

# Supply & Demand Chain Executive

## SPM and SRM Go Hand in Hand

BY NATALIA KOSK

### Global executives share effective strategies and lessons learned in supplier management

Whether you define supplier performance management (SPM) and supplier relationship management (SRM) differently, there is that one key component that holds them both parallel to each other—the supplier. And regardless of what initiation stage your company is at in the SRM or SPM process, the vote is unanimous—as presented at Loyola University Chicago’s Supplier Relationship Management Conference last month—that effective supplier management must start first with the right communication.

“As much as you think you are communicating with everyone, you can’t communicate enough,” explained Kellogg Co.’s Director of Supplier Relations and Diversity Cathy Kutch at Loyola’s SRM conference, in collaboration with the Chicago Quinlan School of Business. “Suppliers do really want to get involved in fixing issues within your organization. A lot of SRM is just about education and about having those conversations. Executives and companies tend to only think about their suppliers when an issue comes up. But suppliers cannot forever be helping you at the bottom line if you are not giving them the information they need at the top line.” Kutch further confirmed that the supplier cannot afford to miss a key discussion that can help them do better. “You want to put things together where the discussion needs to be had,” she explained. “And don’t worry about the format. Just provide your suppliers with an opportunity for them to talk and tell you what is going on.”

While there are all different levels of testing, compliance and performance measurement, a number of things can be done to benefit the supplier or vendor, in turn, benefiting



(Pictured left to right): Edward Sawicki, P&G; Eric Goodman, Deutsche Post DHL; and Deborah Beavin, Humana Inc. discuss stories of adversity and success with supplier relationship management at Loyola SRM conference.

the company using them, which include:

- Continuing to educate on the value of score cards to identify what suppliers have improved in their processes.
- Enforcing “supplier days” to provide one-on-one discussions between suppliers, stakeholders and company executives.
- Utilizing technology to ensure that suppliers get the information they need to effectively and accurately perform.

#### Management at the dock

In the case of C3 Solutions’ C3 Reservations, the Web-based dock appointment scheduling solution includes a component to it which allows customers to measure their suppliers’ performance with respect to their purchasing agreement or merchandising policies. And while with a dock scheduling system, users should expect to measure “a supplier’s adherence to the actual delivery time because the system manages when they

are supposed to arrive at the dock,” according to Greg Braun, Senior Vice President, Sales and Marketing, C3 Solutions Inc., there are other areas that the company manages based on customer request.

“A lot of times, our customers will come to us and say ‘my buyer wants me to measure whether the person at the shipping dock wrapped the product the way they asked?’ explained Braun. “Or did they send the paperwork the way I asked? Is the labeling on the products the way it should be?” So there is a whole list of factors to measure, such as if a product was damaged at the loading dock. And especially in the retail segment, there is post arrival data capture and some companies may enter that data into their WMS, but more often than not, it’s a stand-alone process where they enter that data into a spreadsheet or in a form that purchasing has given them to fill out.”

But while having a list of factors to measure supplier management against is a good initial step, it ultimately is not effective if such data is siloed and not shared with a business’s key partners to enable efficient performance across all spectrums of its supply chain.

“With an instantaneous data capture, you can resolve such issues right on the spot,” Braun continued. “In today’s world, people are trying to measure the performance of their carriers or vendors. They do that to a certain degree but it’s very labor intensive.”

In the case of one of C3 Solutions’ retail customers, the company experienced challenges with receiving appointments at the store level. And while C3 Reservations was initially created more for a warehouse environment, Braun and his team were able to

demonstrate to the client how the solution could be adopted and tailored to achieve visibility in a retail environment.

“We looked at the C3 Reservations solution and said to ourselves ‘well, if it works for a distribution center that has 250 doors, then surely it could work for our store level,’” C3 Solutions’ retail customer confirmed.

