Commodity group board: the management instrument for category-focused procurement

The commodity group board is a clear, usually visual management tool with which procurement organisations classify their commodity groups by importance, market situation and need for action. It bundles key figures, supplier situation and strategic actions per category on a single surface and serves as a working and communication tool for buyers, business departments and management. In practice, it replaces or complements classic commodity group analyses with a continuously maintained, operational view of the portfolio.

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Key facts at a glance

01 A commodity group board classifies all commodity groups by revenue relevance, risk profile and need for action, making the procurement strategy per category transparent.

02 The typical foundation is a portfolio analysis, often based on the Kraljic matrix with the dimensions lever, strategic, non-critical and bottleneck.

03 Per commodity group, volume, supplier structure, lead time, price development and agreed actions are typically recorded.

04 The board links strategic category solutions with operational management, e.g. maverick buying, framework agreements or lot size optimisation.

05 Unlike the static report, the commodity group board is updated regularly, often quarterly, and discussed within the team.

06 Digitally implemented boards can be fed automatically with metrics such as catalogue ratio or PO order turnaround times.

Definition: commodity group board

A commodity group board is a structured overview that presents all relevant commodity groups of a company according to uniform evaluation criteria and shows the current status and planned actions per

category. It thus serves simultaneously as an analysis, planning and management instrument of strategic procurement.

Distinction from the classic commodity group analysis

The classic commodity group analysis is usually a one-off or annual evaluation of procurement volumes. The commodity group board goes further: it is maintained continuously, links quantitative data with qualitative assessments and contains binding actions with owners and deadlines. This turns a snapshot into a living management tool that also reflects changes in the market situation promptly.

Components of a commodity group board

In practice, a board typically contains, per commodity group, procurement volume, the number and regional distribution of suppliers, the share of framework agreements, price and market development, critical materials and the concrete action list. Many companies add risk fields on supplier location risk, notes on required supplier certificates such as ISO 9001 and the status of ongoing tenders up to the best and final offer (BAFO).

Purpose in day-to-day procurement

The board serves as the agenda for category reviews, as an onboarding document for new buyers and as a reporting surface for executive management. It creates a common language between procurement, engineering and sales, because every commodity group is assessed against the same criteria. This makes it possible to justify priorities for negotiations, dual-sourcing decisions or localisation in a traceable way.

Methods and approach for building a commodity group board

The build-up typically follows a multi-stage approach: segmentation, assessment, derivation of actions and ongoing maintenance. It is crucial that the evaluation criteria are bindingly defined in advance so that results remain comparable across commodity groups.

Step 1: structure the commodity groups

First, the procurement volume is consolidated by commodity group, often on the basis of a harmonised commodity group classification from ERP or e-procurement data. Sensible granularity is important: groups that are too coarse obscure the need for action, while groups that are too fine create maintenance effort. Many organisations use two-level class hierarchies, e.g. structural steel semi-finished products below the umbrella term metal. Manufacturer catalogues and supplier structures help with the assignment.

Step 2: assess and prioritise

Each commodity group is assessed against uniform evaluation criteria, usually volume, acquisition costs, supply risk and the market power of suppliers. This results in a classification into strategic, lever, bottleneck and non-critical commodity groups. This portfolio view determines the approach: strategic

categories receive supplier partnerships, lever groups tenders with BAFO logic, bottleneck groups security concepts.

Step 3: derive and maintain actions

Concrete actions emerge from the assessment: concluding or adjusting a framework agreement, introducing catalogue solutions to increase the catalogue ratio, dual sourcing to reduce supplier location risk, or lot size optimisation where order frequencies are high. Each action is given an owner, a target and a deadline. In practice, updates are often made quarterly, and monthly for volatile markets.

Key KPIs on the commodity group board

A commodity group board only works if it is measurable. The selection of metrics should remain lean and vary by commodity group type, as a bottleneck group requires different metrics than a lever group.

