

Supplier Collaboration is Key to Maximizing Value

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“The dominance of the customer, shortening product life cycles, demands for configurable products, shrinking lead times, global competition and participative product design have altered forever the nature of sourcing and highlighted the importance of collaboration.”

That’s an excerpt from [APICS Principles of Inventory Management](#) courseware published in 2014, and the message is even more true today than it was then -- collaborating with your suppliers can have an invaluable strategic impact, and can give your organization the advantage it needs to compete in today’s fast-moving global marketplace. Through collaboration, the buyer and the product design team can accomplish two critical tasks: bringing products to market faster, and leveraging the supplier’s expertise in sourcing, cost management and value analysis.

The Principles workbook asserts that the goal of sourcing should be to establish supplier relationships that forward the strategic goals of your organization and result in the delivery of goods and services. This point of view allows you to approach sourcing as a series of steps starting with selecting the supplier and agreeing on terms, then growing the relationship into a long-term, mutually beneficial arrangement.

APICS further addresses the dynamics of supplier collaboration in a recent white paper from the *Beyond the Horizon* research initiative produced with Michigan State University’s Eli Broad College of Business: [Creating Value Through Procurement and Sourcing Efforts in Integrated Supply Chains](#). The study’s findings show that for many successful companies, close and ongoing collaboration with suppliers is crucial and beneficial on multiple fronts.

Involve Suppliers in the Design Process

These collaborative relationships work best when both buyer and supplier share technology and product design information. While some may initially be reluctant to share such proprietary information, the benefits are likely to outweigh any risk. Involving suppliers early in the design process will give your design team access to core competencies it may not possess, or in which it lacks a particular specialization or expertise.

Often the supplier may be better able to provide design guidance for the materials they make. After all, they are the experts when it comes to utilizing their own product or service and know how their products are being, or could be, used by others. In the same vein, suppliers can be more aware of sensing trends and consumer needs in their industry. Tap into this knowledge through collaboration.

Early involvement of suppliers in the design process can substantially reduce a product’s time to market. Items can be made available for sale earlier, during the product prototyping and production roll-out stages of the design cycle. Ongoing collaboration also makes it easier for you to catch any design flaws early in the game. And, in-house product testing can dramatically reduce the likelihood (and resulting cost of) returns or recalls.

“We practice quality by design rather than by testing,” one supply chain manager stated as part of the *Beyond the Horizon* study. “By the time we test a product, we feel it is too late and too expensive [to change] ... So, we want to integrate our suppliers as much as possible into our early designs to get it right the first time.”

Clear, open communication goes a long way in building strong supplier relationships. As one individual responded in the *Beyond the Horizon* survey, “Actually tell a supplier what you expect from them, and, it’s amazing what they do.”

Lower Costs, Less Risk

Collaborating with suppliers can bring about lower costs by simplifying product design and increasing standardization. Simplified, more standardized designs mean that products are easier to produce and assemble. Fewer parts means fewer opportunities for things to go amiss at any stage of the game.

At the same time, reducing design complexity in the initial product development stage results in fewer engineering changes and fewer quality problems as the design progresses. This kind of supplier collaboration can also reduce costs by eliminating the need to manage inventory of product parts and the use and maintenance of assembly systems, among other opportunities.

Supplier relationships, like every aspect of the integrated supply chain, have grown increasingly complex. To achieve a competitive advantage it’s important that you approach sourcing as a strategic, systematic, cross-functional and cross-enterprise process. By establishing active collaborative relationship, sourcing evolves beyond pure transaction management to a networked, mutually beneficial partnership.