

SUPPLIER IMPACT STRATEGY

How effective supplier relationships
can unlock incremental value and
support organisational strategic goals

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Introduction

In the ever-evolving landscape of business, the significance of supplier relationships extends far beyond the traditional transactional model. This Prominate white paper explores the positive impact of having strategic supplier relationships in place. It covers three key themes – **Strategic Supplier Collaboration**, **Supply Chain Optimisation**, and **Risk Management** and **Resilience** – and their role in driving incremental value for organisations whilst also aligning with the organisation's strategic goals. Supplier relationships are the responsibility of everyone involved in the management of goods and services for an organisation.



Strategic Supplier Collaboration

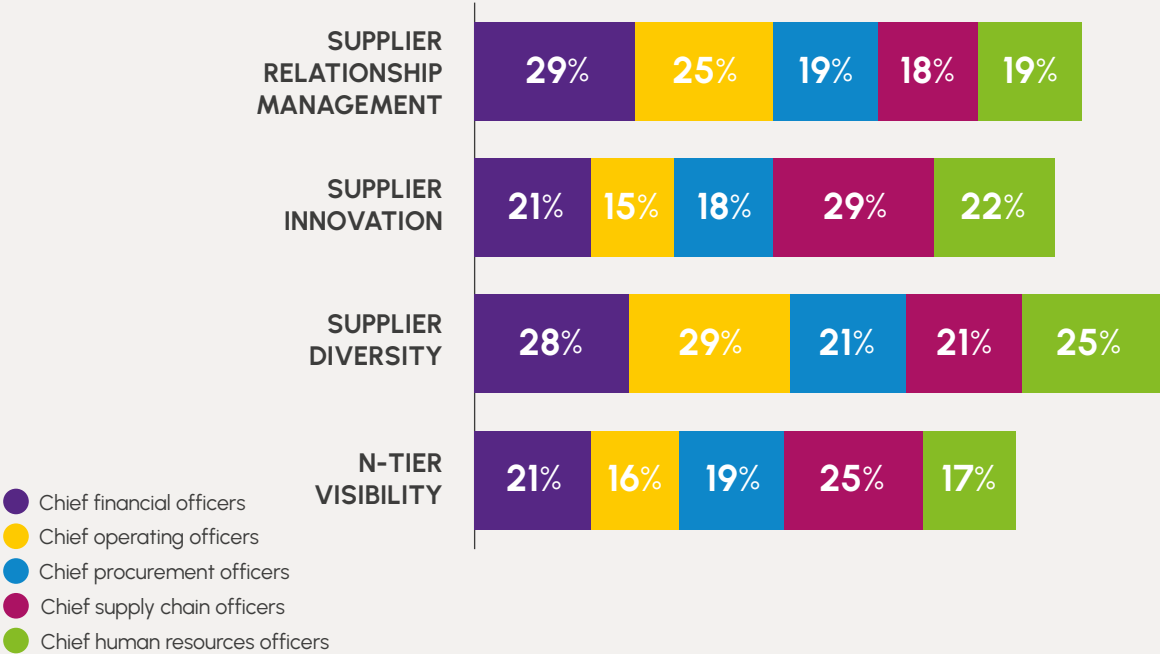
Shifting Perspectives

To unlock the full potential of effective supplier relationships, organisations must move away from viewing their suppliers as pure transactional entities to seeing them as key strategic partners. This paradigm shift is foundational to fostering both long-term relationships and mutually beneficial partnerships. The benefits do have to be mutual for both sides of the relationship to develop.

"Success would have to be determined not purely from a financial point of view but more importantly have positive impacts on employees, supply chain workers, local communities, and the local and global environment. It won't sustain if it is one-sided."
TIM PILCH, Margery Consulting

For procurement, this may involve organisations reviewing their supplier base to identify the suppliers with whom they should build more strategic relationships which could be determined by environmental and social performance, the level of spend or the importance of the category of spend for the organisation as indicated in Figure 1. For stakeholders, their change in perspective could be more long term – identifying the suppliers that will help them to achieve their long-term objectives.

