



Best practices in supplier management

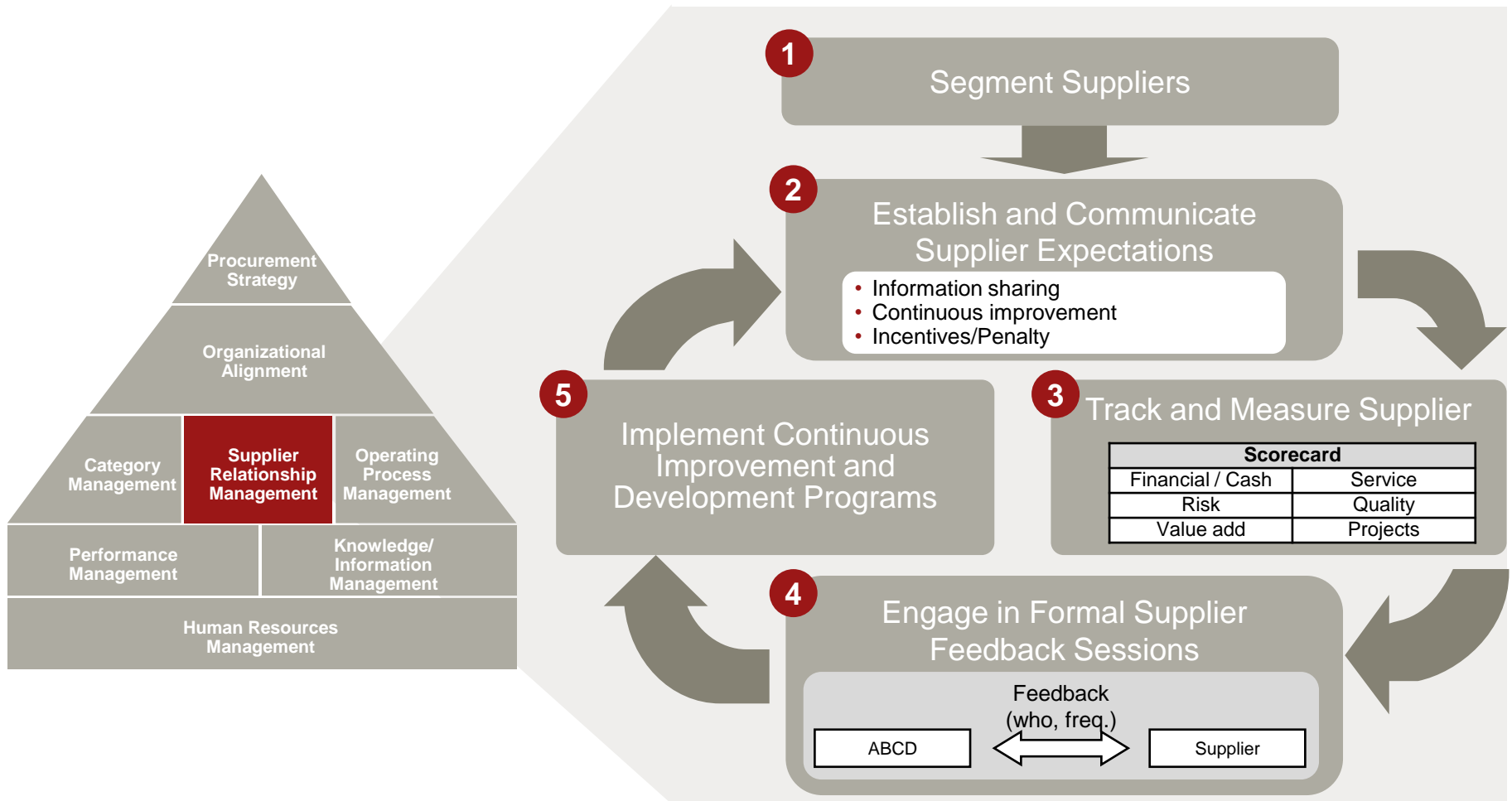
Atomex Moscow
December 12, 2012

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Best in class companies exercise a rigorous approach to managing supplier relationships

