

02

Managing suppliers

Warm up

Are customer/supplier relationships more like a love affair or a fight? Why?

All's fair in love and purchasing.

Emily Oster, American economist

LEARNING OBJECTIVES

Supply chain communication skills

Discussing purchasing requirements, priorities and goals

Discussing guarantees, responsibilities and service levels

Managing suppliers to develop a partnership

Reading

A customer service guarantee

Listening

Purchasing meetings

Language

Vocabulary for supplier background checks

Phrases to make commitments to customers

Phrases to describe expectations of suppliers

Conditionals for guarantees

Business partnerships and background checks

1 Work with a partner. You are agents who are meeting to discuss terms for new business partnerships between celebrities and well-known brands.

Student A: turn to page 46.

Student B: turn to page 48.

2 What are the most important questions B2B customers should ask about a new supplier? Complete the ideas with the words in the box to make useful collocations.

balance sheet continuity ethical key
margin record requirements value

- a** 'References are the most important thing. Who are their customers and how satisfied are they? What's their **track** _____?'
- b** 'We need to know that they have the financial stability to build a long-term relationship. Do they have a **healthy** _____? Do they rely heavily on one _____ **account**? Will they make a **reasonable** _____ on their business with us?'
- c** 'Corporate social responsibility is the first question I ask. Do they have an _____ **supply chain**? If they can't guarantee that their partners don't exploit workers, we won't do business with them.'
- d** 'The most important question to ask is – can they meet our **minimum** _____? Can they supply what we need, when and where we need it?'
- e** 'What I need to know is – how will they bring **added** _____ to our business? How will they make our product more attractive and more profitable?'
- f** 'We've had bad experiences in the past with fires, floods and so on. So the key issue for me is risk management. What are their _____ **plans** in case of disaster?'

3 Which opinions in 2 do you agree or disagree with? Why? What other factors do you think are important to consider?

4 As a supplier, what do you need to know about a new customer? With a partner, brainstorm a list of questions.

- _____
- _____
- _____
- _____
- _____





Customer service guarantees

1 Read the customer service guarantee of an energy supplier and answer the questions.

- What do South Canyon promise regarding: 1 quality? 2 time? 3 price? 4 location?
- What are the reasons mentioned for delays in connection? Give examples for each.
- What are the reasons why South Canyon might not have accurate information about how much gas or electricity has been used?
- How do the reasons in b and c affect South Canyon's guarantees?

South Canyon Gas and Electric

Your satisfaction is our priority

We aim to provide a safe, **timely and courteous** service. If we ever fail **to live up to your expectations**, please let us know; we value your feedback.

We will make every effort to connect your service by the agreed date. If we **fail to do so**, we will automatically credit your account with \$100. **This commitment does not apply** during extreme weather conditions or emergencies, if access to the premises is not available or unsafe, or if third-party contractors are responsible for the delay.

We promise to provide **accurate invoicing**. If your bill is inaccurate, we will automatically credit your account with \$250. This does not apply to estimated bills or self-read meters.

We undertake to respect your property. If our engineers cause damage to your home or business premises, we will make all reasonable efforts to **resolve the problem to your satisfaction**.

Grammar tip

Conditionals

*Customer service guarantees use conditionals to make promises.

If your bill is inaccurate, we will automatically credit your account with \$250.

Can you find four more examples in the document?

2 Replace the words in *italics* with the equivalent phrases in bold from the text.

- Thanks to our new ERP system, we can guarantee *bills with no errors*.
- Our customer service manager will try to *find an acceptable solution*.
- In cases of natural disaster like earthquakes, *we cannot offer this guarantee*.
- We pride ourselves on providing *punctual and polite* maintenance service.
- We aim *to be as good as you hoped for in every way*.
- We insist you finish by 31 May; if you *don't succeed*, we will invoke the penalty clause.

Over to you

- 1 What commitments does your company make to its customers? What are its expectations of its suppliers? Make two lists. Then discuss with a partner how you achieve these objectives.

As a supplier, we aim to ...
We achieve these objectives by ...

As a customer, we expect our suppliers to ...
We achieve these objectives by ...

- 2 Read the information about three kinds of service. In what situations and types of business is each kind of service acceptable or even desirable? With a partner, think of examples.

We offer three kinds of service:

GOOD – CHEAP – FAST

GOOD, CHEAP service won't be FAST

GOOD, FAST service won't be CHEAP

FAST, CHEAP service won't be GOOD

Managing a supplier

1 With a partner, decide if the things in the box are good (G), bad (B) or if it depends (D). Explain your answers to the class.

a long-term commitment changing specs longer lead times
 more notice to earn trust to print out a mockup
 to run out of compressors to split orders between suppliers
 to squeeze lower prices out of a supplier
 unscheduled down time

Refrigerator compressor



2 **03** Listen to three conversations, which take place over a three-year period, between the head of purchasing for a refrigerator manufacturer and a supplier. Answer questions a–d for each year. Compare your ideas with a partner.

- a What's the problem or the issue?
- b What does Paula ask George to do?
- c What is George's reaction?
- d How would you describe the customer/supplier relationship?

