

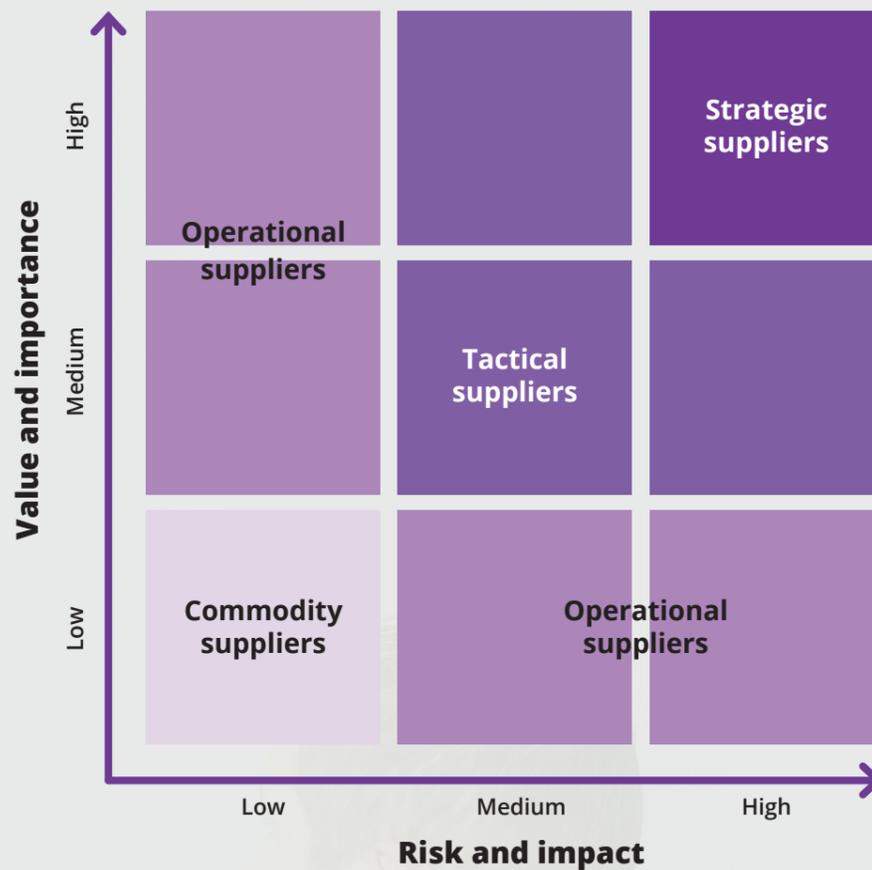
# ITIL® Poster Series #44

## ITIL: Supplier Categorization



### Introduction

Service providers rely on external suppliers to provide elements of the service provided to the business. Failure of a supplier to deliver may mean that the service provider fails to achieve the service level targets agreed with the business. A number of factors, from the nature of the service to the overall cost, determine the importance of a supplier from a business perspective. ITIL recommends a formal categorisation process which assesses the risk and impact associated with using the supplier, and the value and importance of the supplier and its services to the business. In this article we examine the concept of supplier categorisation described in the ITIL guidance, and the 4 categories.



### SUPPLIER CATEGORIZATION

Service providers rely on external suppliers to provide elements of the service provided to the business. The supplier management process works with service level management to manage the performance of these suppliers, ensuring that the targets defined in the underpinning contracts are achieved. Failure of a supplier to deliver may mean that the service provider fails to achieve the service level targets agreed with the business.

Not all suppliers require the same level of scrutiny and management. Each supplier must be assessed and categorized dependent upon their importance to the service provider and the services provided to the business. Suppliers can be categorized in many ways, but the ITIL guidance suggests that this should be done by assessing the risk and impact associated with using the supplier, and the value and importance of the supplier and its services to the business, as illustrated here.

The more important suppliers can then be managed more closely, with more time spent on monitoring their performance, as the success of the service provider and their customer could be severely impacted by poor service by these important suppliers. These suppliers will be also managed by more senior staff within the service provider, due to their importance. Regular reporting against targets, and frequent service reviews will be required. For a critical service this may be daily in the days following the launch of a new service which depends on their input, then weekly, as it becomes imbedded, until the service achieves a business as usual status. Most strategic and tactical suppliers would then be managed by monthly service reviews.

The lower categories of supplier will not merit such close attention, as the impact of failure in the service they provide is lower. Less time will be spent monitoring their performance, and the level of staff involved will be lower. The four categories defined in the ITIL guidance are:

#### STRATEGIC

The agreements with these suppliers are strategic partnerships, where confidential information about plans and future products is shared between the two organisations under non-disclosure agreements. This enables the supplier to tailor their service to the customer's long-term requirements. Senior managers on each side will monitor and manage the relationship. Contact between the organisations would be very frequent. An example of a strategic partnership might be when a new product depends on a supplier service to be successful.

#### TACTICAL

The agreements with these suppliers involve significant commercial activity and are normally managed by middle management. Contact with these suppliers will be regular. Examples would be suppliers of major infrastructure services.

#### OPERATIONAL

Agreements with suppliers of operational products or services would normally be managed by junior operational management, such as team-leaders. Contact would be infrequent but regular. Examples of such suppliers would be an internet hosting service provider for a low-usage, low-impact website or internally used IT service.

#### COMMODITY

Suppliers providing low-value and/or readily available products and services are categorised as commodity suppliers. They will be managed by administrative staff, with no service reviews. Typically the choice of suppliers of commodities such as paper or printer cartridges suppliers would be made on a cost basis, without technical considerations being required.

