

7.3.5 Classify the supplier using the Supplier Segmentation Framework

7.3.5.1 What is the Supplier Segmentation Framework?

The Supplier Segmentation Framework classifies suppliers into ‘supplier types’ (**tactical, emerging, legacy or strategic**), which in turn, determines the degree of management you are required to undertake for the contract.

You **must** classify the supplier using the Supplier Segmentation Framework if the total aggregated contract spend with that supplier (including the new contract) is \$5 million or more per annum.

Suppliers with a total aggregated contract spend of less than \$5 million per annum do not need to be classified into a ‘supplier type’ using the Supplier Segmentation Framework.

The Supplier Segmentation Framework is as follows:

| | | |
|----------------|---|---|
| HIGH | Legacy | Strategic |
| | <ul style="list-style-type: none"> Supplier supports critical business processes and performances may have a significant impact on end users or customers Limited available alternatives, or switching costs/time are prohibitive Supplier offerings do not align with the NSW Health agency’s forward organisational strategy and/or IT roadmap/strategy <p>Supplier management focus: business continuity, performance and rationalisation</p> | <ul style="list-style-type: none"> Significant spend and/or risk, requiring the greatest contract management rigour and effort Available alternatives are limited, or switching costs are prohibitive Supplier offerings align with the NSW Health agency’s go forward organisational strategy and/or IT roadmap/strategy and performance is critical for achieving the agency’s strategic goals Both parties invest in the relationship and innovation <p>Supplier management focus: performance, strengthening strategic collaborative relationships to deliver mutually beneficial business outcomes and innovation</p> |
| BUSINESS VALUE | | |
| LOW | Tactical | Emerging |
| | <ul style="list-style-type: none"> Supplier has no impact on clinical or customer facing operations Available alternatives are plentiful and switching costs/timing are minimal Low to medium risk of delivery <p>Supplier management focus: expense management, and cost optimisation and rationalisation only</p> | <ul style="list-style-type: none"> Available alternatives and switching costs are moderate Supplier offerings align to the NSW Health agency’s go forward organisational strategy and/or IT roadmap/strategy Candidate for investing time and effort to promote to becoming a strategic supplier <p>Supplier management focus: performance, developing collaborative relationship opportunities to contribute to strategic objectives and innovation</p> |
| | LOW | HIGH |
| | RELATIONSHIP VALUE | |