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Quantifying Convenience In Supplier Relationships

By Helen Ewing

In previous articles, we have been discussing the total cost of products and services to shed light on the concept that supplier value is not just price, delivery or quality, but a combination of all of those things including convenience. When evaluating suppliers to determine which ones offer the best overall value, convenience is a factor that should be considered and can be quantified.

What constitutes convenience? Things like; the variety of products / services the supplier offers for one stop purchasing; continually adopting new technology to improve their offerings; proactive customer service and support; frequently reports usage rates; identifies areas of savings; provides information on industry trends; is an education resource on their offerings; and more. Convenience is in the intangible side of the supplier's business that keeps customers coming back.

How can intangible services be converted into quantifiable data used in supply chain evaluations? Assign the intangible a number for how well they meet each attribute. Sum the numbers to receive an overall score for the category of convenience to be considered along with similar scorings for price, delivery, and quality.

As an example; Janitorial Suppliers ABC and XYZ. Each of them are almost equal in pricing, delivery and quality. However, when considering convenience their intangible value differs greatly. Both ABC and XYZ company are able to provide customer usage reports but ABC is able to do it by their customer's department, part number, item description, price, as well as monthly and annual volumes. The reports from XYZ company are geared more toward their own internal use and confusing to customers. Further, ABC company reviews their customer's usage reports and identifies items their customers could consolidate to save more money. They also inform their customers when new improved products replace older ones for greater efficiency and lower cost. ABC company even alerts their customers when environmental legislation changes the usage and disposal of the products it sells.

Assessing the convenience factor is useful when evaluating all suppliers of similar products / services in supplier consolidation efforts. It is useful in supplier award programs for going the extra mile which is something the supplier can use in their advertising campaigns. When considered along with price, delivery, and quality, it captures the total value the supplier provides especially when they may not be the lowest priced supplier.

In conclusion, quantifying convenience in supplier relationships brings meaning to the intangibles and identifies which suppliers to reward with more business.