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.