

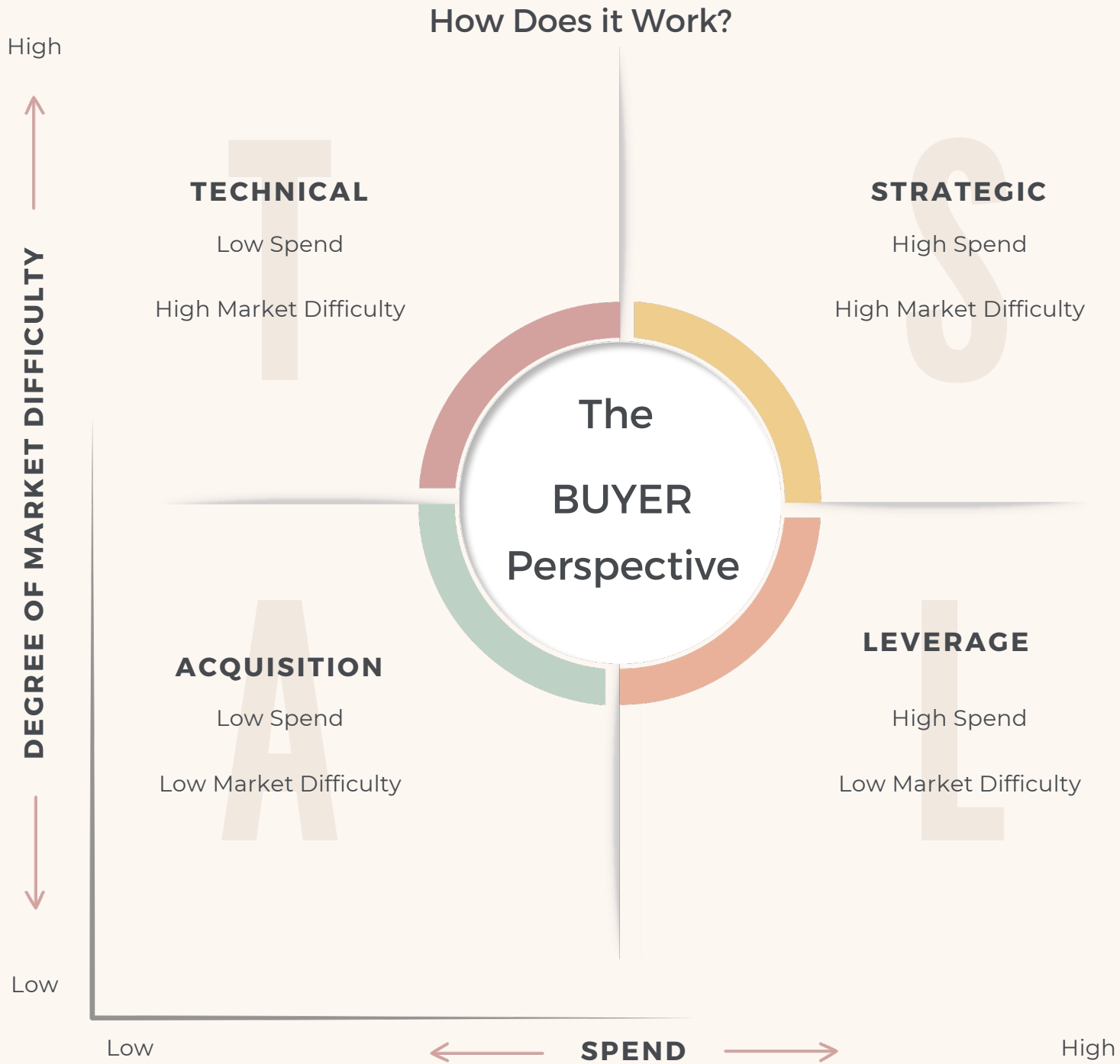


Supplier Classification

Supplier Classification – Purpose

- To perform high quality analysis using information gathered and developed
- To create “the full picture” of your positioning within the supply market and the opportunities that are available to the Business
- To fully understand risks and opportunities associated with your product or service
- To generate a range of strategic options in line with project your objectives

SUPPLIER CLASSIFICATION- THE BUYER PERSPECTIVE



Supplier Classification

TECHNICAL

Low Spend
High Market Difficulty

KEY QUESTIONS:

- Is market difficulty due to internal constraints or difficult supply market?
- What actions are necessary to move to acquisitions or leverage?