FIGURE 1: Organisations plan to enhance procurement value through supplier management



Source: Economist, 2023

Conveying a similar message on the topic.

"We are very intentionally moving away from volume-based transactional supplier partnerships towards a more inclusive and horizontal framework. Good business collaboration and consolidated sales remain a driver, but collective success is elsewhere.

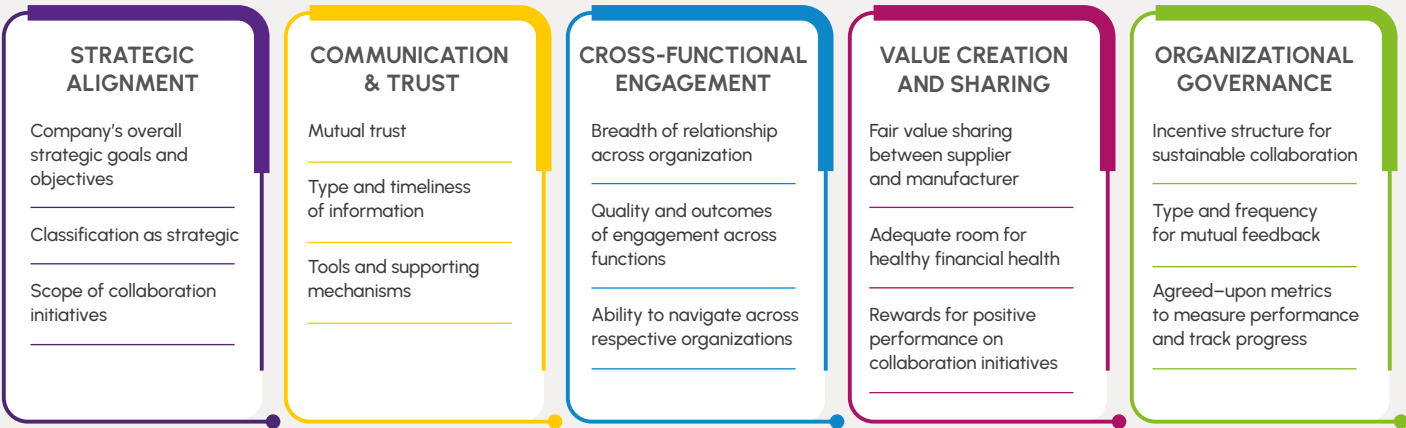
Having a like-minded and collective agenda for our industry creates a bigger and stronger bond between distributors and suppliers. This joint direction, open collaboration and shared commitment, particularly concerning digitalization, sustainability and marketing effectiveness, positively pushes the boundaries of the more traditional and tiered supply chain relationship."

FLORENCE MOSNIER, General Manager, IPPAG

Shared Goals and Strategies

Successful strategic supplier collaboration involves identifying what those shared goals are for all parties, and then working to align both strategies and ways of working to focus on mutual success and maximising ROI. By actively involving suppliers in setting these common objectives, organisations can forge partnerships that then rise above the transactional type of relationship.* Examples of the results of shared goals and strategies could include sales and growth targets, increased awareness of brand image, achieving their corporate sustainability goals and new product innovation. Some organisations will look to have a degree of investment in common goals or KPIs in the form of the agreed remuneration structure that is in place between both parties. Regular reviews, perhaps on a quarterly basis, are a good way to track progress and recalibrate and refocus if needed.

FIGURE 2: The Supplier Collaboration Index assesses the five major dimensions that underpin successful collaboration programs.



