

# UNDERSTANDING YOUR SUPPLY BASE TO DRIVE BENEFITS

## ► SRM: A supplier's perspective

### CASE STUDY

#### Background

Leading companies are increasing their focus on Supplier Relationship Management (SRM) in order to drive incremental value above and beyond those savings identified in strategic sourcing projects.

Successful strategic sourcing programs have substantially reduced costs across a wide range of categories. Once negotiated, these agreements are in place for typically 3-5 years, however Procurement organisations are still under pressure to further reduce costs and meet even more far-reaching stretch targets.

*Effective SRM programs are required to drive additional savings*

While SRM is still a new process to most procurement organisations, it has become a compelling requirement to drive value above and beyond strategic sourcing. However, many SRM programs are being developed and implemented without an understanding of the supply base as a whole. This typically results in SRM programs that suit some suppliers and categories - but not all. When the SRM tools and processes are not properly aligned, the benefits of an SRM program will not be fully realised.

*SRM programs need to be aligned to the organisation and the supply base*

Although some companies have addressed SRM through segmenting suppliers and implementing tools, no one has to date gathered Australian-specific information across the supply base to understand how suppliers view SRM programs, their motivators and drivers, as well as cost and risk information.



#### Action

The Faculty recently surveyed more than 20 major Australian suppliers to understand how strategic procurement really affects them.

Using The Faculty SRM on-line and qualitative survey with these suppliers, 7 key themes for structuring SRM programs to drive value were identified. These themes created a foundation for structuring ongoing supplier relationships.

Questions across the following areas were asked of suppliers: Relationship Management, Supplier Motivation, Cost / Pricing Methodologies, Service Considerations, Brand Equity, Issue Resolution, Individual Customer Programs, Performance Measurement & Monitoring and Contractual Arrangements.

The output of the SRM Research proved that structured SRM programs do drive value across the business, and that this additional value is estimated to be 2% of contract value.

#### Results

- An insight to how suppliers' view procurement's activities and SRM programs
- A roadmap of how organisations can structure SRM programs specifically based on their supply base dynamics
- Opportunity to gain additional cost savings through an SRM program

For more information on designing your SRM program, contact Sheila Schaefer at The Faculty, email [sheila.schaefer@thefaculty.com.au](mailto:sheila.schaefer@thefaculty.com.au) or call (03) 9654 4900