Portfolio Analysis Tool

This tool (the Kraljic model) explains the possible relationships between a buyer and potential suppliers. This understanding helps the buyer to make strategic procurement decisions through considering risk and cost benefits.

Business impact or risk

Dollar value

**Notes:**

* **Operational**: Operational procurement carries risk (i.e. failure of an operational arrangement may lead to major issues for Unitec). The objective is to manage risk by identifying alternatives, suggesting ways to reduce risk etc. A typical procurement in this quadrant is where once a supplier is selected it would be difficult to change supplier in the medium term.
* **Strategic alliance**: By effective supplier management (good relationship management), the objective is to secure long-term value for money. Typical examples of procurement in this quadrant are large infrastructure developments, data warehousing, outsourcing of domestic services.
* **Transactional**: Transactional procurements are generally simple, with the objective of keeping the cost of procurement as low as practical and the process efficient. Typical transactional procurement includes stationery, standard IT hardware and accessories, general food supplies.
* **Tactical**: Tactical procurements aim to reduce the cost of procurement and goods/services, and also to aggregate demand and efficient transaction management.