3 **03** Listen again. Complete each gap in the table with three words. (Contractions such as we're count as one word.)

	Year 1	Year 2	Year 3
a Reviewing the current situation	So far Production _____ flexible.	Until now _____ for the UK market.	Up to now, _____ our orders 50/50.
b Describing priorities and goals	We simply _____ do that. _____ cut unscheduled down time to zero.	Now _____ start exporting to Europe.	
c Describing requirements	In future, _____ you respect the lead times.	We _____ produce a prototype.	As from January, _____ lead supplier to deliver 80%. We're _____ to help us develop new products. _____ to be a preferred supplier.
d Offering alternatives		I'm _____ very realistic! But _____ do is ...	I _____ make any investments. We'll certainly _____ to ...

Over to you

- 1 Think of some changes:
 - a) you would like your supplier to make
 - b) your customers would like you to make.
- 2 Now negotiate the changes with a partner using the flow chart. Take turns to be the customer and the supplier.

Customer: Review the current situation.

Supplier: React or comment.

Customer: Describe your priorities and goals.

Supplier: React or comment.

Customer: Describe your needs and what you want your supplier to do.

Supplier: Agree or offer alternatives.

Customer: Continue and/or conclude the conversation.

A comfortable fit

Stage 1 – Setting up a supply chain

- 1 Work with a partner. Read your role cards carefully.
- 2 Have a meeting to set up a deal for Bhati Textiles to supply Koha Jeans. When you have both scored at least 4 points, go on to Stage 2; if not, try again!

Student A

Purchasing Director, Koha Jeans, Amsterdam

You sell jeans to retailers in Europe for €14 per unit.

Your warehousing, distribution and administrative costs are €4 per unit; shipping to Europe costs €0.50 per unit. Negotiate the following points:

- Unit price: €5 or less (score 3 points), €6 (2 pts), €7 (1 pt), €8 or more (0 pts)
- Shipping: Supplier pays (2 pts), Share costs 50/50 (1 pt), You pay (0 pts)
- Minimum order: 5,000 pairs (3 pts), 10,000 pairs (1 pt), 15,000 pairs (0 pts)
- Lead time: 1 week (2 pts), 2 weeks (1 pt), 3 weeks or more (0 pts)

Student B

Owner, Bhati Textile Company, Bangladesh

To make a pair of jeans costs you €3 for materials and €1 for labour and factory costs.

Shipping to Europe costs €0.50 per unit. Negotiate the following points:

- Unit price: €8 or more (score 3 points), €7 (2 pts), €6 (1 pt), €5 or less (0 pts)
- Shipping: Customer pays (2 pts), Share costs 50/50 (1 pt), You pay (0 pts)
- Minimum order: 15,000 pairs (3 pts), 10,000 pairs (1 pt), 5,000 pairs (0 pts)
- Lead time: 4 weeks or more (3 pts), 3 weeks (1pt), 2 weeks or less (0 pts)

Stage 2 – Quality

- 3 Student A: turn to page 46. Student B: turn to page 48. Read your information carefully.
- 4 Meet again to discuss how to improve quality. When you have both scored at least 3 points, go on to Stage 3; if not, try again!

Stage 3 – Partnership

- 5 Student A: turn to page 46. Student B: turn to page 48. Read your information carefully.
- 6 Meet one more time to discuss your partnership. When you have both scored at least 3 points, congratulations – you have built a successful partnership; if not, try again!

Stage 4 – Confirmation in writing

- 7 Complete the email confirming some of the points agreed in your final meeting.



✉
✕

Dear _____,

It was good to meet you yesterday. As agreed, I am writing to confirm the points we discussed.

We understand that you are aiming _____
and that you would like _____

Until now, we _____

However, we are prepared to make every effort _____

In return, we hope we can rely on you to _____

We trust our partnership will continue to develop to our mutual advantage, and we look forward to _____

Best regards,



Neil Salva

Rocaba Packaging Group



Sujun Shah

Rocaba Packaging Group

- Factory / letters and samples / Neil's customers / go direct
- Neil thought / great relationship
- Neil / four-colour printing / customers
- Neil cut ties / factory
- Neil identified / factory

Before you watch

Discuss the questions with a partner.

- 'Lean Six Sigma' principles aim to eliminate waste. What problems make it difficult to avoid wasting time and money in the procurement/inventory process?
- A 'middleman' is a company that buys finished goods from manufacturers and sells them on to customers. Why is this a risky business in the modern world of global trade and communication?
- A 'virtual' or 'third-party' warehouse is used to hold a supplier's stock close to the customer. What benefits do customers and suppliers get from this arrangement?

While you watch



1 Watch the section on *Inventory strategy*. According to Sujun, which problems make it difficult to stay as lean as possible?

- | | | | | | |
|-----------------------|--------------------------|---------------------------|--------------------------|------------------------------------|--------------------------|
| number of products | <input type="checkbox"/> | number of customers | <input type="checkbox"/> | varying suppliers around the world | <input type="checkbox"/> |
| different lead times | <input type="checkbox"/> | different sales forecasts | <input type="checkbox"/> | a finite amount of warehouse space | <input type="checkbox"/> |
| large customer orders | <input type="checkbox"/> | the need to forward order | <input type="checkbox"/> | | |



2 Watch the section on *What you look for in a supplier* and answer the questions.

- What three things does Sujun say he looks for in a supplier?
- What does he now choose not to do? Why?



