KRALJIC MATRIX IN ACTION

20 Real Procurement Categories
in an EPC Company.

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Executive Summary

Classifying procurement categories correctly is the foundation of any effective negotiation strategy. The Kraljic Matrix, which plots each category against profit impact and supply risk, remains one of the most practical frameworks available for doing exactly that. Yet across EPC and manufacturing organizations, the same gap appears again and again: the framework is understood, but it is not applied. When the pressure of a live procurement cycle sets in, teams fall back on gut feel and past practice, and the strategic value of category management is lost.

This guide is built to close that gap. It works through 20 procurement categories drawn from a mid-sized EPC company, assigns each one to a Kraljic quadrant, and sets out the reasoning behind the call so the logic can be transferred to your own spend base.

What you will take away

- A ready-to-use starting list of 20 common EPC procurement categories, so no time is lost deciding where to begin.
- A quadrant assignment for every category, each with the specific reasoning: impact on project cost, supplier availability, switching difficulty and lead time behind it.
- A differentiated action plan per quadrant: where to compete hard, where to partner deeply, where to build resilience, and where to automate and move on.
- A lightweight quarterly review routine that keeps the classification aligned with a market that does not stand still.

> **One important caveat**
> The classifications in this guide are illustrative. In practice, categories move between Strategic, Leverage, Bottleneck and Non-critical depending on your business context, project requirements, market conditions and supplier dynamics. Use this as a thinking tool, not a fixed template.

Why Category Classification Comes First

Negotiation strategy is downstream of category strategy. Until you know whether a category is a price battleground, a partnership, a continuity risk or an administrative overhead, every sourcing decision within it is a guess. That is why classification is the first move, not a documentation exercise to be completed after the fact.

Working closely with procurement leaders across EPC and manufacturing organizations surfaces a consistent pattern. Teams can describe the Kraljic Matrix accurately. What they struggle with is applying it to a live spend base, category by category, in the middle of a busy procurement cycle. The framework stays on the slide; the buying reverts to habit.

The remedy is not a more sophisticated model. It is a worked example concrete enough to copy. The classification exercise that follows takes a few hours, not a quarter, and it changes how each rupee of spend is approached for the rest of the year.

The Kraljic Matrix in Brief

The matrix positions each category on two axes: the impact it has on profit or project cost, and the risk attached to its supply. Those two questions produce four quadrants, each with a distinct sourcing logic.

Quadrant	Profile	Primary objective	Count (of 20)
Strategic	High profit impact, high supply risk	Partnership, reliability, joint problem-solving	**7**
Leverage	High profit impact, low supply risk	Competitive sourcing and consolidation	**8**
Bottleneck	Low profit impact, high supply risk	Continuity of supply and risk mitigation	**3**
Non-critical	Low profit impact, low supply risk	Automation and process efficiency	**2**

The counts in the final column reflect the 20-category example that follows a useful reminder that a healthy EPC portfolio is rarely dominated by a single quadrant.

Step 1: Start With Your Top Spend Categories

Do not try to cover everything. Start with the categories that carry the most relevance and the most value. The 20 below are common to almost any EPC setup and make a workable starting list.

Materials and equipment	Services and subcontracting	Support and indirect
• Steel • Cement • Structural fabrication • Electrical panels • Cables and wiring • Pumps and compressors • Valves and fittings • Specialized process equipment • Construction chemicals	• Subcontracted civil work • Subcontracted mechanical work • Engineering design services • Project management consultants • Logistics and transportation	• Imported components • IT software licenses • Safety equipment • Office supplies • Temporary site facilities • Maintenance spares

Step 2: Classify Each Category by Impact and Risk

Now apply Kraljic thinking to each category. Keep it practical and resist the urge to overanalyze: for every category, ask only how much it moves project cost, and how exposed you are on supply. The table below gives the call and the reasoning for all 20.

