Conclusion

Category Intelligence transforms scattered market and supplier information into a decision-ready knowledge base for procurement. It is thus the indispensable foundation of every serious category strategy and of numerous operational tools, from the request for quotation to the supplier portfolio. The effort pays off particularly for categories with high volume, high risk density or a tight supplier market. What matters is continuity and data quality, not the perfection of the first dataset. Those who understand intelligence as a continuous process rather than a one-off project secure a lasting informational advantage over suppliers and competitors.

Frequently asked questions

What does Category Intelligence mean in procurement?

Category Intelligence refers to the systematic collection and preparation of market, cost, supplier and risk information relating to a procurement category. It serves as the factual basis for category strategies, negotiations and supplier decisions. Unlike category management, it is the informational part of the

process.

What components belong to Category Intelligence?

Typical components include cost breakdown and should-cost analyses, supplier profiles, market and price indices, risk and capacity assessments, as well as internal demand and spend data. These elements are usually consolidated into a category dossier or category board. Regular updates keep the basis decision-ready.

How does Category Intelligence differ from Market Intelligence?

Market intelligence looks at general market developments, such as industry trends or price indices. Category intelligence relates these data explicitly to a specific procurement category and combines them with internal company information such as demand, specifications and contract data. Only then does it create actionable relevance for one's own procurement.

Who is responsible for Category Intelligence?

Responsibility usually lies with the category manager. They draw data from operational procurement, quality assurance, logistics and external sources. Clear responsibilities and fixed cycles should be defined for data maintenance and updating.

Which KPIs are used for Category Intelligence?

Frequently used KPIs are savings versus baseline, price index development, the number of qualified alternative suppliers, replenishment lead time and the complaint rate. The selection depends on the profile of the category. It is important that the KPIs reflect the strategic objectives of the category.

How do you start building Category Intelligence?

A pragmatic starting point is a basket analysis of one's own expenditure to identify the strategically relevant items. For these top items, cost breakdowns, supplier profiles and risk assessments are then prepared. A limited pilot for one or two categories has proven effective as an entry point in practice.