STRATEGIC

High Spend
High Market Difficulty

KEY QUESTIONS:

- Is market difficulty due to internal constraints or ?difficult supply market?
- What actions are necessary to move to acquisitions or leverage?

ACQUISITION

Low Spend
Low Market Difficulty

KEY QUESTIONS:

- Can you group items into a package which will be attractive to potential suppliers?
- Have you made the ordering process as simple as possible?

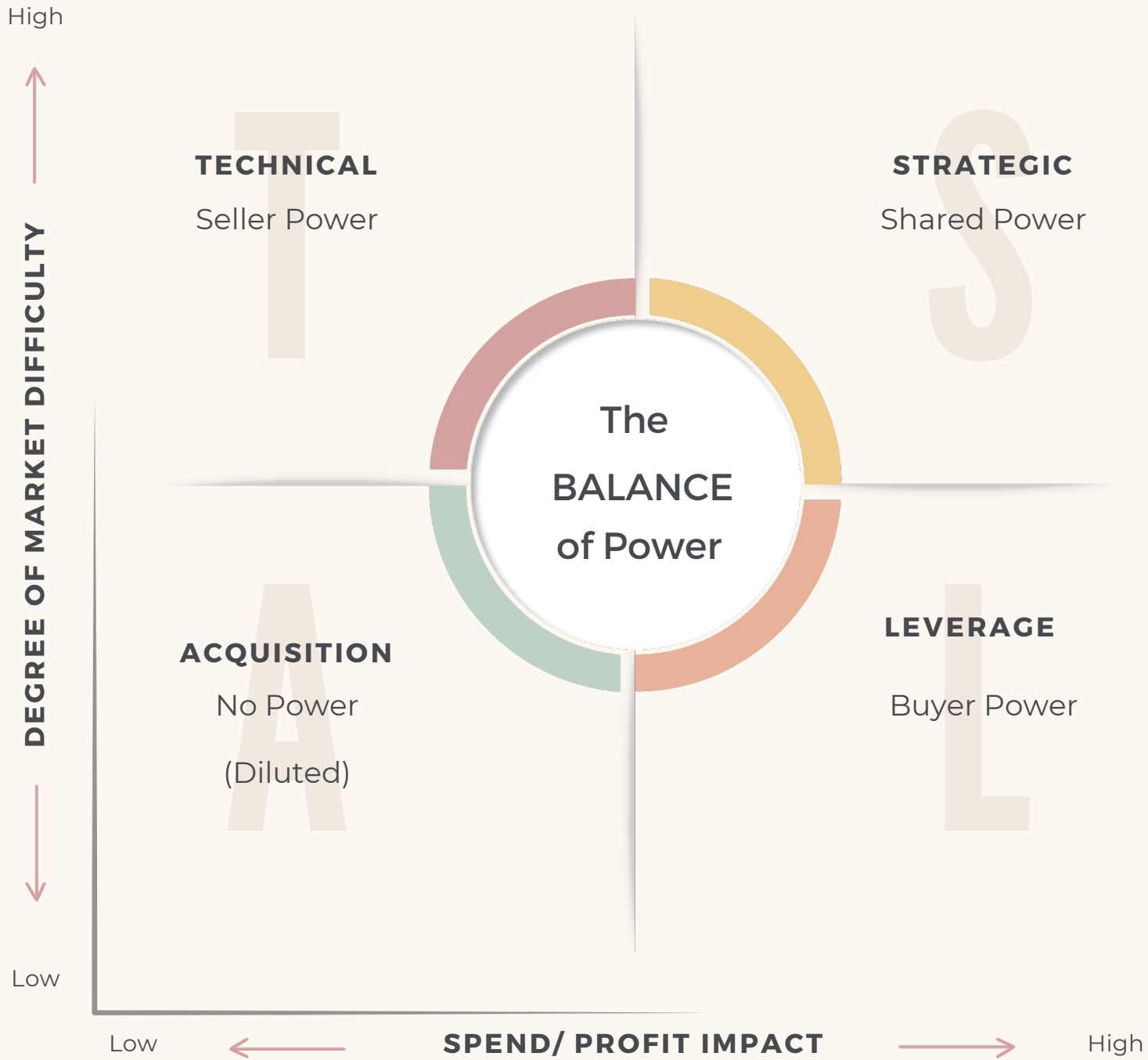
LEVERAGE

High Spend
Low Market Difficulty

KEY QUESTIONS:

- Is market difficulty due to internal constraints or difficult supply market?
- What actions are necessary to move to acquisitions or strategic ?

SUPPLIER CLASSIFICATION - THE BALANCE OF POWER



Supplier Classification

Tactics For Each Quadrant

TECHNICAL	STRATEGIC
<ul style="list-style-type: none">• Look to create competition substitute• Re-specify• Continuous improvement• Grouping of requirements• Piggybacking• Building technical relationships	<ul style="list-style-type: none">• Principled bargaining• Objective bargaining• Open book supply agreement• Cost modelling• Alliances/partners• Preferred suppliers• Long term relationships• Sharing of reward/risk
ACQUISITION	LEVERAGE
<ul style="list-style-type: none">• Delegate/ignore• Blanket orders• Volume discounts• Group rebates• Automate (EDI)• Simplify (Cards)• Outsource	<ul style="list-style-type: none">• Frequent enquiry• Cost modelling• Short term contracts• Spot buys• Aggressive behaviour• Competitive negotiation• Price is the decision maker• Change is the status quo