#	Category	Kraljic quadrant	Reasoning
1	**Steel**	**Leverage**	High impact on total project cost, but multiple qualified suppliers are usually available. That combination gives you real negotiating power and makes the category well suited to competitive sourcing.
2	**Cement**	**Leverage**	A major cost driver in construction, yet supplier availability is typically high in most regions. Pricing is best driven through volume consolidation across projects.
3	**Structural fabrication**	**Strategic**	Fabrication quality feeds directly into project timelines and safety. Supplier capability varies significantly and switching is difficult once work is underway.

#	Category	Kraljic quadrant	Reasoning
4	**Electrical panels**	**Strategic**	Panels are often customized and integrated into the overall system design. Limited qualified suppliers and high design dependency make this strategic.
5	**Cables and wiring**	**Leverage**	High value but widely available. Standard specifications allow competitive bidding and effective commercial negotiation.
6	**Pumps and compressors**	**Strategic**	Critical to plant operation. Selection turns on performance reliability, and the pool of proven vendors is limited.
7	**Valves and fittings**	**Leverage**	Important, but largely standardized and available from multiple suppliers- strong negotiation leverage.
8	**Specialized process equipment**	**Strategic**	Typically sourced from a handful of global suppliers. High technical complexity and long lead times raise supply risk.
9	**Construction chemicals**	**Leverage**	Quality-relevant, but several established suppliers exist. Switching is possible with proper validation.
10	**Subcontracted civil work**	**Strategic**	Execution quality and schedule depend heavily on the subcontractor. Reliable partners are hard to find, which makes the category high risk.
11	**Subcontracted mechanical work**	**Strategic**	As with civil work, outcomes depend on skilled execution and coordination. Supplier capability and availability drive the risk profile.
12	**Engineering design services**	**Strategic**	Design errors cascade across the entire project. Trusted partners are limited and switching mid-project is difficult.
13	**Project management consultants**	**Bottleneck**	Not a large cost driver, but availability of the right expertise can be tight. Delays in onboarding hit project execution.
14	**Logistics and transportation**	**Leverage**	A significant cost area with multiple service providers. Optimize through rate contracts and structured competition.
15	**Imported components**	**Bottleneck**	Often low in value but high in risk, given dependence on global supply chains and long lead times.
16	**IT software licenses**	**Leverage**	Costs can be high, but multiple vendors or alternatives usually exist. Negotiation and bundling reduce spend.
17	**Safety equipment**	**Non-critical**	Essential but low cost and widely available. Focus on standardization and frictionless procurement.

#	Category	Kraljic quadrant	Reasoning
18	**Office supplies**	**Non-critical**	Low value, low risk. Best handled through catalogues or automated purchasing.
19	**Temporary site facilities**	**Leverage**	Moderate cost with multiple suppliers. Source competitively against clear specifications.
20	**Maintenance spares**	**Bottleneck**	Individually low value but operationally critical. Availability can be uncertain, especially for ageing equipment.

Read down the reasoning column and a pattern emerges. Categories land in Strategic not because they are expensive, but because capability is scarce and switching is painful. They land in Leverage because standardization has created a competitive supply market. Bottleneck items are cheap and dangerous. Non-critical items deserve process, not attention.

Step 3: Apply the Right Strategy for Each Quadrant

Once the categories are classified, the right strategy becomes largely self-evident. Yet this is precisely where most procurement teams leave value on the table: the classification is completed and then filed, without ever being translated into differentiated action.

Leverage items

Examples: steel, cement, cables and wiring, logistics.

These categories offer the most immediate negotiation upside. Drive them through competitive sourcing, volume consolidation across projects, and structured negotiation. Use your buying power deliberately. The risk here is that high-value categories quietly become routine reorders.

Strategic items

Examples: structural fabrication, pumps and compressors, subcontracted civil and mechanical work, engineering design.

Price is not the primary lever. Focus on building long-term supplier relationships, setting clear performance metrics, and creating the conditions for genuine collaboration. The objective is reliability and joint problem-solving, not the lowest unit rate.

Bottleneck items

Examples: imported components, critical maintenance spares, specialist consultants.

The priority is risk mitigation. Identify and qualify backup suppliers before you need them, hold adequate buffer stock, and monitor lead times closely. A single disruption in a low-value bottleneck category can stall an entire project.

Non-critical items

Examples: office supplies, safety equipment, consumables.

