

What “Strategic Procurement” Really Means?

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Let's Swipe Right



1. Start With Business Strategy (Not Prices)

Procurement must mirror business priorities.

Map strategy → procurement focus

- Growth → secure capacity & scalable suppliers
- Cost leadership → should-cost models, consolidation
- Innovation → early supplier involvement
- Risk reduction → dual sourcing, localization
- Sustainability → ESG-aligned suppliers

If procurement isn't tied to business KPIs, it's not strategic.



2. Segment Spend & Categories

Not all spend deserves the same strategy.

Classic category segmentation (Kraljic Matrix):

- **Strategic items:** high risk / high value → partnerships
- **Leverage items:** low risk / high value → competitive sourcing
- **Bottleneck items:** high risk / low value → supply assurance
- **Non-critical:** low risk / low value → automation

Each quadrant = different strategy, governance, and KPIs.



3. Build Category Strategies (Core of Strategic Procurement)

Every major category should have a 3–5 year strategy.

Category strategy includes:

- **Spend analysis & demand drivers**
- **Supply market analysis**
- **Risk & dependency assessment**
- **Make/buy & sourcing model**
- **Cost-reduction levers (TCO, not price only)**
- **Supplier innovation roadmap**



4. Shift Supplier Management → Supplier Value Management

Strategic procurement treats key suppliers as value creators.

Actions:

- Supplier segmentation (strategic, preferred, transactional)
- Joint business plans (JBP)
- Innovation workshops
- Performance + risk scorecards
- Executive-to-executive alignment

Goal: move from vendor → partner.



5. Use Total Cost of Ownership (TCO)

Price is just the entry ticket.

Include:

- Logistics & duties
- Quality & failure costs
- Inventory carrying costs
- Risk & disruption cost
- Sustainability & compliance costs

Strategic procurement optimizes value over lifecycle, not unit cost.



6. Embed Risk & Resilience by Design

Don't bolt risk management on later.

Strategic moves:

- Dual/multi-sourcing for critical categories
- Geographic risk diversification
- Long-term contracts with flexibility clauses
- Capacity reservation & volume guarantees
- Scenario planning & stress tests



7. Governance & Decision Rights

Strategy dies without governance.

Define clearly:

- What buyers can decide
- What needs escalation
- When exceptions are allowed
- How trade-offs (cost vs risk vs speed) are approved

This enables speed without chaos.



8. Digitize for Insight, Not Just Automation

Tools should support decisions.

Strategic enablers:

- Spend analytics
- Supplier risk intelligence
- eSourcing & CLM
- Market & commodity dashboards

If you can't see it, you can't manage it strategically.



9. Upgrade Procurement Skills

Strategic procurement needs different muscles.

Key capabilities:

- Business & financial acumen
- Market intelligence
- Negotiation beyond price
- Risk thinking
- Stakeholder influence

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Strategic procurement is not a one-time initiative but a continuous journey of alignment, insight, and improvement. When procurement is driven by clear category strategies, strong supplier partnerships, robust governance, and data-informed decision-making, it becomes a powerful lever for competitive advantage.

Organizations that invest in strategic procurement move beyond reacting to market pressures: they shape outcomes, protect value, and enable future growth. By embedding strategy into everyday procurement decisions, companies can transform procurement from a cost center into a trusted business partner and a key contributor to long-term success.

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