Supplier relationship management - House of Procurement™

Illustrative



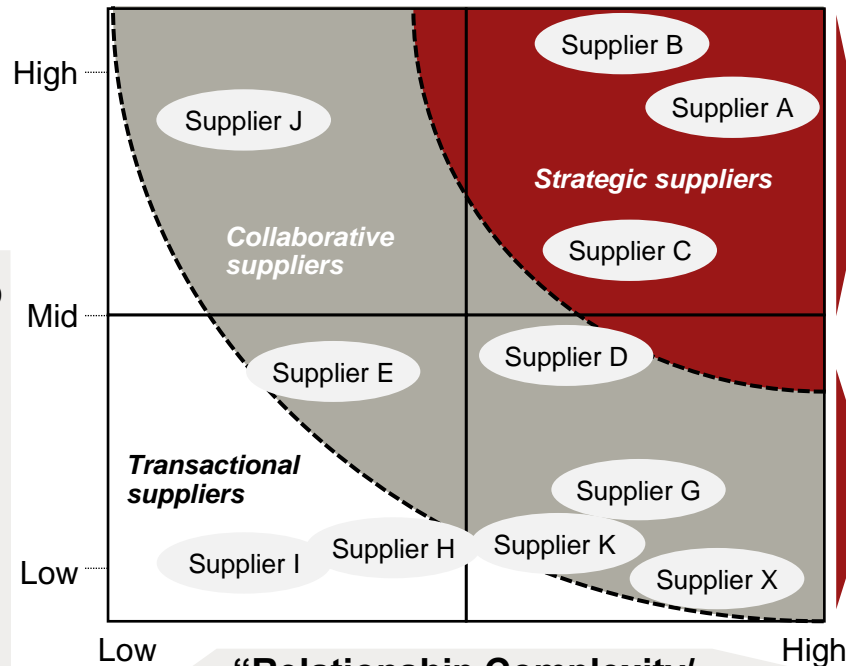
Supplier segmentation is fundamental in defining the supplier management strategy

Supplier segmentation framework

Illustrative

“Relationship Value / Business Impact”

- % of spend for the categories supplied
- Level of impact on bottom line (*extend to which supplier's raw materials generates a disproportionate amount of Gross Margin*)
- Perceived ability/willingness to drive joint process improvement
- Potential to leverage spend in other BUs
- Ability of supplier to manage risk / supply security