Cost and process metrics

Common metrics are savings versus baseline, price index per commodity group, the share of concluded framework agreements and the catalogue ratio for indirect materials. On the process side, PO order turnaround times, the share of released purchase orders and the extent of maverick buying, i.e. purchases outside agreed processes and contracts, are of interest. These values show whether agreed strategies are actually being applied.

Supplier and quality metrics

Per commodity group, the number of suppliers, the top supplier's share of volume, delivery readiness (delivery reliability) and inbound quality are often recorded. In addition, results from sampling inspections and ongoing quality inspections provide indications of the robustness of supply. Missing or expired supplier certificates are made visible on the board as open items and followed up.

Risk and resilience metrics

For critical commodity groups, risk metrics complete the picture: assessed exposures to supplier location risk, coverage of demand from multiple sources, lead time values relevant to re-procurement and planned buffer stocks. Some companies also use financial safeguards such as a bank guarantee/surety for advance payments; their use can be documented on the board per category. The aim is a balanced view of cost, delivery capability and risk.

Risks and controls around the commodity group board

The instrument itself carries risks: outdated data, evaluation criteria without consensus and boards that degenerate into mere reporting surfaces. Targeted controls and clear responsibilities prevent this.

Data quality and maintenance effort

The greatest practical risk is obsolescence: if prices, lead time information or supplier details remain

static, the board loses credibility. Automated data sources from ERP and e-procurement systems help, as does a clear rule on who updates which fields at what interval. A linguistically simple structure encourages business departments and management to actively use the board.

Consistency with contracts and compliance

Actions from the board must be consistent with existing contracts, approval rules and compliance requirements. For single or dual sourcing decisions, additional safeguards may be sensible, such as a bank guarantee/surety for large advance payments or a parent company guarantee for group suppliers. Legal and tax questions, e.g. on supply chain matters, should always be examined case by case; the board flags the need for action but does not replace legal advice.

Anchoring in processes and the organisation

So that the board does not run in parallel with day-to-day business, it should be embedded in existing processes: category reviews, budget planning, supplier audits and process cost accounting for complex parts. For contract manufacturing and external services, the commodity group belongs on the board too, as do innovation-oriented topics from individual suppliers' innovation roadmaps. Clear ownership per category prevents actions from fizzling out.

Current developments: from board to digital management

Commodity group boards are increasingly migrating from the Excel spreadsheet to digital tools and receive automatically fed metrics. This shifts the focus from data collection to joint decision-making.

Automated data feeds

Modern boards draw evaluations directly from ERP, catalogue platforms and supplier portals. This makes it possible to present catalogue ratio, order volume and supplier metrics almost in real time. In addition, AI-supported analyses support the classification of line items into commodity groups and the detection of price anomalies. This automation significantly reduces maintenance effort and increases data currency.

Integrating risk and sustainability perspectives

Boards are increasingly expanded to include risk data: geographical exposures, assessed supplier location risk indicators and sustainability criteria such as the certification status of suppliers. Particularly in supply chains with long procurement routes, these perspectives are gaining importance. Questions of localising procurement to shorten supply chains are also frequently prioritised and tracked directly on the board today.

The board as an interface to marketplaces and tenders

Digital boards are increasingly linked with tendering and marketplace processes: identified lever groups are transferred directly into tenders, and results flow back into the board. This creates a control loop of analysis, enquiry, award and impact verification. For smaller suppliers, digital marketplaces lower the

barrier to responding to commodity group enquiries and demonstrably improving their inbound quality and processes.

Benefits for buyers and executive management

The real value of the commodity group board lies in its decision-making power: it shows where which actions promise which effect, and makes the procurement strategy comprehensible to all stakeholders.

Prioritising limited resources

Procurement teams cannot work on every commodity group strategically at the same time. The board creates a transparent prioritisation based on volume and risk profile. Non-critical categories can be largely automated through catalogue solutions and framework agreements, freeing up resources for strategic topics. In this way, limited processing capacity is deliberately directed to where it has the greatest leverage.

Transparency towards business departments

When business departments can view the data and planned actions for their commodity groups on the board, conflicts over supplier changes or standardisation projects decrease. Actions such as dual sourcing, standard-part strategies or lot size optimisation can be argued using the metrics visible on the board. This increases acceptance of implementation decisions and accelerates their execution.

