

What do your suppliers do for you? *The survey results...*

What does normal practice look like?
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Why we did the survey

Your suppliers can have a major impact on your ability to grow your business and your profitability. Surprisingly, little has been done to provide a simple set of benchmarking information to help review what your suppliers do for you, beyond providing their product or service.

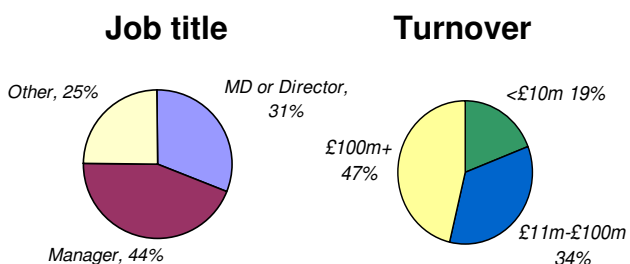
We set out to discover not just what suppliers do but also how well they do it. What is "normal practice" across the whole relationship with suppliers? Armed with this information you can more easily identify areas for improvement and it might help you determine which suppliers to keep and which to change.

At minimum the study can start an interesting discussion with some of your suppliers. Perhaps you might want to send them a copy of this study.

This summary of the survey results identifies a number of key benchmark areas to examine. We are using the full set of data to complete in-depth individual reports and recommendations for clients.

Benchmark data sources

To collect the base data for this study we used 67 electronic survey results from predominantly BtoB companies across a range of different industries.



We asked respondents to rate and comment on a single, unnamed, supplier of their choice that they knew well.

Does size matter?

Overall most trends were consistent across the total survey sample. The only significant difference is that respondents in £100m+ companies tended to select a supplier that they had worked with for longer. 53% selected a supplier that they had worked with for more than 10 years compared to an average of 32% from other respondents. Larger companies also tended to give more positive ratings than the rest of the sample in every area.

Essential expectations have to be met

The results confirmed that there is a top three set of criteria that a supplier has to satisfy. If you don't score your suppliers highly on all three criteria action is needed. The top item on the list is quality. Just one single respondent gave a negative response on quality. 56% rated the quality they received as very good. The message to suppliers is very clear; if you don't deliver quality you will not be a supplier.

- 1. Quality**
- 2. Expertise**
- 3. Price**

The second area where expectations have to be met is expertise. Only 5% of all respondents rated their supplier negatively and their comments confirmed that if they have the opportunity to change supplier they will. Suppliers need to provide a very high level of expertise, ongoing. This is confirmed by the 68% of respondents who rated their supplier's expertise as very good. This was the highest percentage of very good ratings in the whole survey.

The third essential area is Price. Only 5% of respondents were unhappy about price and a surprisingly high 25% actually rated price as very good. Price is rarely the only determining factor when selecting or reviewing the relationship with a supplier. Even strong positive ratings on Quality, Expertise and Price are simply the entry level criteria to be, or remain, a supplier. Suppliers must also find out what other needs you have and ensure that they are satisfied too.

How to lose customers

Customers leave their suppliers for many different reasons. Assuming that the top three criteria are being satisfactorily met its likely to be due to one or more of the top issues that respondents in our survey rated as below their expectations.

Other criteria for measuring suppliers

The survey results make it very clear that the biggest challenge to the customer – supplier relationship is what happens after the sale or transaction has been made. This is when customers are most likely to regard a supplier as not meeting their expectations.

For example, perhaps not surprisingly, 28% of respondents felt that contacts with Customer Service fell below expectations. However it was surprising to discover that nearly as many respondents, 26%, were unhappy about their suppliers lack of flexibility.

“They don’t recognise that our needs can change quickly or understand the impact that their lack of flexibility has on our projects”

There were more negative comments about suppliers lack of flexibility than any other topic.

Dissatisfaction with the suppliers processes followed close behind. Some comments tied the issue of flexibility and suppliers processes very tightly together and others treated them as two distinct issues.

The third main area was timeliness. The supporting comments covered a wide range of examples from product delivery to the production of price lists.

The issues highlighted in this section are important to fix but it needs to be remembered that if 25% of people were unhappy 75% were happy. That sets a high bar for suppliers to jump just to be considered as a credible supplier.

So what else can your suppliers do for you?

More “right every time” criteria are becoming normal practice and the price of entry. Your suppliers therefore need to work on new ways to differentiate themselves from their competition. The best way is to help you be more successful in meeting your business goals. Even those that are not directly related to the product or service that they supply. Most suppliers are not doing this well and questions in this category showed the lowest overall ratings.

Make you more successful

For example over half of respondents disagreed with the statement that the supplier had passed them useful contacts or leads. In addition 40% stated that their supplier had not come up with ideas to improve their business.

In spite of this and other negative ratings and comments 64% of respondents still believe that their supplier is customer focused. But for how long?

Many companies are reviewing their definition of what “customer focused” actually means. They are increasingly including the wider criteria of how well suppliers help them meet their business goals. This can significantly change their rating in future surveys. We expect this trend to take off rapidly and make it much harder for suppliers who can not react well in this new environment.

Conclusions

I hope this summary helps you spot some key areas to discuss with your suppliers. I recommend particularly focusing on the criteria that you rated most differently from the normal practice identified in the study.

You might also want to consider how your customers regard you as a supplier. Let me know if we can be of help to you.

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Helping organisations profit from being customer focused

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