

# Kraljic matrix

## About Kraljic matrix



## Leverage quadrant

## Strategic quadrant

## Non-Critical quadrant

## Bottleneck quadrant

# Card of the day

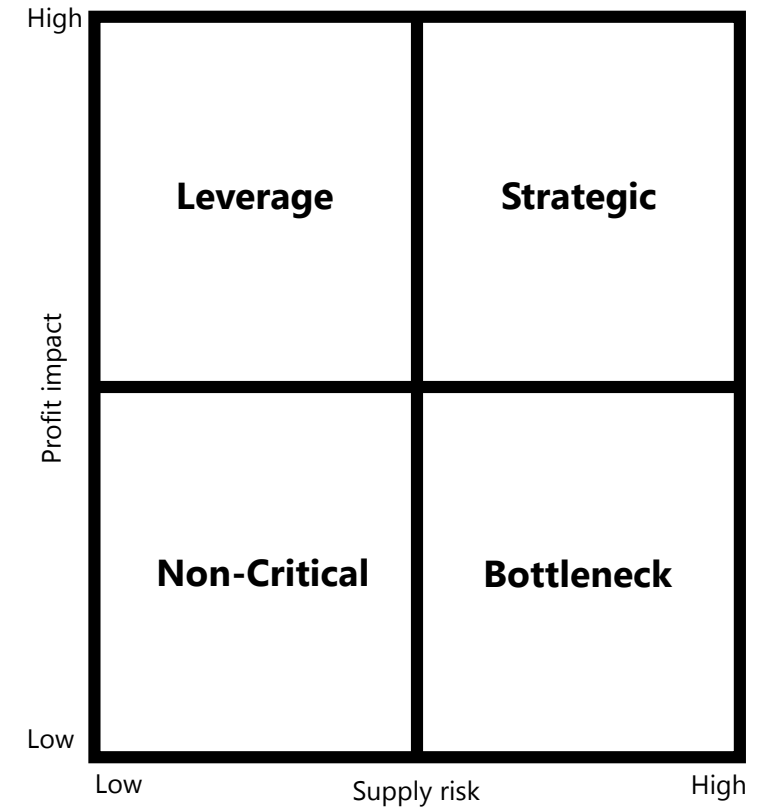
## About Kraljic matrix

Kraljic matrix was created by Peter Kraljic and it first appeared in the Harvard Business Review in 1983. Despite its age, it's a popular and useful model used in companies worldwide.

It's purpose is to help purchasers maximize supply security and reduce costs, by making the most of their purchasing power. In doing so, procurement moves from being a transactional activity to a strategic activity.

Kraljic Matrix is divided into 4 quadrants showing the profit impact on one axis and supply risk on the other side of the axis. The matrix four quadrants are:

Strategic, Leverage, Bottleneck and Non-Critical.



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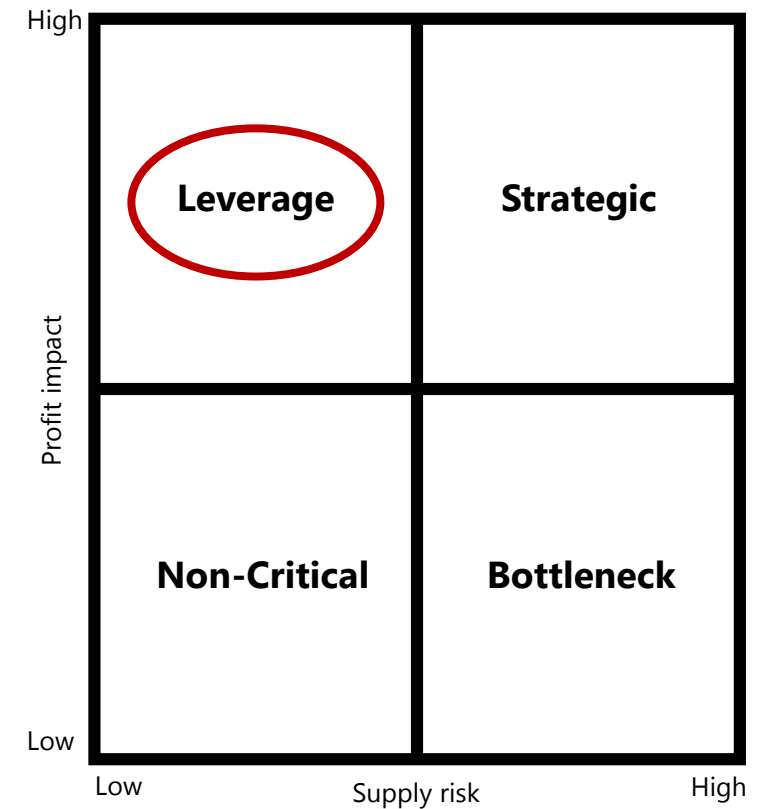
## Card of the day

### Leverage quadrant

Leverage items have a large financial impact on the organization, however, these items are in abundant supply. They are usually highly standardised and easily available.

This quadrant belongs in a so-called "buyer's market". This means that buyers possess the balance of power in the relationship and leverage this strength to obtain greater returns.

The purchasing strategies we would typically use for these types of items include tendering and competitive bidding.



