

Supplier Suggestion Program

One of the most effective ways to improve the cost structure of materials management is to implement a supplier suggestion program. This best practice can be implemented effectively in any organization where purchased goods and services play a role.

The premise is that suppliers understand a portion of your supply chain, as well as, or perhaps better than you do. The supplier suggestion program allows suppliers to make suggestions, which from their point of view, improve either material content (cost or function), product functionality, or improve a process step in manufacturing. This can equally apply to service industries.

A supplier suggestion program sounds easy, however, it is not. A structure must be put in place to gather the “ideas”. These ideas must be evaluated, feedback given to the supplier and when implemented, the supplier should be rewarded in some way.

Benchmark companies use supplier suggestion programs very effectively and increase the input or participation as the “suggestion relationship” is cemented. One of our clients found this approach so effective, that they invited key suppliers to join in the pre-development stage of customer projects. This proved to be very effective as valuable ideas were exchanged and the working relationship of the companies was strengthened. One should not confuse this with joint development projects. In the case of a supplier suggestion program, the participation is voluntary or customer service based, with the hope of building a stronger partnership.

Feedback and rewards are crucial to this best practice. Suppliers must see that their ideas are received, evaluated and a feedback is given, otherwise the motivation or interest to participate further is diminished. Likewise, when a suggestion is successfully implemented, the supplier must not be penalized with reduced pricing (or volume!), rather, they should be allowed to participate in the success. Some purchasing departments do not understand this concept, with the result that suppliers are reluctant to share productivity or improvement ideas with these customers. Here we must always look to the long term cost savings and recognize the participation of the supplier and the value to the company.

In practical terms, a supplier suggestion program can be established using an Internet based collaboration platform. The suppliers' engineers have access to the platform and enter the ideas. In the customer organization, somebody, often an engineer is assigned to prioritize the ideas, and assign them for evaluation. This can generally be handled electronically, within the platform including the feedback to the supplier.

Supplier Suggestion Programs are an important part of Cost Improvement. To save you the effort and expense of developing your own supplier suggestion procedure, for a reasonable fee*, we will provide you with our standard detailed procedure, which can be easily adapted to your organization. Additionally, our QuantumLeap software application can be used for managing your suppliers' suggestions. Should you need additional support, we can also provide you with an expert to get your Supplier Suggestion Program up-and-running. Just let us know how we can help.