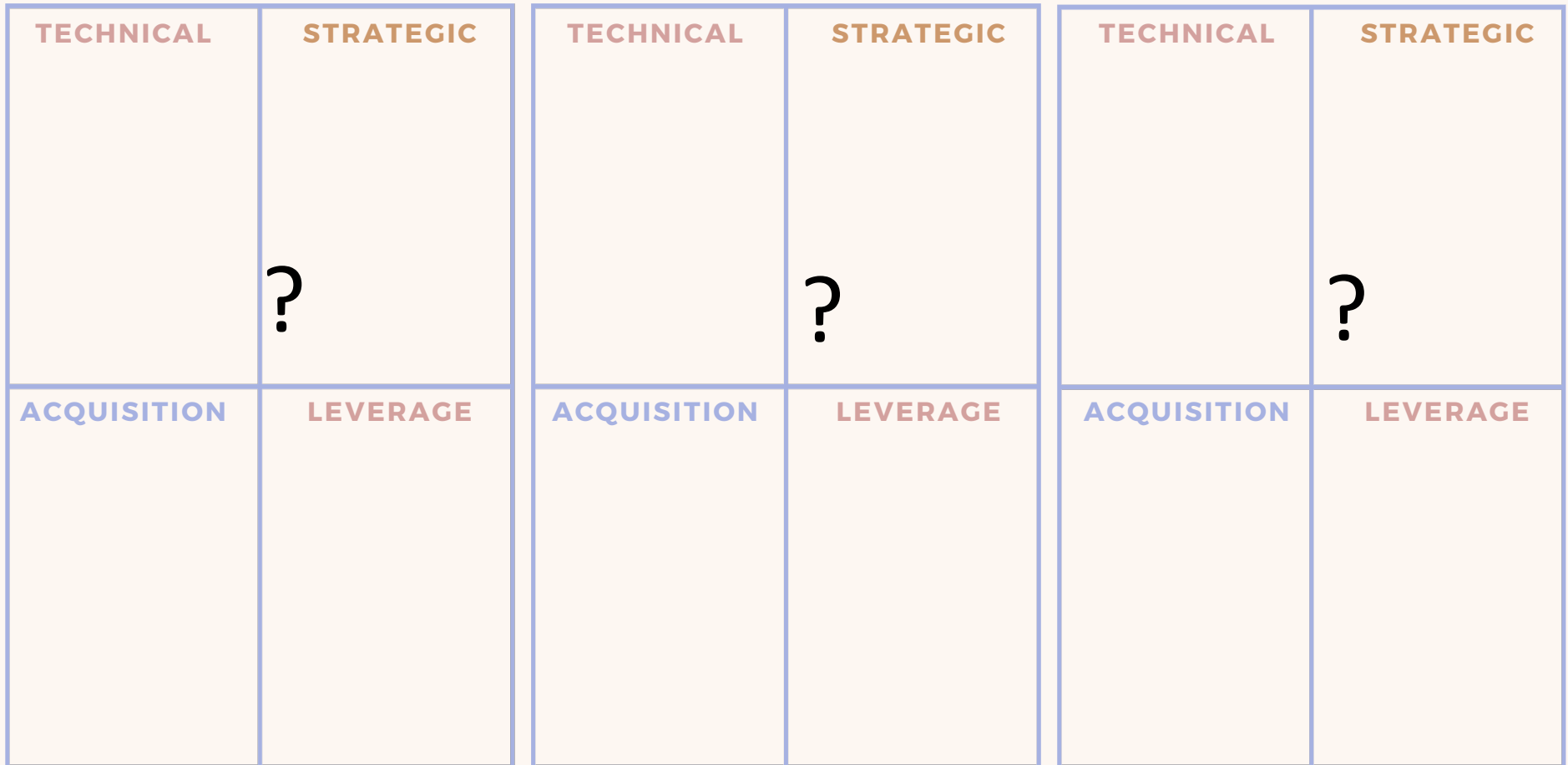
LIVING IN THE STRATEGIC QUADRANT

RELATIONSHIPS	WIN-WIN	“WHAT’S GOOD FOR ME IS GOOD FOR YOU”
<ul style="list-style-type: none">• Planned• Mutual understanding• Long-term• Shared risk		<ul style="list-style-type: none">• Co-operative• Stable• Measured• Mutual goals/Respect• Warm fuzzy
<ul style="list-style-type: none">• Open book costing• Negotiation• Shared information• Profit sharing		<ul style="list-style-type: none">• Joint teams• Forecasting• Long-term contract• Continuous improvement
ADVANTAGES <ul style="list-style-type: none">• Value added• Quality• Protected from market changes		<ul style="list-style-type: none">• Service• Budget Planning• Shared Risk
DISADVANTAGES <ul style="list-style-type: none">• Disputes• Maintenance• Poor flexibility		<ul style="list-style-type: none">• High switching costs• Disconnected from market• Complacency

LIVING IN THE LEVERAGE QUADRANT

RELATIONSHIPS	WIN-LOSE	“WHAT’S GOOD FOR ME IS BAD FOR YOU”
<ul style="list-style-type: none">• Arms length• Buyer in control		<ul style="list-style-type: none">• Dominant• Transient
TOOLS <ul style="list-style-type: none">• Information control• Market tensions		<ul style="list-style-type: none">• Stay short• Bids• Change supplier
ADVANTAGES <ul style="list-style-type: none">• Price, price, price• Low maintenance• Keeps in touch with market		<ul style="list-style-type: none">• Flexibility• Easy• Best basis for a partnership
DISADVANTAGES <ul style="list-style-type: none">• Seller’s market• Quality may be limited		<ul style="list-style-type: none">• Emotional switching costs• Service limited