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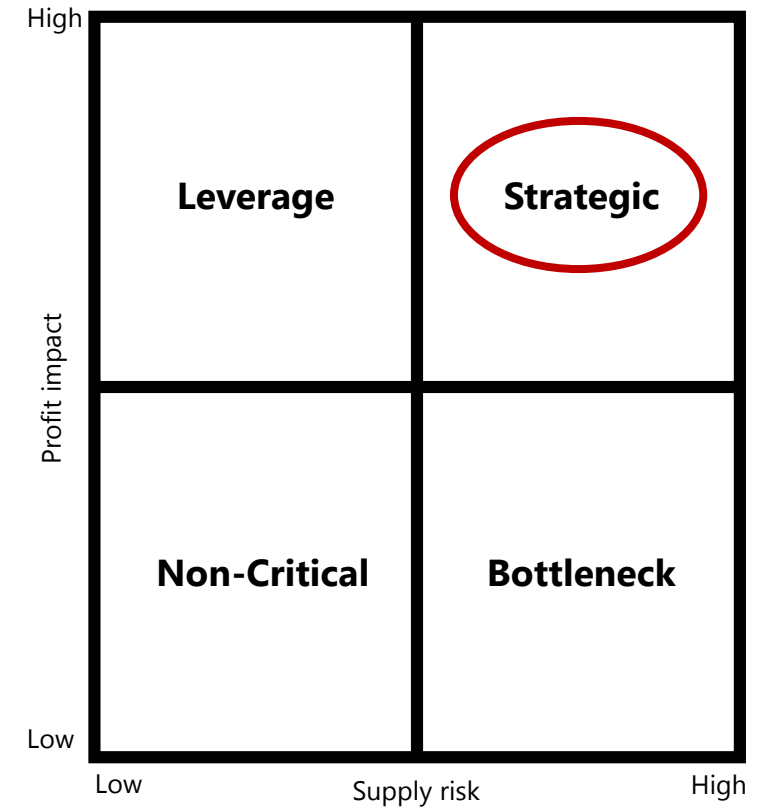
## Card of the day

Strategic quadrant

Strategic items have high supply risk and high profit impact and are bought mainly from strategic suppliers. These items are critical to the business.

This power between buyer and supplier is balanced and the goal here is to ensure long-term availability. Company need to look for a "win-win" negotiation that benefits both parties.

The purchasing strategies we would typically use for these items include collaboration and strategic partnerships.



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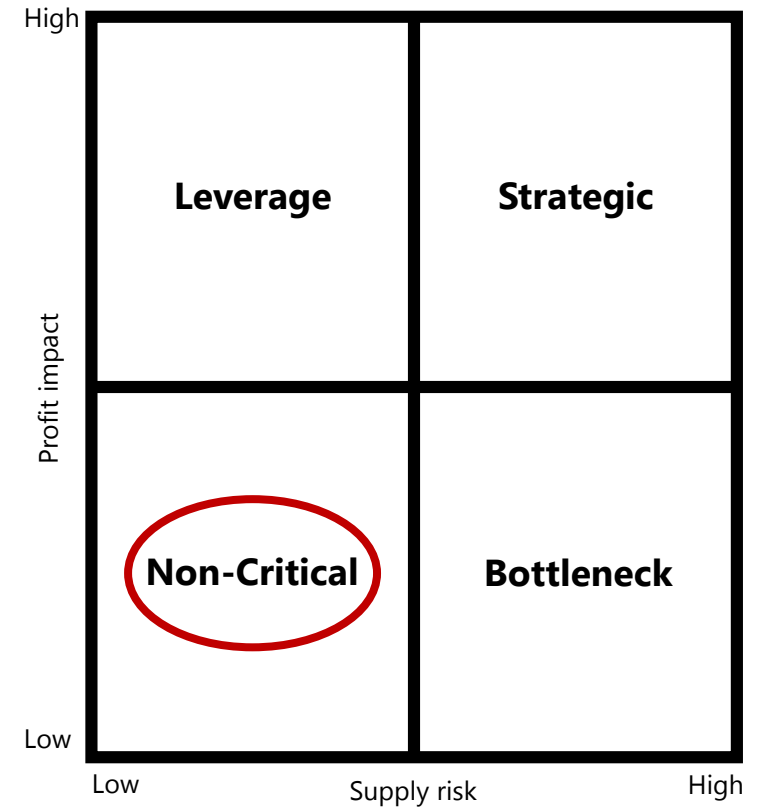
## Card of the day

Non-Critical quadrant

Non-Critical items are low risk and have a low profit impact. They are usually lowest on priority list in a sourcing strategy.

There is a balance of power between buyer and supplier. These items cause the least problems for buyers because they can be purchased in different varieties and from different suppliers.

By increasing product standardization, much time and money can be saved. Thus, the purchasing strategies we recommend for these types of items focus around reducing administrative costs and logistical complexity.



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## Bottleneck quadrant

These are products with limited source of supply. Their supply risk is high, but do not have a major profit impact.

This quadrant belongs in a "Supplier's Market." Here, the strength is in the hands of the supplier. The market consists of few suppliers that can behave freely and force prices upward.

The purchasing strategy we would typically use for these types of items is twofold. Firstly, we need to ensure continuity of supply. Secondly, we need to develop plans to reduce our dependence on this supplier, by adapting our products and investigating alternative products and suppliers.