Source: McKinsey/MSU Supplier Collaboration Index Team

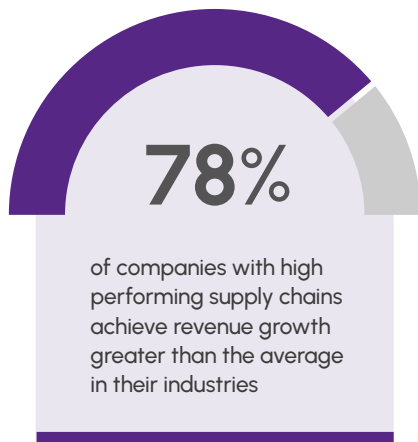
Mutual Success

The key to strategic collaboration lies in the acceptance by both parties of the need for two-sided success. Both parties need to invest the time and resource to make a strategic relationship work. Organisations that view their suppliers as strategic partners will experience both short and long-term benefits in areas such as innovation, shared risk and sustained growth, with the suppliers ultimately contributing to the achievement of their overarching strategic goals for the organisation.

For this to work, you need to build in a process of feedback as well.

"Providing more than the pure tangible and more easily evidenced aspects of Stakeholder Relationship Management (SRM) considers how we can achieve psychological safety in a collaborative and trusting relationship that goes beyond the immediate here and now and extends into the value architecture that is created from more successful and mutually beneficial relationships. This is not for every supplier in a supply network and will be the preserve of just a handful of truly value-enhancing relationships that extend beyond traditional metrics to embrace resource sharing, exchanging, loaning and implanting."

PROF. DAVID L. LOSEBY



Source: Invesp, 2022



Source: McKinsey, 2023



Source: Medium

Supply Chain Optimisation

Enhancing Efficiency and Reducing Costs



Source: Torrent Consulting

Optimising the supply chain is not just about cost reduction but also involves increasing overall efficiency, supplier profitability and continual R&D investment. This theme explores strategies that go beyond traditional cost-reduction measures, and will cover areas such as streamlined processes, technological integration, carbon reduction and waste reduction.

Optimising the supply chain moves beyond the narrow focus on cost reduction, as it encompasses a broader strategy aimed at enhancing the overall efficiency of both the organisation and its often-complicated supply chain network. With this holistic approach, the focus extends beyond traditional cost-cutting measures to incorporate innovative solutions.

Streamlined processes, driven by advanced technology, play a key role in boosting efficiency, ensuring seamless coordination and minimising bottlenecks. Technological integration, from advanced analytics to real-time tracking systems, enables organisations to make data-driven decisions, optimising their resource allocation as well as helping to manage their inventory management.

Further, an emphasis on the organisation's waste reduction will hopefully not only align with its sustainability goals but also contribute to cost savings by minimising inefficiencies and promoting a leaner, more agile supply chain. By adopting these comprehensive strategies, organisations can strengthen their supply chain, making it a strategic asset that not only reduces costs but also enhances their overall operational excellence.

Contribution to Organisational Value

A well-managed supply chain is a major strategic asset that can significantly contribute to the value of an organisation. This can cover ensuring that suppliers meet customer demands promptly and can adapt in an agile way to market changes, as well as helping them to maintain a competitive edge.

Forming strategic relationships and long-term partnerships enables suppliers to get an incredible understanding of the business itself and how it operates, thus enabling suppliers to help unlock incremental value in the business. If suppliers understand the business as much as clients understand their business, greater efficiencies will be achieved.

For companies such as Prominate, with a global footprint and a commitment to supporting local production where applicable, a well-optimised supply chain becomes a unique selling proposition (USP) with both a global reach and local sensitivity in terms of production. This in turn supports alignment with the increasing demand for sustainability and community engagement. This dual approach, marrying global efficiency with local sensitivity, allows suppliers such as Prominate to deliver innovative, high-quality promotional merchandise with a reduced environmental impact and a positive contribution to local economies.

Risk Management and Resilience

Assessing and Mitigating Risks

In navigating the intricacies of a global footprint and diverse manufacturing and distribution locations, organisations must go beyond their acknowledgement of potential risks.

