**Importance of Selecting the Right Suppliers**

Suppliers are your business partners. They help you by doing what you have chosen not to do or what you cannot do. As a result, they are an extremely important part of your business. They impact your cash flow, customer satisfaction, stocking levels, space utilization, materials handling costs, product quality, lead times, on-time performance, etc. They play a key role in how successful your business is. So why is it many companies search for the lowest cost supplier that many times adversely affect the outcomes listed above. But they’re cheap. Or you are, to sacrifice all of these things for a few dollars.

The desire to procure these items below the “standard cost” is one myopic reason why purchasing people behave the way they do. Favorable purchase price variances (see the previous article on bad metrics) frequently drive this behavior. A generous pat on the back for “saving the company money” is part of the purchasing person’s reward.

**Alignment of Suppliers to Market Strategy or Value Proposition**

You have a market strategy and a value proposition. Some of the things included in that could be fast delivery of high-quality product, on-time at a very competitive cost. If those factors are critical parts of your strategy or customer satisfaction, your suppliers’ qualities should support them, not conflict with them so you can save a few dollars.

How many times do you have customers calling you with issues your product/service caused them that ultimately relate to poor performance of a supplier (be fair in this evaluation as many times supplier issues are caused within your own company)? The customer correctly blames you for these mistakes unless they dictated the supplier that is being used.

Many companies have a desire to achieve their value proposition, but when it comes down to the detailed decisions that need to get made to make that happen, the majority of people in most companies default to paradigms and other priorities - like it is important to save money at every opportunity. If your business’s goal is to save money. Close the doors. That optimizes that.

**Factors More Important than Lowest Purchase Price**

What are the things that you do that are important to your customers?

* + Provide high quality product
	+ Kit product deliveries according to customer needs
	+ Deliver quickly
	+ Deliver on-time
	+ Respond to their inquiries on a timely basis
	+ Work to meet their needs (print samples, etc.)
	+ Provide a competitive price

Many of the same things that you do for your customer are the same things that your suppliers should do for you.

**Methodology – Supplier Ranking Summary**

The listing just above of the important factors is the basis for evaluating supplier alternatives. A visible way to show this evaluation is through a spreadsheet. Set up spreadsheets by product category (inks, print media, screen mesh, etc.). Then estimate the annual purchases of this category that you make.

In the core of the spreadsheet, list each supplier that you know of or have worked with. Start with the basic things about the supplier:

* + Distance from you
	+ Their annual revenues
	+ Your annual buy from them
	+ Your percent of their annual revenues

Then, add more columns regarding these things, and ask people outside of purchasing for the real information:

* + Product quality
	+ On-time delivery
	+ Lead times
	+ Replenishment methods available (Kanban, PO, they manage to your stock level or orders, etc.)
	+ Materials handling simplicity upon receipt of materials
	+ Pricing
	+ Helpfulness

Now put goals beneath the data in each column – what you want. For example, if you want the supplier to be within 500 miles (one day delivery), put that goal below the distance column’s data. If on-time delivery is expected at over 97%, put that as a goal under the on-time delivery column’s data.

Now, with goals set, rate the supplier’s data using a simple Green/Yellow/Red rating system. Shade the cells as follows:

* Green - at or better than goal,
* Yellow - near the goal, but not at it,
* Red - not close

Now you have an evaluation (hopefully factual and objective) of the various supplier alternatives for a category of products. It is visible to everyone, so discussions about which supplier is better are based on a set of facts, not invisible opinions that conflict.

**Summary**

Treat your suppliers with respect. Frequently I ask purchasing staff people what their goals are or what their jobs entail and I get these responses too frequently: “find product at the lowest price”, “beat up suppliers”, “put out quotes and determine who to buy from”, etc. All of these are stand-off type strategies. Find a supplier that matches your value proposition and needs. Then work with them to improve the business relationship so that everyone wins – the supplier, you, and your customer. Because if one of these three loses, all of you ultimately lose.

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**About the Author:** Bob Krausert is the owner of STRATE***X***, a Twin Cities based firm that works nationwide. Bob is the author of the book, ***Extreme Lean***, published in 2018. Bob has worked with over 60 printing companies, mostly mid-sized companies, but also with larger companies like Jostens and Banta, now part of RR Donnelly. During his career, Bob has trained over 12,000 people at both public and private events. Bob has been working with PIM since 2010, periodically providing educational seminars for its members. Bob can be reached at stratexlean20@gmail.com or by phone at 612-743-8706. If you would like to have a specific question or topic covered in one of the articles, feel free to make the suggestion.