

SELECTING THE RIGHT SUPPLIERS

INTRODUCTION

Sourcing your product is a critical step in your supply chain. Choosing the right vendor is key. Let us begin with an overview of purchasing basics followed by information on selection criteria.

PURCHASING BASICS

What is purchasing?

It is the acquisition of goods and services.

Activities include:

- Help decide whether to make or buy
- Identify sources of supply
- Select suppliers and negotiate contracts
- Control vendor performance

The primary goals of purchasing are:

- Ensure uninterrupted flow of raw materials at lowest total cost
- Improve quality of the finished goods produced
- Optimize customer satisfaction

How is this accomplished?

Actively seeking better materials and reliable suppliers

Working closely with strategic suppliers to improve quality of materials

Involving suppliers and purchasing personnel in new product design and development efforts

EXAMPLE EVALUATION CRITERIA

There is no “one right way” to evaluate suppliers. Consider the needs of your operations and the needs of your customers when developing your list.

Examples include:

Company — financial performance, location, stability

Organizational culture — trust, compatibility of cultures

Price/delivery — quality, price, delivery

Other — safety, customer

TRENDS

Outsourcing of non-core activities to suppliers

Focusing of operations

A **reduction in supply base** as companies shift from multiple to single sourcing

Long-term buyer/supplier relationships

Partnerships rather than adversarial trading

Supplier management improves performance through:

Supplier evaluation — determining supplier capabilities

Supplier certification — third party or internal certification to assure product quality and service requirements

ADVANCED EVALUATION CRITERIA

Green supply chain

Location from your manufacturing operations

Total cost measures

TAKE IT TO THE NEXT LEVEL

Custom supplier selection tools can be built and based on a variety of complex mathematical formulations. Iowa State University has expertise in such system development. Consider partnering with an expert at ISU.