Optimizing Supplier Alignment

Overview and Need

Linking customer stratification to our supplier and inventory systems empowers our team to quickly distill the variables affecting risk and reward so they can make better and more profitable business decisions

--Frank Flynn, President, Sager Electronics

Suppliers and their relationship with distributors determine the capability and even the survival of the distributors' supply chain. Determining the right suppliers and partners is the key to both good customer service and business sustainability.

Distributors must do business with increasing numbers of suppliers due to widening supply chain networks, expanding product portfolios, and the creation of additional value added services. Developing the right strategies to relate to suppliers will enable distributors to remain competitive and profitable. Supplier Stratification is the process of stratifying suppliers based on profitability, distributor services performance and loyalty. Other factors such as risk, relationship and growth potential can also be used. Supplier Stratification helps management and the sourcing team to comprehend how buying and sourcing activity impacts their firm's profitability.

The objective of Supplier Stratification is to understand the criticality of the supply base and to allocate key resources accordingly. The Stratification process enables companies to develop strong supplier relationships and improve profitability in the long term.

The phases of this program are illustrated in Figure 1 on the next page.
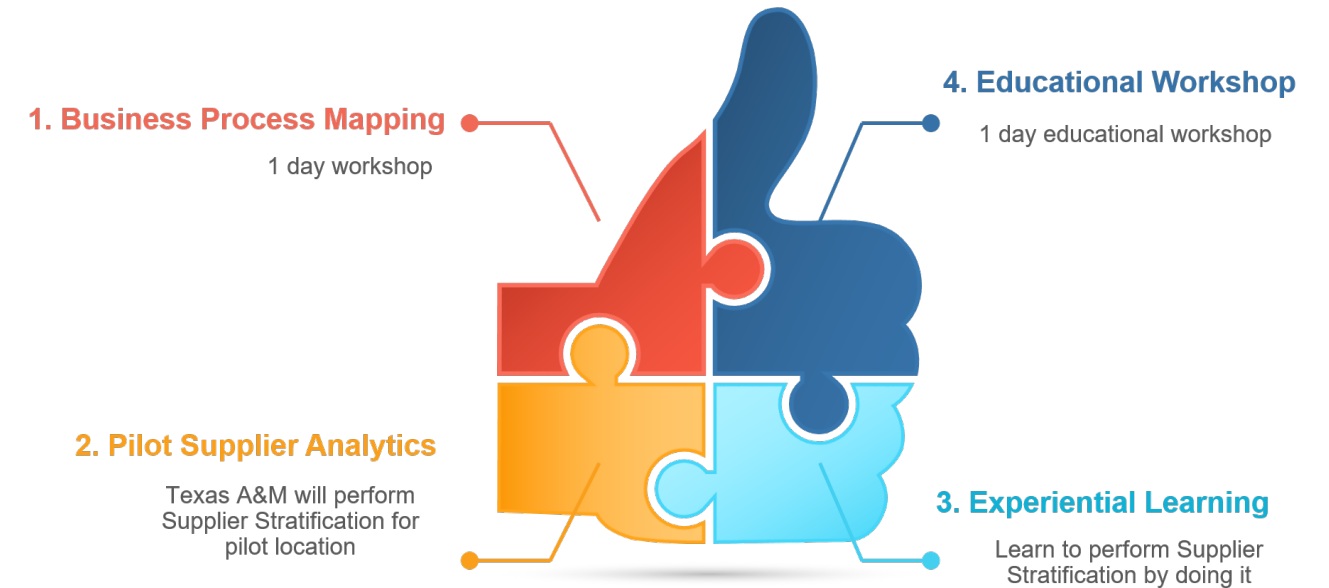
Program Summary and Objectives

Figure 1: Project Phase

Phase 1 - Business Process Mapping:

The research team will conduct a one-day workshop to understand your supply chain and related business processes from a Supplier Stratification decision-making viewpoint. This phase also includes a process assessment of your current Supplier Stratification practice(s). The workshop will follow the Supplier Stratification framework developed by Thomas & Joan Read Center for Distribution Research & Education, demonstrated by Figure 2 below:
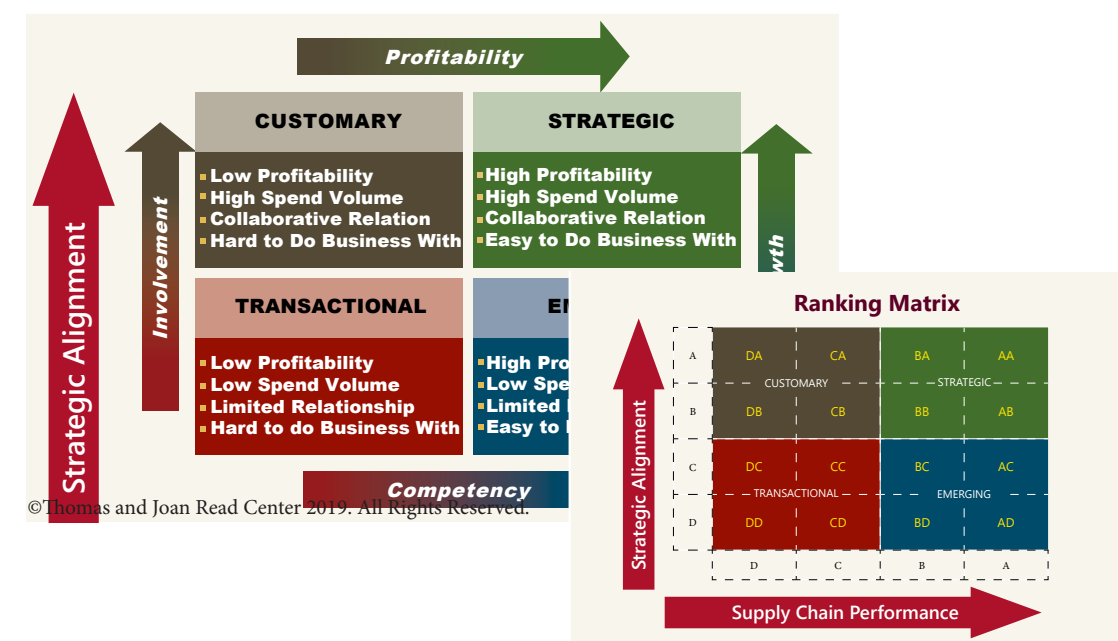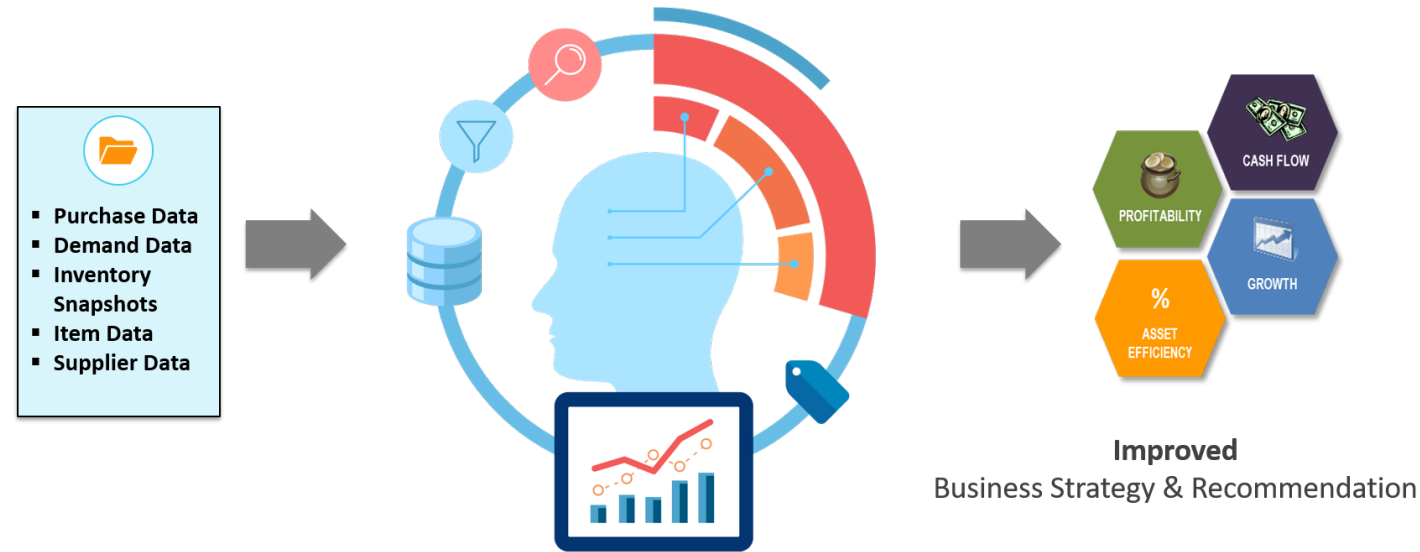
Figure 2: Texas A&M Supplier Stratification