Reduce the effort your team spends here. Automate where possible, consolidate suppliers, and simplify the buying process. Every hour saved on non-critical items is an hour available for categories that genuinely move the needle.

> **The underlying principle**
> Not all categories deserve the same attention. The Kraljic Matrix tells you where to compete hard, where to partner deeply, where to build resilience, and where to automate and move on.

Step 4: Review Your Classification Regularly

Classification is not a one-time exercise. Categories shift sometimes happen gradually, sometimes overnight. A leverage category such as steel can become a bottleneck when a key supplier hits a capacity constraint, a port disruption delays imports, or geopolitical tension tightens raw material availability. What looked like a buyer's market last quarter can look very different today, and EPC schedules leave little room for supply surprises.

Make classification a quarterly exercise. Set aside a few hours with your team, revisit your top spend categories, and ask one question: has anything changed in the market, in our supply base, or in our business requirements that would move this category on the matrix? That conversation alone is often enough to surface risk before it becomes disruption.

Four tips to keep the review manageable

- **Keep it focused.** You do not need to review every category every quarter. Prioritize your top 20 to 30 spend categories, plus anything that showed supply stress in the previous period.
- **Involve your category owners.** The people closest to the suppliers and the market carry the most relevant signals.
- **Document your reasoning.** Capture not just the classification but why you placed it there. It makes the next review faster and better grounded.
- **Act on the shifts.** A reclassification only creates value if it triggers a change in strategy or sourcing approach.

The goal is not a perfect model. The goal is keeping procurement strategy aligned with reality. A practical, living classification that your team actually uses will always outperform a beautifully structured one that sits in a presentation deck.

From Classification to Execution

Knowing your category classification is only half the equation. The other half is having the tooling to execute the strategy that follows.

Once a category is selected, procurEngine helps you act on it with speed and structure, connected to your ERP. Teams can draw on more than 200 negotiation strategies, engage as many suppliers as a category warrants without adding workload, and retain a complete auditable record of every procurement event: offers, negotiations and approvals included.

It is built for procurement teams that want control and clarity without complexity: no lengthy implementation, no dedicated IT support, just a faster and more structured way to execute category strategy.

Appendix I: Author Details

Anupam Aggrwal is the Chief Executive Officer and Co-Founder of procurEngine, the AI-powered Source-to-Pay platform built by AgileApt Solutions. He has spent more than 30 years handling commercial negotiations and helping organizations improve procurement performance through process transformation, digitalization and strategic sourcing. That work spans manufacturing, construction and services, where he has helped procurement teams simplify operations, improve spend visibility, strengthen supplier relationships and turn sourcing decisions into measurable business value.

Alongside the executive role, he teaches. He is a guest lecturer to supply chain students at the Mays Business School at Texas A&M University and at the Eli Broad Graduate School of Management at Michigan State University, drawing on live negotiation and category management practice rather than textbook theory. He writes regularly for procurement practitioners on eAuction design, e-negotiation techniques and the negotiation discipline that separates consistent savings from occasional wins. He is based in Austin, Texas.

Appendix II: About procurEngine

procurEngine is an AI-powered **Source-to-Pay (S2P)** platform that helps enterprise procurement teams streamline procurement operations, improve supplier collaboration, and achieve measurable business outcomes. Developed by **AgileApt Solutions**, procurEngine brings sourcing, procurement, supplier management, contract management, purchasing, invoicing, and analytics together on a single, connected platform.

Designed for practical enterprise adoption, procurEngine enables organizations to standardize procurement processes, strengthen governance, increase spend visibility, and accelerate decision-making without disrupting existing ERP and business applications. The platform combines intelligent automation with human oversight to improve efficiency, ensure compliance, and deliver audit-ready procurement workflows.

Whether organizations are digitizing procurement for the first time or modernizing legacy processes, procurEngine provides the flexibility, scalability, and integration capabilities required to support global procurement operations.

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Disclaimer: *The category classifications presented in this guide are illustrative and derived from a representative mid-sized EPC spend profile. They should be adapted to your own business context, project requirements, market conditions and supplier landscape.*