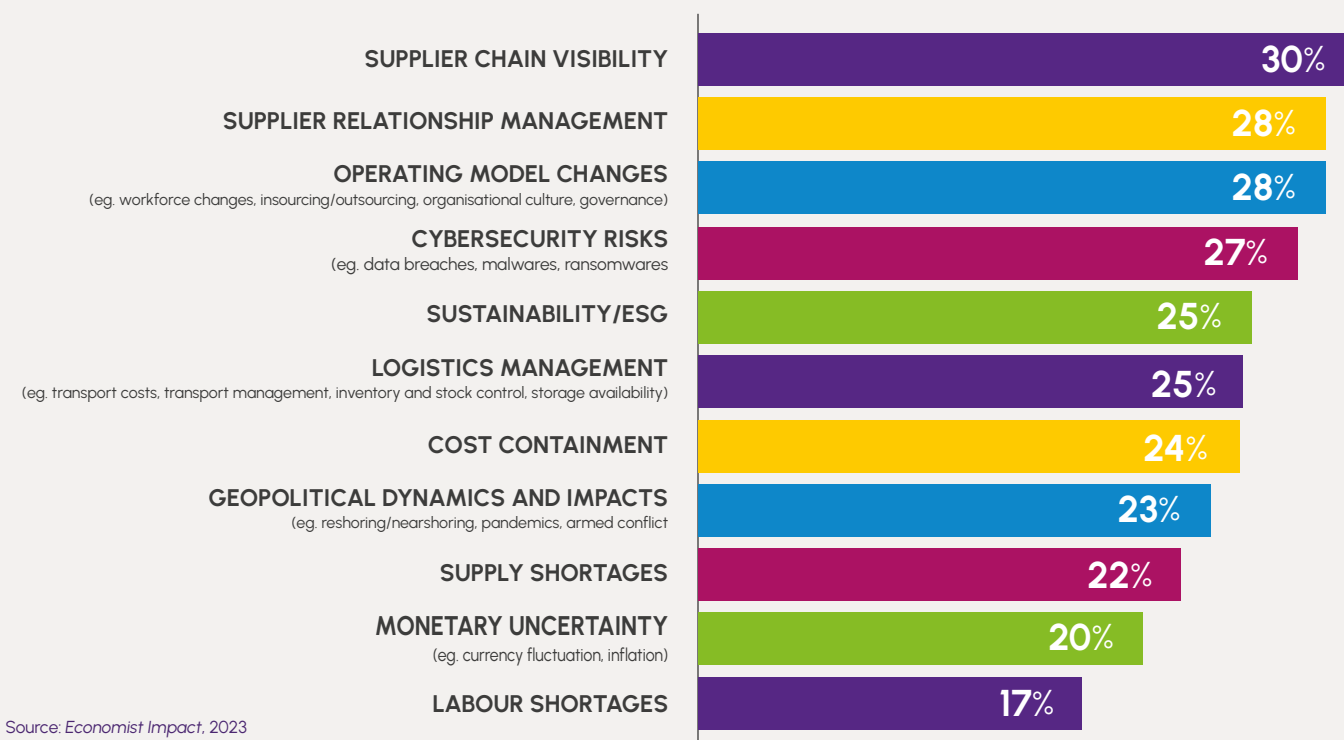
As identified in figure 3 establishing a robust risk management strategy for an organisation becomes essential, involving not only the full assessment and mitigation of risks but also proactive measures to build organisational resilience. This includes contingency plans to address geopolitical challenges, diversified sourcing strategies to mitigate raw material shortages and a forward-thinking approach to anticipate and adapt to evolving global dynamics.

By adopting such a risk management approach that incorporates environmental and social impact, profitability and continual improvement, organisations can position themselves not only to weather any challenges they may face but to emerge stronger, more adaptive and better equipped for sustained success in an ever-changing global landscape.

"By recognising that the current polycrisis will endure, of which there is much evidence to support this, agility and flexibility through collaborative supply networks that rely more heavily on the social contracts that emanate from the formal contract will be the characteristics of competitive advantage in future supply networks. Organisations need to focus on the entire supply network ecosystem and less on dyadic relationships as networks are inherently stronger when they act cohesively and are orchestrated transparently and ethically."*

PROF. DAVID L. LOSEBY

FIGURE 3: C-suite top priorities for managing organisational risk over the next 12–18 months



Source: Economist Impact, 2023

Contributing to Organisational Resilience

A supplier relationship management strategy and implementation play a key role in supporting the resilience of an organisation. By developing strong relationships, organisations can respond quicker to possible disruptions, source alternative solutions and navigate challenges more effectively, thereby ensuring continuity for their clients.