Building skills and retaining knowledge

A well-maintained board documents who has gained what experience in which commodity group and which actions have already been implemented. This knowledge stays with the company when buyers change. At the same time, it serves as training material: junior buyers quickly understand from the board which levers typically work in which commodity group, from framework agreements and catalogue solutions to quality inspection of critical parts.

Typical metrics

Metric	Typical value
Savings versus baseline	typically 2–8 % per commodity group addressed *depending on starting situation and market environment*
Catalogue ratio	> 70 % for indirect C-parts *common guideline value for heavily catalogued commodity groups*
Share of framework agreements	typically 60–80 % of volume in lever groups *remainder via purchase orders or tenders*

Delivery reliability	> 95 % *monitored per commodity group, higher for critical groups*
Board currency	quarterly *most common maintenance cycle in practice*

Practical example

A medium-sized mechanical engineering company with around EUR 40 million in annual procurement volume introduced a commodity group board covering all main material groups. The initial assessment revealed that three commodity groups accounted for almost half of the volume, while numerous small categories burdened operations with high process effort but low material value.

- Consolidation of the small categories into a framework agreement with a high catalogue share, which significantly reduced maverick buying.
- For the lever commodity group structural steel semi-finished products, a tender with a BAFO process was run with three suppliers and lot size optimisation was coordinated with logistics.
- For two bottleneck components with long lead times, a second supplier was qualified at a different site in order to reduce supplier location risk.
- Expired ISO 9001 certificates and outstanding quality inspection results were made visible on the board and followed up quarterly.

Conclusion

The commodity group board combines procurement analysis, management and communication on a single surface. It prioritises according to uniform evaluation criteria, records actions with owners and deadlines, and makes success measurable. Crucial to success are fresh data, a lean selection of metrics and consistent integration into reviews and budget planning. Those who feed the board digitally and interlock it with tendering and contract processes turn it from a statistic into a genuine management instrument. For medium-sized suppliers and buyers, it is thus a pragmatic entry point into professional category management.

Frequently asked questions

? What is a commodity group board in procurement?

A commodity group board is a structured, usually visual overview of all relevant procurement commodity groups, with key figures, supplier situation and planned actions. It serves as a working tool for category reviews and as a reporting surface for management. Unlike a one-off commodity group analysis, it is maintained and updated on an ongoing basis.

? How do you create a commodity group board step by step?

First, you consolidate procurement volume by commodity group, assess each group against uniform criteria such as volume, risk and market situation, and derive actions from this. Each action is assigned an owner, a target and a deadline. Finally, you define a maintenance cycle, usually quarterly, and populate the board with data from ERP and e-procurement systems.

? Which metrics belong on a commodity group board?

Typical metrics include savings versus baseline, price index, share of framework agreements, catalogue ratio, delivery readiness, inbound quality and metrics on maverick buying. For critical commodity groups, risk indicators such as supplier location risk, lead time and safeguards are added. The selection should vary by commodity group type and remain lean.

? What is the difference between a commodity group board and the Kraljic matrix?

The Kraljic matrix is an analysis tool that classifies commodity groups into four quadrants by profit impact and supply risk. The commodity group board often uses this classification as a foundation but goes beyond it: it contains current key figures, ongoing actions, owners and deadlines. In short, the matrix provides the classification, the board the ongoing management.

? How often should a commodity group board be updated?

In practice, a quarterly update cycle has become established, supplemented by ad-hoc adjustments in the event of significant price or market changes. What matters is a defined cycle with clear responsibilities for data maintenance. Volatile categories, such as raw materials or electronic components, can be updated more frequently, e.g. monthly.

? What should be considered when introducing a commodity group board?

Key factors are bindingly defined evaluation criteria agreed in advance, so that results remain comparable, as well as sensible commodity group granularity. The board should be integrated into existing processes such as category reviews and budget planning rather than running in parallel. In addition, the maintenance effort should remain realistic, ideally through automated data feeds from the ERP system.

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