Slicing The Spend Portfolio



**BUSINESS
LEVEL**

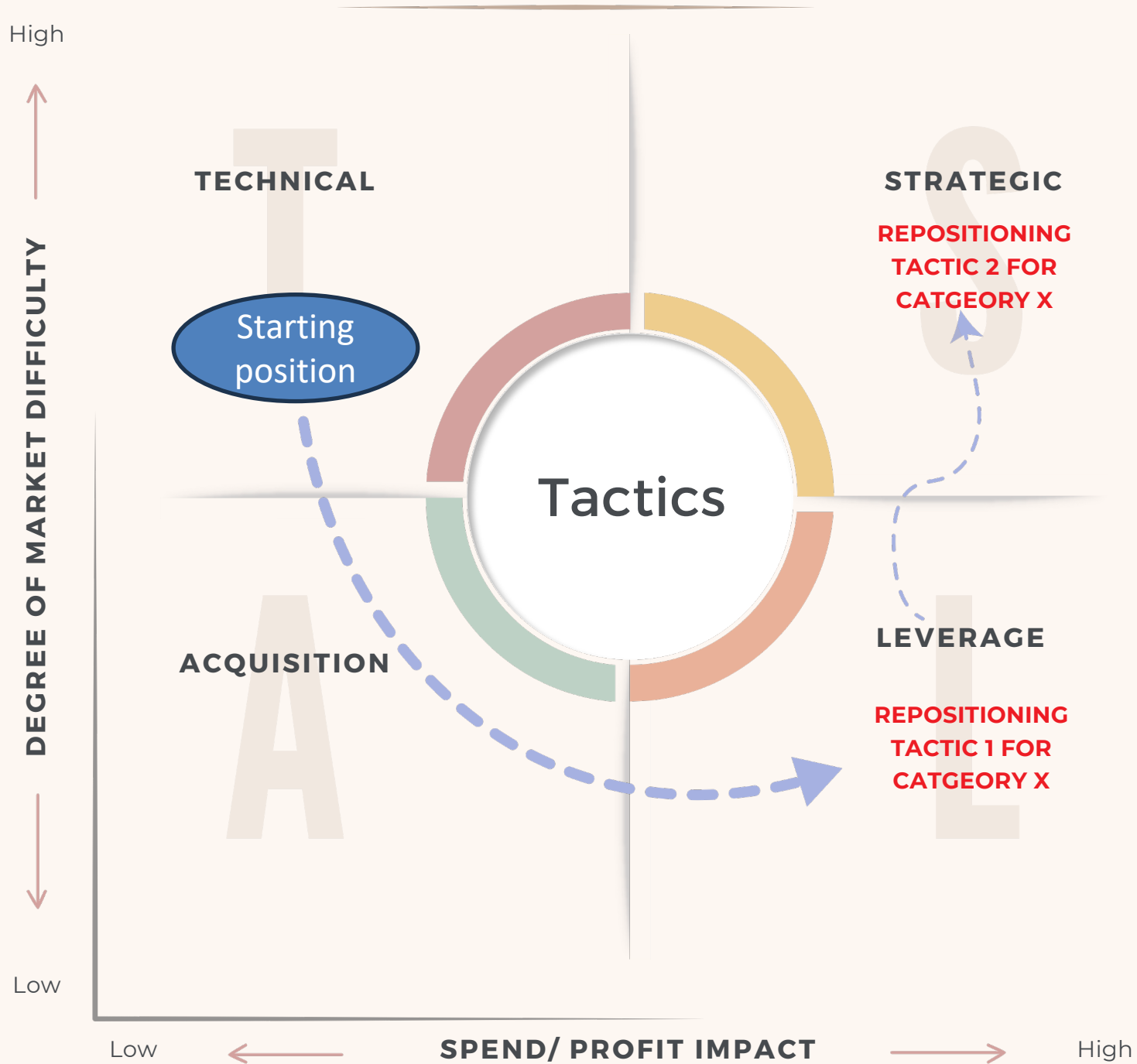