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Phase 2 – Pilot Stratification Analytics

In this phase, Texas A&M will perform Supplier Stratification for a chosen pilot location using your firms' data as mentioned in the below graphic. The company will have to extract and provide the data in the required format to be specified by Texas A&M. Our research team will help you identify the data they are looking for and the optimal format in which to deliver it.

- Purchase Data
- Demand Data
- Inventory Snapshots
- Item Data
- Supplier Data

Improved
Business Strategy & Recommendation

Business Analytics
Figure 3: Supplier Analytics

This session will enable your company to identify the correct strategies for developing supplier relationships and improving long-term profitability. The presentation of stratification results in a workshop setting provides attendees with the knowledge and skills necessary to develop objectives, a strategic growth plan, and the initiatives to drive the strategies and achieve the objectives.

Phase 3 – Experiential Learning

In this phase, we will teach your analysts or representative members on how to perform Supplier Stratification and how the resulting data will be used in pricing analytics. As a part of this phase, a detailed step-by-step procedure will be provided and hands-on activities will be carried out in a webinar/in-person setting. This will enable the participants to understand and learn the analytics process, and will help your company to replicate the analysis in other areas of business decision-making in the future

Phase 4 – Educational Workshop

The results of the data analysis phase will be presented in a 1-day educational workshop to facilitate change management and to develop supplier strategies. Texas A&M will demonstrate the variables that factor into Supplier Stratification methodology, and this session will educate the executive team, sales force, and the IT team on Supplier Stratification and its potential applications.

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Figure 4: Texas A&M Channel Alignment Frameworks

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Benefits

• A structured analytical approach to help companies stratify the suppliers and devise strategies accordingly.

• A neutral third party perspective by Texas A&M with a supply chain focus leading to global (overall company) instead of local optimization.

Workshop Agenda

Activities:
• Supplier Stratification Framework
• Supplier Alignment
• Supplier Relations
• Supplier Strategies

Who Should Attend?

• Sales and Branch Managers
• Purchasing Personnel
• Business Analysts and IT Managers
• Executives and Strategic Managers

Deliverables

• Slides as a course booklet
• Workbook for exercises and activity
• Supplier Stratification Book
• Certificate

Current Publications

All publications are published through Texas A&M University's partnership with the NAW Institute for Distribution Excellence. The following publications can be purchased here:
https://www.naw.org/naw-institute-for-distribution-excellence/#CRDBP

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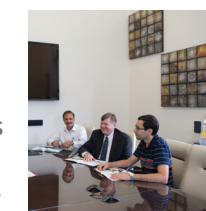Proven methods driven by cutting edge research for over **60 years**

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