



BOOST REDPAPER

# Why treating your suppliers well is good for business and how to do it



## Why treating your suppliers well is good for business - and how to do it

According to Capgemini, organisations need to **"develop new approaches for collaboration and information sharing with suppliers"** as better buyer-supplier experiences are proven to lead to **"innovation, greater opportunities for cost reduction, and better spend control."**

Or, to put it another way, great buyer-supplier experiences are good for business. However, despite the well documented benefits that suppliers can expect from creating a compelling "Customer Experience" (CX), there is less written about the benefits that customers can expect from creating a compelling "Supplier Experience (SX)."

Before we continue let's be clear that by a **Supplier Experience** we are not talking about the broader concept and widely researched area of "Supplier Relationship Management (SRM)" but the more day to day working operando between buyers and their suppliers. By asking ourselves simple questions such

as, *"How easy is it for our suppliers to engage with us?"*; and *"Do we invite our suppliers in to help us solve our problems, or simply tell them what we want?"*, and *"Regardless of what we call them, do we perceive our suppliers as suppliers, or as partners"* etc., we can quickly understand what a good SX is.

### **But does it matter whether we give our suppliers a good experience or a bad one?**

To help answer this we need to turn our attention briefly to the increasing maturity of the discipline of Customer Experience Management (CXM). For the last decade, and as documented by **Capgemini** in 2014, organisations have observed a direct link between the experience they give their customers and their business performance – the better the CX, the better the results. As such, an ever increasing number of organisations are striving to make the CX of their brand, products and services consistently excellent across all available channels.

On the supplier side of the business however, this discipline is largely unknown.

What if some CX tools were applied to procurement, and to developing a great SX? What might be achieved if companies proactively focused on Supplier Experience Management (SXM) as a discipline?

Let's take a look at a few of the more common CX tools and practices and explore what ideas they might generate for procurement teams.

• **Understanding a "Day in the life:"**

Experience management teams often map a "day in the life" of a customer. What then would a day in the life of one of your suppliers look like as they interact with your company? What are their pain points?

• **Defining supplier personas:**

Understanding customers and developing customer insights by mapping their journeys is often a first step towards defining customer personas: the shared traits of clusters of customers. Those personas, or customer types, then become the platform for strategies to increase purchase and brand loyalty. *What types of suppliers do you have? What is the persona of those suppliers? Which personas are of most value to you and why?*

• **Developing supplier tools:**

Once CX teams understand how customers behave, they seek to create tools that help customers have better experiences. *How much time do you spend interacting with your suppliers? Which of those*

*interactions would be of most value to you and to your suppliers if they were digitized? What if you created the same kinds of self-service account management tools for your suppliers that banks offer consumers? What costs might you take out of your business? What activities and behaviours might you be able to better measure and manage if you provided these tools?*

• **Supplier loyalty programs:**

Most businesses establish some form of loyalty program for their customers. *Again, what about suppliers?*

Many companies segment suppliers based on the strategic level of their relationship, in order to determine where they should be investing more with specific suppliers. *What if you went beyond that thinking to determine what you might do to increase loyalty other than awarding business? What if you segmented suppliers into platinum, gold, and silver tiers and gave them perks according to their tier? What sorts of perks might you give them? What kind of behaviours would you seek to incentivise?*

• **Insider discounts:**

*What if you offered your suppliers the same kind of friends and family discounts you offer your employees? What kind of loyalty might that engender? There are a very small number of companies focused on this kind of innovation, but as the economy remains challenging in many sectors, and the obvious efforts are played out (supply chain optimisation, contract renegotiation, compliance, etc.), perhaps a few forward thinking procurement leaders will think, "Why aren't we doing that?"*

## What is the business value associated with providing a great SX?

A recent study from PwC stated that due to supplier and contract mismanagement, *"organisations are only realising 75% of the initial value from their contracts, as there is an average of 25% contract value leakage"*, thereby suggesting that in the same way there is a direct link between the experience organisations give their customers (i.e., CX) and their business performance the same is true for SX – i.e. **the better the SX, the better the results.**

This view is also shared by Capgemini, who state that SXM can deliver improved *"innovation, shorter time-to-market, greater opportunities for cost reduction, and better spend control."*

Let's take a closer look at some of the other benefits that organisations can expect to realise from investing in the creation of a great SX.

### Reduced costs

There are usually some significant costs involved in setting up deals and trading relationships with new suppliers, but embracing SX can eliminate many of those costs.

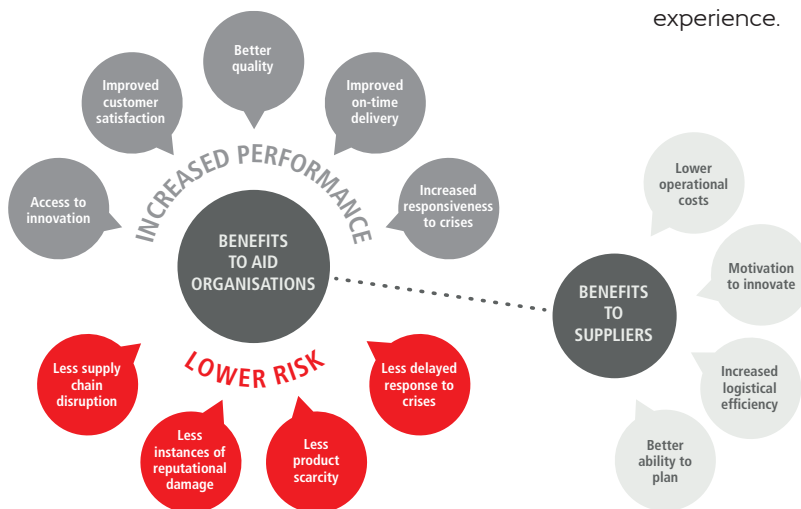
According to EY, by effectively working with Suppliers, *"an organisation can typically save between 5% - 15% of the contract spend"*