**CATEGORY
LEVEL**

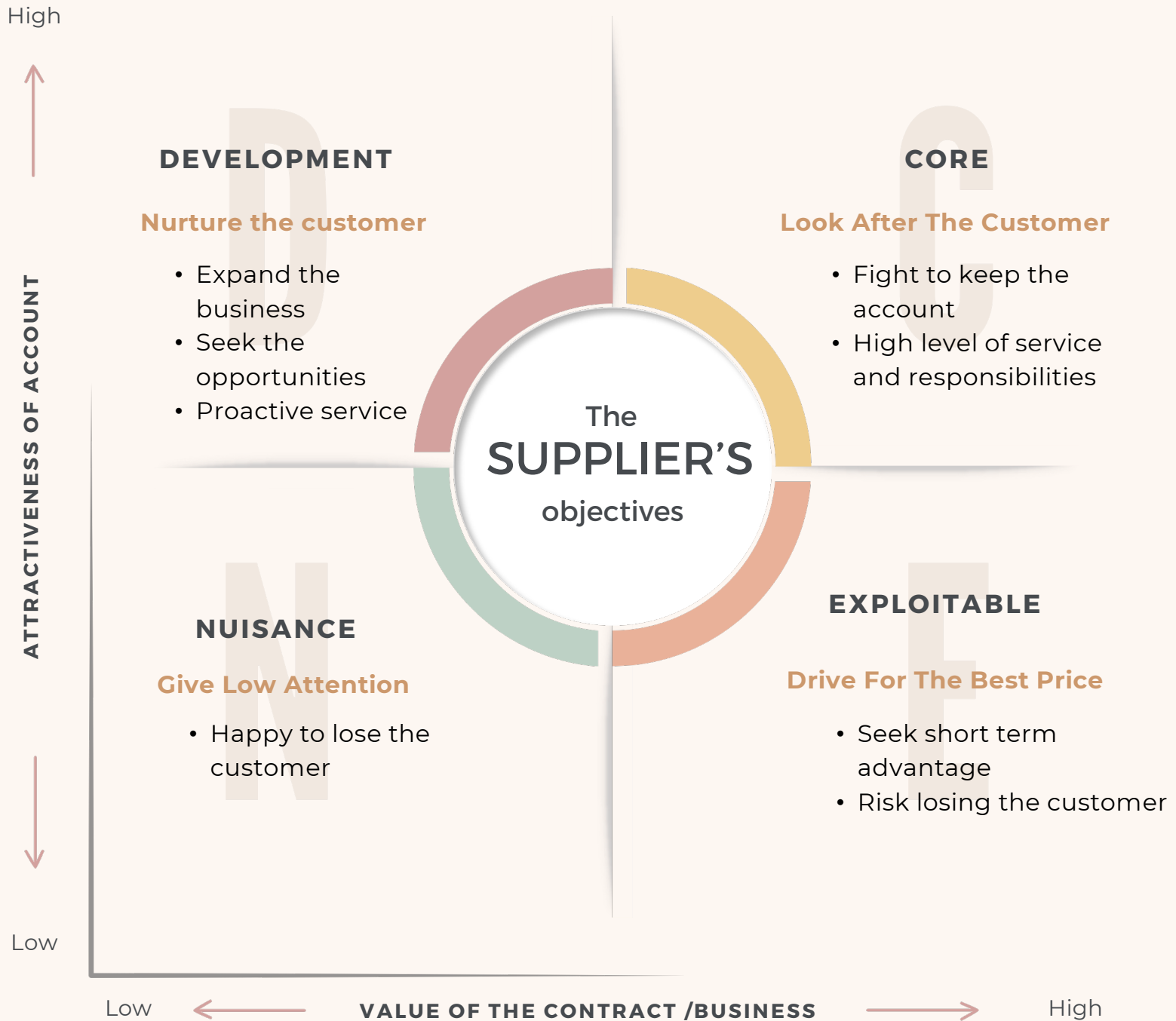


**SUB-CATEGORY
LEVEL**