3 Watch the section on *Changing supplier* and answer the questions.

- What went wrong when Neil was forced to change supplier?
- Look at the notes on the left for Neil's story about four-colour printing services. Number them in the order they happened (1-5).
- Work with a partner. Take turns to retell Neil's story in full sentences using the notes.

'Neil needed four-colour printing services for his customers.'



4 Watch the section on *A good relationship with a supplier*. Decide who will benefit most from the virtual warehouse. Mark each factor *S* (supplier), *R* (Rocaba Packaging) or *B* (both).

- | | |
|---|--------------------------|
| a reduced lead times | <input type="checkbox"/> |
| b stock-holding reduced by £50,000 | <input type="checkbox"/> |
| c control of hundreds of thousands of pounds (of stock) | <input type="checkbox"/> |
| d a 20% increase in business | <input type="checkbox"/> |

Natural speech



In fast speech, non-essential words that native speakers don't need to hear clearly become 'weak forms'. Try to add the missing words in the examples below, then watch again and check your answers.

- ... as close _____ two miles _____ road ... (00:27)
- ... to the _____ world, in China ... (00:30)
- ... once our customers get _____ specific product (01:33)
- ... that was _____ problem (03:17)
- ... the trust to put _____ pounds (04:10)

After you watch

Discuss the questions with a partner.

- Why do you think Neil's supplier tried to go direct? Why was it a bad idea in the long term?
- In your opinion, what are the risks of sharing a warehouse with a supplier?
- Have you ever regretted changing supplier? Why?

01 Planning procurement strategy

Needs, risks and contingencies

1 Match each need (a-f) to the relevant risk (1-6).

- | | |
|--|--|
| a We need a safety stock of bottleneck components | 1 however, there's so much racking, I think it's unlikely to be a problem. |
| b You may want to over-order parts that are shipped by sea; | 2 distributors' prices are likely to be very competitive. |
| c There is always the question of warehouse space; | 3 if anything goes wrong, we're sure to have stock-outs or waste. |
| d The battery is a very strategic component; | 4 in case we have a sudden increase in orders. |
| e We shouldn't underestimate the cost of making components in house; | 5 price is bound to be an issue. |
| f I think it's dangerous to go for just-in-time; | 6 we can't rule out damage in transit or at the docks. |

2 Put the phrases in the correct order. Then match each contingency plan to a risk in 1.

- | |
|---|
| a an emergency shipment / we'll have to order / failing that |
| b the old workshop / if necessary / for extra storage / we can use |
| c comes to the worst / our sales price / we'll increase / if the worst |
| d to local manufacturers / otherwise / we could outsource |
| e the extra costs / if need be / will cover / the insurance |
| f at all / cancel the project / then there'd be / we could always / no risk |

3 Six words are missing from this email. What are they and where should they go?

Dear Joe

Thank you for quotation for the door handles. Unfortunately there seems to a misunderstanding about quantities and delivery. Instead 300 and 200, the quantities should be 200 of each type of door handle. Could please correct this? In addition, we would a quotation including shipping and insurance costs. We look forward receiving your revised quotation as soon as possible.

Best regards,
Emma

02 Managing suppliers

Expectations and responsibilities

1 Underline the correct expression in each sentence.

- a The economic situation is not good at the moment so we need to have some *minimum requirements* / *continuity plans*.
- b We have to look after our *track records* / *key accounts* because they are our most important customers.
- c If we don't use recycled packaging, then we can't say that we have an *ethical* / *an added value* supply chain.
- d I don't think we should change to that new supplier because they don't have a very good *track record* / *key account*.
- e We make a *reasonable margin* / *healthy balance sheet* on our fresh goods, but we make a lot more money from our frozen goods.
- f I'm not sure how this supplier can bring *added value* / *track record* to our business – they seem no different from our old supplier.

2 Complete the sentences with the pairs of words in the box.

afford + key every + live insist + lead
need + value promise + satisfaction
realistic + track rely + timely up + requirements

- a _____ to now, we've always been able to meet your _____.
- b In future, we _____ you to help us add _____ to both our businesses.
- c We simply can't _____ to rely heavily on one _____ account.
- d In future, we will _____ that you respect the _____ times in our contract.
- e I'm afraid your request isn't very _____.! But what we can do is reassure you we have an excellent _____ record in your industry.
- f I can't _____ to repair the damage. But we'll certainly do our best to resolve the problem to your _____.
- g We hope we can _____ on you to provide _____ and courteous service.
- h We intend to make _____ effort to _____ up to your expectations.

3 Decide if the sentences in 2 are more likely to be said by a customer or a supplier. Mark each sentence C (customer) or S (supplier).

Learning outcomes

- I can discuss procurement strategy.
- I can forecast supply risks.
- I can discuss contingency plans.
- I can discuss purchasing needs, priorities and goals.
- I can discuss customer guarantees and responsibilities.
- I can build successful customer-supplier relationships.