

Tried and True? Or Someone New?

EXPERT ADVICE ON HOW TO EXPAND RELATIONSHIPS WITH YOUR BEST SUPPLIERS

When a new product category or service area is coming up for bid, the typical procurement process is to run an RFP process. The advantages of the process include: 1) Benchmarking the incumbent supplier or 2) Finding a new supplier. But there's another possibility that's often overlooked — leveraging an existing supplier on your approved vendor list that has the capacity but isn't currently supporting you in the additional spend area. To better understand when procurement should employ this tactic of expanding business with a time-tested supplier, we recently spoke with Chris Sawchuk, principal and global procurement advisory practice leader of the Hackett Group.

What is the best way to expand your relationship with an existing supplier into a new category or spend area?

Chris: The first step is to ask yourself, does the supplier's current performance warrant an expanded business relationship? Do you have a strong relationship with this supplier? Are they performing well with their current business with you? Do they proactively and consistently bring you new ideas for adding value? If so, it may be beneficial to consider that supplier for new and expanded business awards.

The best way to do this is to start small. Provide them the opportunity to prove themselves in a smaller area of spend you are confident they would perform well in as a pilot. This provides you the opportunity to see how they handle the business, but minimizes your risk. If they are able to manage that additional "pilot" business well, then you have the opportunity to take the next step and include them in bidding events for larger contracts.

In some cases, suppliers can get pigeonholed as having a particular area of expertise. How can they let procurement know they're ready for a new challenge or have capabilities in another area?

The best way for suppliers to win new business is to handle the business they already have really well. Lock that down and then talk to procurement about getting more business. To make sure that conversation is welcomed, they should talk to their contact about whether they want to be aware of developments in capacity and product, because they don't want to come across as hounding procurement. And the perfect match comes when the procurement team is looking for a supplier with a certain capability and an existing supplier brings that exact capability to the table.

What if you know an existing supplier is the right one for the job, but their cost would be higher than a new supplier that has just bid on the job?

You have to look at the difference in pricing and determine your level of risk. Are you willing to accept the risk of a new supplier to save money? If the difference is not that much, you can probably go to the supplier and ask them to match the lower bid. That's when your longstanding relationship can come into play because, hopefully, it's a supplier you've built a level of trust with over time. But in the end, you have to weigh service, quality, delivery and capability versus cost.



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Any advice for how to make sure the supplier has overall bandwidth to expand when you're giving them new business?

It should be part of your ongoing conversation, not just when an opportunity comes up. A good procurement person should be aware of their suppliers' other capabilities as much as possible. Most procurement professionals typically do quarterly reviews, but they tend to focus on what has already taken place. Organizations aren't spending enough time looking forward. Talk with your suppliers and take a pulse on how their business goals may intersect with your needs. Once suppliers hear that you want to understand how you can grow with them and if they have the ability to grow and expand, they tend to perk up pretty quickly. That conversation about possible opportunities can be an incentive for the supplier to pay closer attention to quality and service levels.

Lastly, how does this strategy reflect on procurement's overall perception within the organization?

Finding the right supplier for a business need makes the stakeholders happy. And if the stakeholders are happy, guess what? Procurement is going to get a great mark.

QUOTE

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To find out how **Staples** can help improve your management supply strategies, contact us at **1-844-243-8645**.