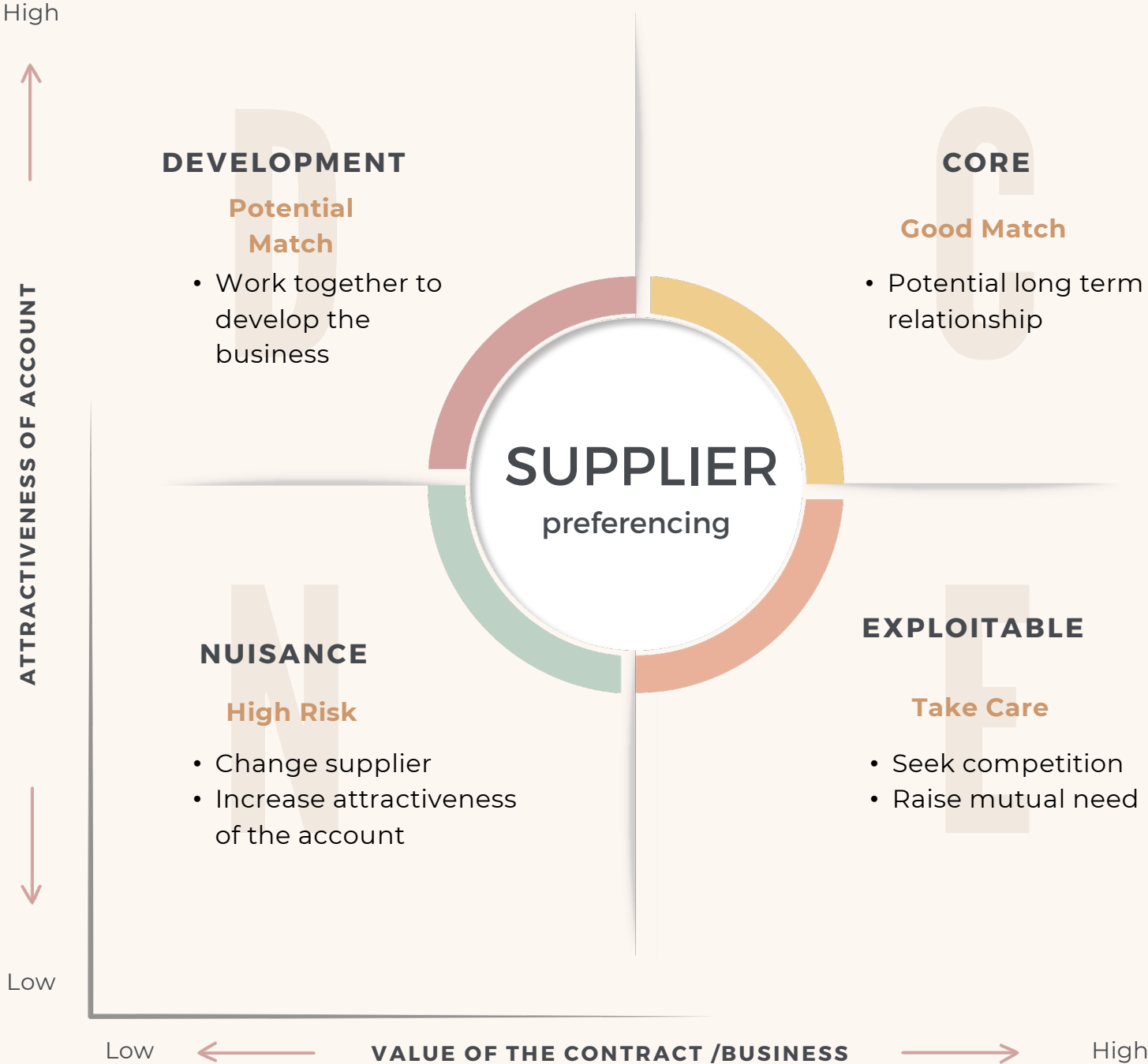
SUPPLIER CLASSIFICATION - A TOOL FOR DECIDING TACTICS



