

So what have my suppliers ever done for me?

In an increasing competitive global marketplace, the supply chain professional needs to be able to utilize innovative solutions developed by their supplier base.

We all know of good products and services. As supply chain professionals we will also understand the importance of an effective and efficient supply chain in place to support our product offerings in the marketplace. This Knowledge Byte illustrates some of the benefits to be gained from working with suppliers and introduces some methodologies for managing them.

Suppliers are essential to achieving competitive advantage in the marketplace. Competitive advantage means being better than the competition, whether for example, through product differentiation or speed to market. This is best illustrated through an example provided by the aerospace industry.

Two high profile projects in the world of aviation demonstrate the value of suppliers. First deliveries of Airbus' flagship super-jumbo jetliner, the A380 is due to be delivered in October 2007, twenty months later than scheduled, at a cost of 4.8 billion Euros. The Airbus project was one of the more complex projects, involving suppliers based in Germany, Spain, France and the UK. There were a series of delays, the final ones due to problems around the installation of 500 kilometres of wiring required in each aircraft. The emphasis is not that there were delays, but that the whole project would not have been possible without using the collaboration of the supplier base. It would also be these suppliers who would be called upon to rectify problems and deliver according to contract. However, these problems and the drop in the share price are leading to restructuring in the company, with the supplier base due to be reduced from 3000 suppliers to 500.

There are very few organizations that can function without a supplier base. For example, Boeing relies on Mitsubishi Heavy Industries, Kawasaki Heavy Industries and Fuji Heavy Industries for manufacturing 35 percent of the airframe for the Boeing 787 Dreamliner. It is the suppliers who have the knowledge to deliver leading edge technology to the customer. In this case, it is in the use of carbon fibre technology.

The level of reliance on the supplier base will vary according to the type of business sector and also whether products are manufactured (in house or outsourced) or bought for retail. In the retail environment, there are some brands, such as Coca Cola that could be said to outsource most of their business activities to their supplier base, and maintain a centralized control structure.

Realizing the importance of suppliers, what is the best way to manage them? A good starting point would be to follow aspects of the CIPS Purchasing and Supply Management Model (at www.cips.org). The overall business strategy will determine what is required from the supplier base to deliver corporate objectives. In turn, strategic planning will determine whether products are to be made in house or outsourced. The supply chain professional would then use their knowledge and experience of a range of tools to segment the supplier base according to the criticality of the product being sourced.

Resource allocation devoted to suppliers will depend on their value and potential to the buying organization. For the most strategic suppliers, it may include access to the customer's buyer/supplier portal and joint partnership activity to develop innovative solutions for customers.

The supply chain professional needs to be trained to get the best from the supplier base. This is the route to competitive advantage and CIPS is well placed to deliver it.