By collaborating and building good working relationships with suppliers will not only deliver cost savings, but will also reduce availability problems, delays and quality issues – improving the efficiency of the overall on-boarding and contract implementation experience.

### Increased efficiency

As the SX enhances, communication improves. Suppliers gain a more complete understanding of the businesses they serve, and this allows them to meet their needs more effectively. Delays in the supply chain will decrease, and the flow of operations will greatly improve.

And when issues in the ordering process do arise, the healthy working relationship between supplier and client will make such issues far easier to resolve.



**Minimise price volatility**

Nothing scares organisations more than huge fluctuations in market prices. By working more strategically with suppliers, organisations can often take advantage of fixed pricing, or scaled increases in exchange for lengthier contract terms, minimum order levels, or various other qualifying criteria.

**Consolidation of the supply chain**

As buyers and suppliers start to work more closely together, both parties will be more susceptible to adapting their own working practices and operations to better accommodate the other, which can lead to further efficiencies and operational advantages.

The consolidation of the supply chain may allow buyers to reduce the number of suppliers they purchase from - streamlining the purchasing process and making budgeting a far simpler task.

**Continuous improvement**

A long-term relationship between supplier and buyer allows for the free-flow of feedback and ideas. Over time, that could have a positive impact on both costs and the Customer Experience.

**Summary of the expected business value****Bottom Line Savings**

Elimination of redundant supply chain assets and processes (e.g. QA, Distribution).

Joint (re-)design of product specs for more efficient manufacturing.

Reduction of inventory levels.

Shift of inventory to suppliers.

Reduction of capital expenditures by shifting them to, or sharing them with suppliers.

**Top Line Value**

Faster product development cycles; faster time-to-market.

Customer and marketplace insight.

Technology, process and product innovation.

Joint marketing/advertising.

Access to, or penetration of, new markets.

Suppliers as customers and channels.

**Operating Efficiencies**

Improved value-chain forecasting and response.

Improved quality and speed of decision-making.

Reduced time and effort in scope management.

Enhanced service quality, responsiveness, flexibility.

Reduction in errors, conflicts.

Streamlined management of order, fulfilment, rebates, etc.

Reduced time spent on selection and contract negotiation.



## How to nurture a great SX?

Given the above, organisations should therefore retain, treat and manage their suppliers with the same vested interest in the long-term success of the company as they do with their customers - as suppliers who are treated the same are proven to be more willing to offer a greater degree of value added services, flexibility and resources.

Below are some practical steps organisations can take therefore to improve the experience they give their suppliers:

### 1. Focus on the relationship (PEOPLE)

Earning your suppliers' trust with honest communication, listening to their concerns and involving them in your processes ultimately makes them a vested partner in your business. It is also good practice to share and align your goals with your suppliers as studies have found that procurement teams that have successfully done so have benefited from increased innovation, reliability and cost reductions from their suppliers.

### 2. Have defined processes (PROCESSES)

To design and implement a world class SX, the supplier engagement journey needs to be mapped out in as much detail as possible. Asking simple questions such as, "How do we want our suppliers to feel when they work with us?" will help stimulate thoughts as to

what pre-determined outcomes we are looking for and with that, how they are to be realised. This same approach needs to apply with every aspect of the Supplier Lifecycle. For example, "What's our escalation procedure?"; "Do we want to engage and maintain a good relationship with our Supplier's C-Suite and if so, how are we going to do it, over and over again?" The list goes on. A highly engaging, effective and consistent SX needs to be well thought through, deliberate, and able to be documented. **Only when it is documented can it be challenged and improved.**

### 3. Invest in technology (TECHNOLOGY)

Capgemini's findings state that organisations should "develop new approaches for collaboration and information sharing with suppliers, including a range of digital tools." There are private digital collaboration platforms, such as Client Share that exist solely to better connect organisations with their suppliers and create great customer-supplier experiences that are rich in collaboration, openness and transparency. Such tools are invaluable when managing suppliers who are providing complex systems or solutions where multiple stakeholders are involved. In such instances email and phone are not sufficient, or the most efficient communication and collaboration tools. Instead, it is best practice to provide a sufficient online "space" where **all** relevant personnel can come together and collaborate on the implementation of existing agreements, in addition to discussing new projects and ideas.



## In summary

Organisations looking to develop an effective SX need to give due consideration to their **PEOPLE, PROCESSES, and TECHNOLOGIES**. Getting all three areas aligned takes vision, time, executive sponsorship, commitment and investment, but the effort will be worth it, as an engaging SX will help stimulate profitable innovation, deliver cost savings, and mitigate risk.

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