"Effective supplier relationships are the cornerstone of a resilient and thriving industry. By shifting from mere transactions to strategic partnerships, organizations unlock unprecedented value. Collaborative approaches, shared objectives, and mutual success become the bedrock, driving innovation, mitigating risks, and propelling sustainable growth. It's not just about contracts; it's about co-creating the future together."

DALE DENHAM, PRESIDENT AND CEO – PPAI

Strengthening organisational resilience through effective supplier relationship management covers many areas. It establishes a foundation for sustained growth and client satisfaction.

In times of uncertainty and disruption, the strength of supplier relationships becomes a strategic asset, allowing organisations not only to respond swiftly but to proactively shape solutions. A culture of collaboration and mutual support with suppliers fosters innovation, creating a dynamic ecosystem where both parties actively contribute to problem-solving and business continuity.

This collaborative resilience not only safeguards against immediate challenges but positions organisations to thrive in the face of evolving market dynamics, reinforcing their reputation for reliability and adaptability in the eyes of clients, stakeholders and the industry.



Source: Torrent Gartner

* polycrisis – a time of great disagreement, confusion, or suffering that is caused by many different problems happening at the same time so that they together have a very big effect (Source: Cambridge Dictionary)

Conclusion

In conclusion, a strong strategic relationship between organisations and their suppliers is a linchpin for success. By embracing strategic supplier collaboration, optimising the supply chain and prioritising risk management, organisations will drive incremental value as well as protect themselves against uncertainties.

Optimising the supply chain becomes a continuous journey, a commitment to operational excellence that helps to distinguish leading organisations from their competitors. By looking at the way that risk management is delivered, businesses can help protect themselves against uncertainties as well as strengthen their foundations for long-term growth. This integrated approach, supported by collaboration, efficiency and resilience, positions organisations not just to weather challenges but to emerge stronger, more agile and poised for continual success in an ever-evolving marketplace.

For companies such as Prominate, the integration of these themes offers a strategic roadmap for not just meeting but exceeding client expectations, ensuring sustained growth and alignment with broader organisational strategic goals.



This paper has been co-authored by Tina Fegent (FCIPS) and Prominate Global.

Tina Fegent

Tina Fegent is a global marketing procurement consultant with 30 years' experience. She was one of the first to work in marketing procurement and set up teams at Cellnet (VMO2), SB (Haleon) and Orange. She then worked as a Commercial Director (agency side) at Grey Advertising and then Lowe's. This gave her a unique insight into both sides of the client–agency relationship and how to get the best outcome for all parties. She now runs her own marketing procurement consultancy, working with clients such as innocent, Primark, Hovis and SSE to ensure that their marketing procurement strategies, operations, teams and agencies are working successfully together. She mentors and trains many in marketing procurement as well as being the Chair of the CIPS Marketing Procurement Group.

Prominate Global

Prominate is a global promotional program specialist that creates innovative promotional experiences for brands and their customers. Prominate works with the world's best brands, successfully increasing brand awareness and brand loyalty and delivering ROI.

With over 100 offices located around the world, the Prominate team delivers global and regional promotional material solutions across the automotive, pharmaceutical, manufacturing, entertainment, banking, construction and FMCG sectors.

Operations are driven by speed, agility and employing effective marketing procurement strategies, utilising local expertise, customised program solutions and advanced proprietary technology.

Prominate recognises that the future of the world is in all our hands and ensures that the supply chain is transparent and sustainable, aligned to and monitored against the UN Global Sustainable Development Goals.

For more information and case studies on how Prominate is supporting clients to unlock incremental value, contact Matt Tuck, Global Business Director at matt.tuck@prominate.com

