

Supplier Consolidation Process

A STREAMLINED 5-STEP APPROACH

1. Analyse Current Supplier Base

A comprehensive understanding of the current supplier landscape is crucial. Consider these key aspects:

- **Spend analysis:** Categorise and quantify expenditure with each supplier.
- **Performance evaluation:** Assess supplier performance based on quality, delivery, and cost.
- **Contract review:** Understand contractual obligations, terms, and conditions.

2. Define Consolidation Goals

Build a team of key stakeholders in the business and set clear objectives such as:

- **Cost reduction:** Negotiate better pricing and reduce transaction costs.
- **Improved efficiency:** Streamline processes and reduce administrative overhead.
- **Enhanced quality:** Focus on suppliers with consistently high-quality performance.

3. Evaluate and Select Key Suppliers

Rigorous evaluation is crucial for identifying the most suitable suppliers for long-term partnerships. Key considerations:

- **Supplier capabilities:** Assess their ability to meet current and future needs.
- **Innovation potential:** Consider their capacity for innovation and collaboration.
- **Pricing competitiveness:** Negotiate favourable pricing and payment terms.

4. Develop Transition and Risk Mitigation Plans

A well-defined transition plan minimises disruption during the consolidation process. Focus on:

- **Phased approach:** Implement consolidation gradually to minimise risk.
- **Communication strategy:** Communicate clearly with affected suppliers and internal stakeholders.
- **Contract renegotiation:** Renegotiate contracts with selected suppliers.
- **Inventory management:** Optimise inventory levels to avoid shortages or surpluses.
- **Contingency planning:** Develop contingency plans to address potential disruptions.

5. Monitor, Manage & Optimise the New Supplier Base

Ongoing monitoring and management are crucial to realise the full benefits of supplier consolidation. Key activities:

- **Performance monitoring:** Track supplier performance against agreed-upon metrics.
- **Relationship management:** Foster strong relationships with key suppliers.
- **Regular reviews:** Conduct regular reviews to identify areas for improvement.
- **Continuous improvement:** Implement continuous improvement initiatives to optimise performance.
- **Risk management:** Continuously monitor and mitigate potential risks.

Summary

Supplier consolidation is a strategic process that can deliver significant benefits, including cost reduction, improved efficiency, and enhanced quality. By following these five key steps, organisations can streamline their supply chain, reduce risk, and build stronger relationships with key suppliers, ultimately driving greater value and competitiveness.

Contact us



For support on supplier consolidation, please feel free to contact:

Lee Pratley

Director & Head of Purchasing and Membership at OBN UK

lee.pratley@obn.org.uk

+44 (0) 0791 7762 707