

# Supplier Development: What It Is, And How To Manage It



## IN THIS ARTICLE

- Supplier Development Goals
- Supplier Development Process
- Supplier Performance Improvement
- Benefits of Supplier Development
- Communication is Key

Supplier development is the process by which a company identifies and selects suppliers who can provide the products or services required to meet its specific needs.

Supplier development activities may include supplier interviews, supplier surveys, supplier audits, and supplier selection criteria development.

Supplier development is an important part of a company's overall supply chain management strategy and is essential for ensuring that the right suppliers are selected to deliver quality products and services.

# Supplier Development Goals

Supplier development goals are typically to increase quality, reduce costs, shorten lead times, and improve delivery performance.

For the best results, a company should approach supplier development strategically and systematically. It's about going above and beyond current contractual requirements to develop stronger supplier relationships.

The goal should always be to improve the relationship with suppliers.

This can be done by working together to identify areas where improvement is needed and then developing a plan to address those areas.

Additionally, companies should strive to create a culture of continuous improvement within their supplier base.

This means encouraging suppliers to identify ways they can improve their operations and then working with them to make those improvements happen.

Companies should also aim to build trust with their suppliers. This can be done by being transparent and honest with suppliers, as well as by sharing information and ideas freely.

By following these tips, companies can develop strong relationships with their suppliers and create a culture of continuous improvement throughout the supply chain.

## Supplier Development Process

The supplier development process is a key component of an organization's procurement and supply chain management operations. It can be used to improve the quality and performance of an organization's supplier base, as well as to identify and assess potential new suppliers.

### 1. Assess Supplier Capabilities

When sourcing suppliers for goods and services, it is important to assess their capabilities in order to gain a competitive advantage. Capabilities

can be assessed by evaluating the supplier's performance in three areas: delivery, quality, and price.

Delivery is assessed by looking at the supplier's track record for meeting deadlines and delivering on time.

Quality is evaluated by assessing the supplier's track record for producing high-quality goods and services that meet or exceed customer expectations.

Price is evaluated by assessing the supplier's track record for offering competitive prices without sacrificing quality or delivery.

By evaluating a supplier's capabilities in these three areas, organizations can make informed decisions about whether to do business with them and what type of business relationship to establish. This information can help organizations to identify potential areas where they could improve their own operations.

## 2. **Plan and Execute Improvement Activities**

All successful supplier development programs work by systematically going through the supply base to plan and execute improvement activities.

- **Evaluate Your Supplier Base**

First, look at the number of suppliers your procurement teams rely on every day. Is there room to remove dead weight? Do you have enough supplier diversity to protect your operations from unscheduled downtime in the event of an emergency or other supply chain disruption?

- **Meet with Suppliers**

Schedule time with each of your most crucial suppliers to discuss areas where they can improve, and what initiatives the two of you can collaborate on to monitor improvement.

- **Consider Implementing Cost Reduction Teams**

These teams are typically composed of individuals from different areas of the organization, such as purchasing, engineering, and quality assurance. The goal of these teams is to work with suppliers to identify ways to reduce costs and improve quality.

- **Establish Supplier Quality Requirements**

These requirements can be used as a guideline for suppliers when manufacturing products or providing services. They can also help to identify problems early on and prevent them from becoming bigger issues down the road.

- **Use Supplier Performance Audits**

These assess how well suppliers are meeting certain quality and delivery requirements, using agreed-upon metrics and key performance indicators (KPIs).

### 3. **Follow Up and Measure Improvements**

To ensure customer satisfaction, always schedule a time to follow up with your suppliers and measure improvement. Part of successful supplier relationship management is communication - making sure everyone is on the same page not just in the short-term, but over the long haul as well.

If after mentoring the supplier you find that things aren't working the way you expect, revisit the conversation and make adjustments. If things are wildly different from what you planned, you may need to find another supplier.

*A clear process that uses a systematic approach with all suppliers makes it easier for procurement teams to spot problematic suppliers and those that are worth investing in.*

## Supplier Development Process



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## Supplier Performance Improvement

You, as a buying organization seeking to maintain competitiveness, should always seek continuous supplier improvement.