Before implementation of the solution, the retail company leveraged up their capabilities to report on activity at the back door, primarily done in a manual, paper-and-pen process at the receiving desk of each dock door. While there were some standing appointments with larger vendors, everything else was based on a carrier call-in scheduling basis which required a phone call and/or a fax to the store.

“A key need for us now is to be more collaborative with some of our key vendors,” continued C3 Solutions’ retail customer. “We want to see, ‘what is the average time that a carrier spends at each one of our stores with their appointments? Are they coming late? Are they arriving early? How far in advance do they pick?’ Our business is hungry for that kind of information. The more visibility you have to the shipment arriving at the store, the better equipped the store is to plan for the next day’s activities.”

Approximately five months after going live with the C3 Reservations solution, the retail customer is now able to put together performance reports that they could provide to their carriers or to their vendors on a quarterly basis. In addition, administering appointment through a single Web portal application

continues to be instrumental for the retail customer to see all of its carriers’ activity and be able to report on it.

### Additional supplier lessons learned

So how do you drive continuous improvement in supplier management—whether it’s on a performance level or a relationship level?

At Loyola University Chicago’s Supplier Relationship Management conference, decision-makers from such leading companies as Procter & Gamble Co. (P&G), Deutsche Post DHL, Best Buy Europe, Humana Inc., Royal Dutch Shell, Microsoft Corp., SunTrust Banks Inc. and more discussed their challenges and lessons learned; and shared insights as to what companies must factor in to address the supplier discussion, i.e., what’s good, what’s not and when is the right time to terminate a supplier relationship that is just not working anymore.

“For us, it came down to how do we convince the business partners that we have to work with them and complement everything they do—and not compete with them,” said Eric Goodman, Head of Strategic Sourcing and Supplier Management, Deutsche Post DHL.

To address this effectively, the other part of the discussion that is key, is to identify who within the business is mitigating the SRM or SPM strategy. Is there one main point of contact solely responsible for that, i.e., a single supplier relationship manager assigned to all supplier contracts, new and old? Or is the responsibility spread out among a number of

different company departments and executives, based on each contract?

“We’re all doing SRM,” said Kutch. “It’s just a matter of how you’re doing it and how effective you are at it—it’s all about internal alignment. Suppliers have an option. You don’t have to be their customer of choice. Them spending time on their resources can help you get what you need to get done. Share with your suppliers what it is you want them to accomplish and what it is you need them to do,” Kutch stressed to the Loyola SRM audience.

The last factor, and certainly *not* the least relevant, is with regards to risk and how actions that impact a supplier—regardless of which tier level—will navigate back up the supply chain to its customer, i.e., your business.

“When Hurricane Sandy hit, our entire network went down,” said Goodman. “Our supplier was the one who was actually able to get our network back up, so we can depend on them just as much as they can depend on us.”

“Such scenarios really test the relationship between manufacturers and suppliers,” added Edward Sawicki, Associate Director, Global Business Development, Procter & Gamble Co. “Superstorm Sandy, Hurricane Katrina—such events are real eye-openers as to how people act in those scenarios.”

At the end of the day, suppliers want their partners to tell them what they want. They want engagement and they want value. Ask yourself, are you managing your supplier(s) relationships and performance to the best of your ability?

## About C3 Solutions

Founded in 2000, C3 has become the leader in Yard Management and Site Flow solutions, including dock scheduling, with an impressive roster of Global 5000 clients in manufacturing, grocery, retail, logistics and parcel post across three continents.

The web-based appointment scheduling system, **C3 Reservations**, allows you to improve the productivity of your logistics operation by enabling third parties to book appointments for goods delivery and pickup. C3 Reservations eliminates site congestion and improves your operations productivity by helping you plan, control and monitor access to your facility.

**Yard Smart**, C3’s award winning yard management system (YMS) provides the ability to totally automate your yard operations. Yard Smart will manage your gates, provide visibility for both trailers and the product inside the trailers and dramatically increase the productivity of your yard, drivers and dock workers.

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