



## **TOPIC GUIDE:**

### **SUPPLIER PARTNERSHIPS - FINE WORDS OR REAL VALUE?**

This brief article is about the benefits that can accrue to both parties by selectively adopting a well founded and structured approach to working together in 'Partnership' mode.

The author set up such a way of working within a global 'Blue Chip' company and subsequently led a network of such partnerships which resulted in savings of several millions of pounds as well as other benefits.

We all probably have some idea as to what Supplier Partnerships are. They should be about more than just an established supplier with a big spend, who you get on with and do each other a favour from time to time. A classic type relationship might be along the lines of 'We Order, You Supply, We Pay' and as long as the goods or services are reasonably satisfactory, then everything is thought pretty much OK. However, this can be missing significant value for both parties: real Supplier Partnerships are about working together with key vendors to maximise value for both parties.

We would not advocate Partnership for all your suppliers, it is something to be carefully targeted at a few selected ones, considering factors such as risk, total value (now or potential) and strategy.

#### **Areas of Potential:**

- Joint Product Development: instead of the supplier coming up (perhaps) with a new idea and then trying to sell it to you, both companies collaborate on designing the future (with an appropriate framework in place for intellectual property if applicable). This greatly increases the chances of innovation and it being what you need.
- This also works in both directions, in that your supplier can help you develop your product. In fact this is often inevitable if the supplier's product becomes a component part of yours. A good supplier will have expertise, why not deliberately set out to deploy it for mutual benefit?
- Supply Chain Optimisation: Studying the flows of orders, goods and invoices to identify savings and improvements. Examples include eliminating duplication, Vendor Managed Inventory, better order patterns and optimised deliveries.
- Value Analysis: Looking at the elements of the good/service and evaluating their individual cost and benefit in order to find savings or other benefits.

- See that a good set of Key Performance Indicators are put in place *and used* to trigger effective actions.

## **Cooperation Vs. Competition**

Partnerships require more openness and trust than may have been the case before. In fact developing trust is key and needs deliberate management. However, given the hard realities of the commercial world, you cannot afford to get too cosy in such a relationship. Managing the apparent dichotomy of cooperation where it makes sense and competition where it makes sense is part of the challenge: it can be done and must be as no one gets a meal ticket for life in the world of supply – it has to be constantly earned and justified.

### **Some of the Questions:**

- How to identify the suitable suppliers
- How to structure and organise (including cross-functional involvement)
- The preparation of those to be involved and how to kick-off
- How to be ‘one company’ before the supplier. Examples have been seen where the supplier is skilled at running multiple contacts in your organisation and is sometimes better informed than any one person in your organisation.

## **The Investment and the Return**

It is necessary to make some upfront investment, at least in terms of people’s time. Returns can be relatively quick though – the preverbal ‘low hanging fruit’, even if some aspects take longer, such as product development.

The author’s experience was that more savings and improvement ideas were quickly generated than could be worked on at once (great!) and that this approach really gave a focus on the Total Cost of Ownership, with some millions of pounds of savings resulting across a number of teams. In addition the day to day interface improved as people gained a deeper understanding and saw the goodwill and common objectives. All of which adds up to a more satisfying and profitable relationship all round.

There is real additional value to be had here but in order to avoid some of the pitfalls it is vital that it is set up well. The Buying Support Agency offers a course to do just this, where you can benefit not just from fine words and colourful slides but focus on *your* business in workshop mode to provide you with a launch pad for achieving the strategic benefits and cost savings that can result from correctly based Supplier Partnerships.

For more information on the Buying Support Agency's Supplier Partnership training programme, simply telephone 0845 555 3344 or email [info@buyingsupport.co.uk](mailto:info@buyingsupport.co.uk)