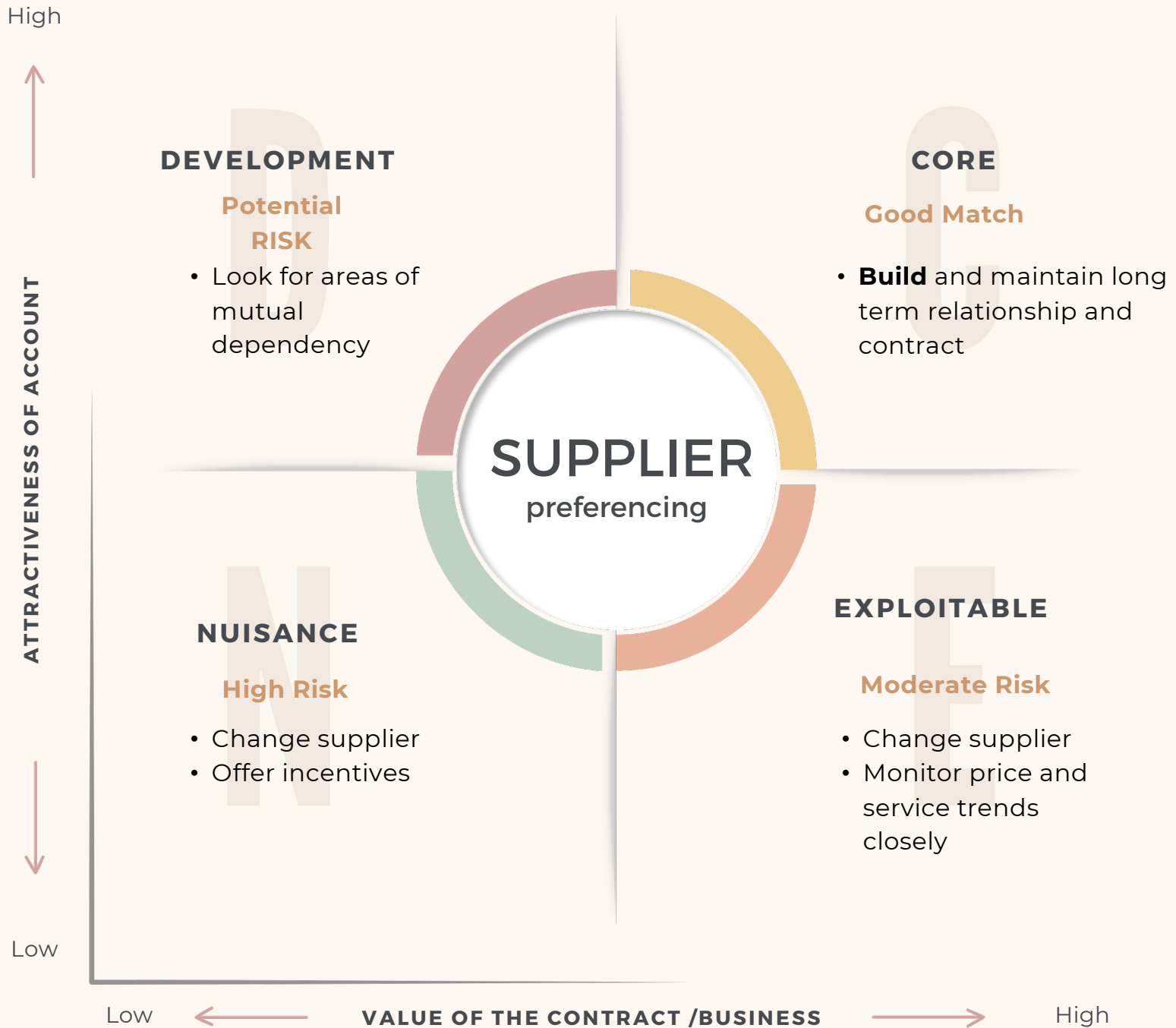
SUPPLIER PREFERENCING - THE SUPPLIER'S OBJECTIVES



SUPPLIER PREFERENCING - TACTICS FOR THE STRATEGIC CATEGORY



SUPPLIER PREFERENCING - TACTICS FOR THE TECHNICAL CATEGORY



SUPPLIER PREFERENCING - TACTICS FOR THE LEVERAGE CATEGORY



SUPPLIER PREFERENCING -TACTICS FOR THE ACQUISITION CATEGORY