This is true all the time - whether you're launching a new product, or trying to boost sales of existing ones.

### • Quality

Quality management is a crucial part of business strategy. If you're dealing with subpar raw materials, it's impossible to build a quality product your customers will love. If your suppliers are sourcing poor-quality materials, you can't produce quality.

If you mention that you're struggling with the quality of what the supplier is offering you and that you will go back to the supply market to find an alternative, you may find the supplier is willing to make changes to their business processes to keep you as a client.

### • Cost

Cost is a huge driver of social responsibility and sustainability, which is crucial to keeping customers happy. Today's consumers want to do business with brands that are aligned with their personal values. If your brand is all about sustainability but lacks the diverse suppliers to prove

your operations management is handled sustainably, then you risk upsetting your customer base.

Finding new sustainable suppliers may not make sense for you, and that's when you should aim to partner with your existing base on more sustainable business practices to help one another.

Keeping costs down is important for your profit margin, but sometimes, it is worth it to pay more for quality and on-time delivery.

Work with your suppliers to find ways to improve costs - whether that means ordering more items or ordering in bulk, or ordering a more cost-effective version of the same product. Try negotiating early payment discounts to lower costs without sacrificing quality.

## • **Delivery**

It doesn't matter if your supplier has the highest quality products if you can't get them to your production team when they need them. If you're stuck with a long lead time and your operations come to a screeching halt, then you have no choice but to look to alternative suppliers.

Suppliers should seek to improve delivery times by offering a variety of shippers to work with, and shipping from multiple locations so orders always come from the warehouse closest to you.

## • **Technology**

Technology is expensive, but can greatly improve productivity and efficiency, which helps improve service quality and reduce costs in the long run.

Communicate with your suppliers about the technology you use and expect from them. Integrations and automation help improve the process for everyone.

## How To Measure Supplier Performance



Quality



Cost



Delivery



Flexibility / Agility



Technology



Compliance

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## Benefits of Supplier Development

When implemented properly, supplier development programs offer your organization numerous benefits.

### • Improved Quality and Cycle Time

Working with a supplier to improve product or service quality often helps reduce cycle time, and ensures they are more responsive to their customers. Since quality and cycle times are major risk factors to performance, this is a key area to focus on.

### • Reduced Cost

You may only see benefits in the short term if you demand year-over-year cost reduction. Cutting costs without operational improvement isn't a sustainable approach to business as it may increase supply risk.

Adequate supplier development helps suppliers eliminate waste from their businesses, which translates to savings for you. When working with an offshore supplier, you may need to invest time and other resources ahead

of time to avoid risks while reaping benefits, to ensure you get better long-term results.

## • **Better Business Alignment**

Working together improves overall business alignment. Sharing goals and strategies with one another helps suppliers become more aware of what you as the customer needs so they can be more responsive.

Understanding things from the supplier's perspective ensures that you can adapt your processes to be more collaborative, showing that you support their business as much as you need them to support yours.

This translates to more understanding and trust between the two parties. As a result, suppliers may introduce you to new products or service ideas before they share them with everyone else - giving both of you a competitive edge.

## ■ **Benefits of Supplier Development**



Improved Quality  
and Cycle Time



Reduced Cost



Better Business  
Alignment

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## **Communication is Key**

You won't be able to ask suppliers to move mountains if you don't have a big stake in their company. If you're one of the smallest contracts and they won't lose much by sending you to another supplier, you don't have leverage.

That's why communication matters.

Whether you communicate via email or a supplier portal, the reality is that you

can't use a mass, generic approach if you want to really make a difference.

Have your account managers speak directly to the supplier managers, with personalized communication.

Set forth clear expectations for both parties, including dated milestones and deliverables you can measure. This makes it easier for everyone to follow.

If you want to see supplier change, you must build trust, and the most effective way to accomplish this is with two-way communication.

Share information. Give suppliers visibility into your product pipeline. Remain open and transparent.

Strong supplier relationships are not built overnight.

They come with time and consistent effort. A supplier development program can help facilitate mutually beneficial relationships.

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