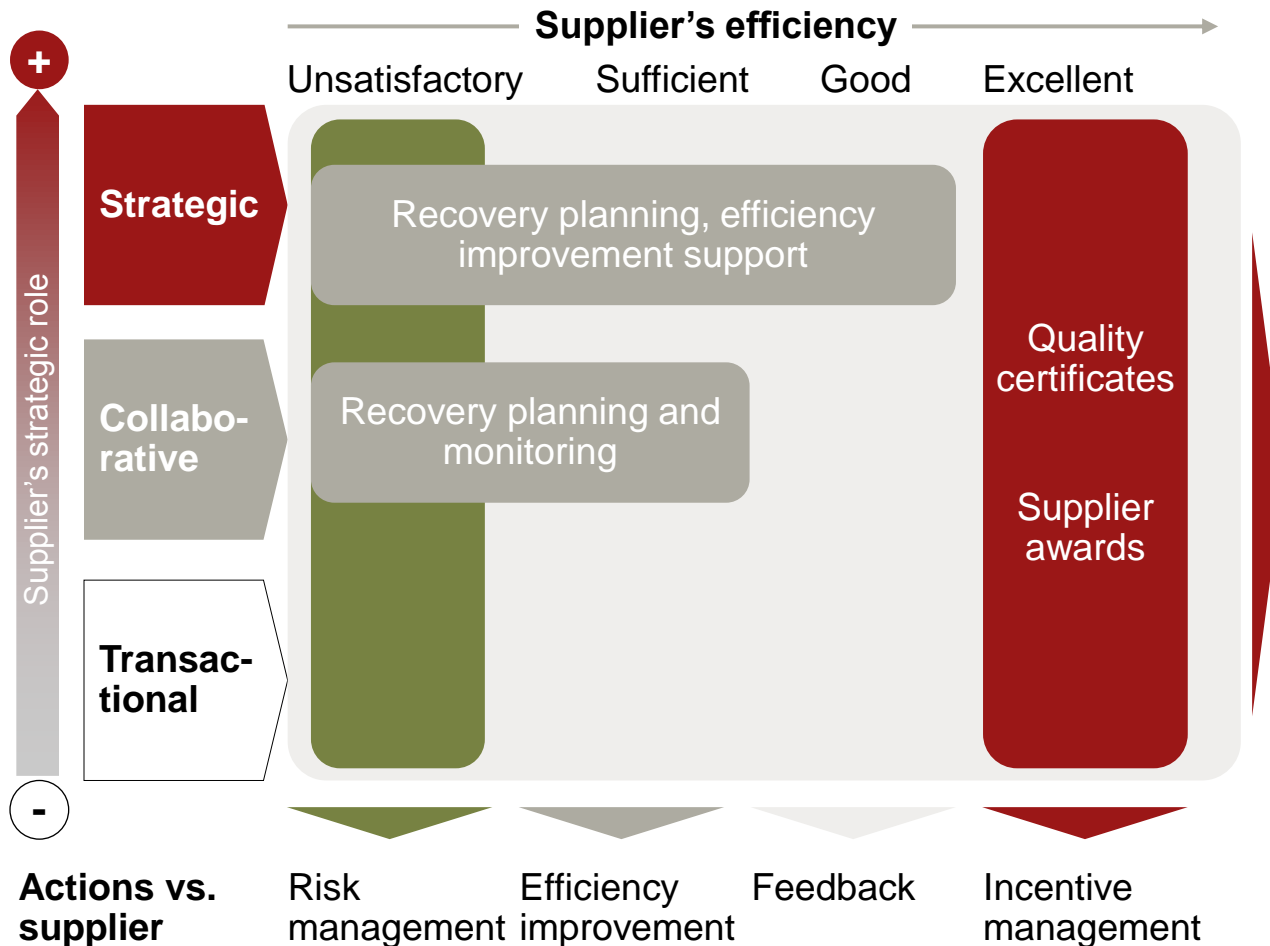
- Joint process improvement and innovation
- Long-term contracts
- Supplier= partner
- Transparency and visibility
- Support in certification, new product development

“Relationship Complexity/ Market Complexity”

- Diversity and geographic reach of spend (# of countries)
- Supplier power and uniqueness
- Dependency on supplier for innovation
- Alignment of strategies with supplier

Supplier segmentation implies the set of tools to be deployed to ensure supplier's efficiency

Supplier development tools per segment



- **Supplier scoring** – for every supplier, **actions vary** by supplier type
- Feedback, risk management, incentive management – applies **to all suppliers**
- Support in efficiency improvement – only to **strategic** and sometimes to **collaborative** suppliers

Best in class procurement leaders drive supplier innovation to an entirely new level

Supplier innovation

Illustrative

Bringing in CLIENT's understanding of values for customer...

- Understanding the customer needs and identified (latent) main parameters of value
- Guiding supplier to focus innovation on meeting unsatisfied needs

Categorization of needs

	Known / Clearly Expressed	Unknown / Unexpressed
Unsatisfied	Main parameter of value	Latent main parameter of value
Satisfied	Parameter of value	Tacit parameter of value

Value creation through innovation

... with suppliers R&D capabilities and through understanding of the products to identify the future technologies

- Tapping into large R&D pools at suppliers
- Leveraging supplier's knowledge of product design

Prediction of future technologies (example chipset)

