02

Managing suppliers

Warm up

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



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

Conditionals for guarantees

Business partnerships and background checks

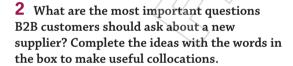
1 Work with a partner. You are agents who are meeting to discuss terms for new business partnerships between celebrities and well-known brands.

Student A: turn to page 46.

Student B: turn to page 48.

balance sheet

margin



record

you think are important to consider?

continuity

requirements



a	'References are the most important thing. Who are their customers and how
	satisfied are they? What's their track?'
þ	'We need to know that they have the financial stability to build a long-term
$\langle \ \rangle$	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?'
е	'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?'

ethical

value

3 Which opinions in 2 do you agree or disagree with? Why? What other factors do



Customer service guarantees

- 1 Read the customer service guarantee of an energy supplier and answer the questions.
 - **a** What do South Canyon promise regarding: 1 quality? 2 time? 3 price? 4 location?
 - b What are the reasons mentioned for delays in connection? Give examples for each.
 - **c** What are the reasons why South Canyon might not have accurate information about how much gas or electricity has been used?
 - **d** 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.

- **a** Thanks to our new ERP system, we can guarantee *bills with no errors*.
- **b** Our customer service manager will try to find an acceptable solution.
- **c** In cases of natural disaster like earthquakes, we cannot offer this guarantee.
- **d** We pride ourselves on providing *punctual and polite* maintenance service.
- **e** We aim to be as good as you hoped for in every way.
- **f** 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

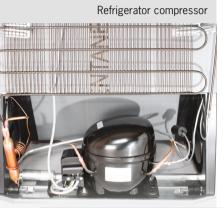
1 With a partner, decide if the things in the box are good (G), bad (B) or if it depends (D). Explain your answers to the class.

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

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

Over to you

- 1 Think of some changes:a) you would like your supplier to makeb) 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.

Customer: Describe your priorities and goals.

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

Customer: Continue and/or conclude the conversation.

Supplier: React or comment.

Supplier: React or comment.

Supplier: Agree or offer alternatives.

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 $\in 3$ for materials and $\in 1$ 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,

01-02 Video





Factory / letters and samples / Neil's customers / go direct

Neil thought /
great relationship

Neil / fourcolour printing / customers

Neil cut ties / factory

Neil identified / factory

Before you watch

Discuss the questions with a partner.

- **a** 'Lean Six Sigma' principles aim to eliminate waste. What problems make it difficult to avoid wasting time and money in the procurement/inventory process?
- **b** 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?
- **c** 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

	it difficult to stay as lean as possible? number of products number of customers varying suppliers around
	different lead times different sales forecasts the world
	large customer orders the need to forward a finite amount of order warehouse space
•••	2 Watch the section on What you look for in a supplier and answer the questions.
_	a What three things does Sujan say he looks for in a supplier?b What does he now choose not to do? Why?
<u></u> 1	3 Watch the section on <i>Changing supplier</i> and answer the questions.
	a What went wrong when Neil was forced to change supplier?
	b 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).
	c 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 <i>A good relationship with a supplier</i> . Decide who will benefit most from the virtual warehouse. Mark each factor <i>S</i> (supplier), <i>R</i> (Rocaba Packaging) or <i>B</i> (both).
	a reduced lead times

Natural speech

b stock-holding reduced by £50,000

d a 20% increase in business

c control of hundreds of thousands of pounds (of stock)

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.

a ... as close ______ two miles ______ road ... (00:27)

b ... to the ______ world, in China ... (00:30)

c ... once our customers get ______ specific product (01:33)

d ... that was ______ problem (03:17)

e ... the trust to put ______ pounds (04:10)

After you watch

Discuss the questions with a partner.

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

O1 Planning procurement strategy

Needs, risks and contingencies

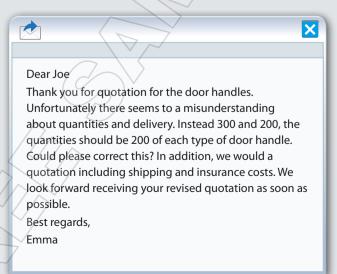
- **1** Match each need (a-f) to the relevant risk (1-6).
 - **a** We need a safety stock of bottleneck components
 - **b** You may want to overorder parts that are shipped by sea;
 - **c** There is always the question of warehouse space;
 - **d** The battery is a very strategic component;
 - **e** We shouldn't underestimate the cost of making components in house;
 - **f** I think it's dangerous to go for just-in-time;

- 1 however, there's so much racking, I think it's unlikely to be a problem.
- **2** distributors' prices are likely to be very competitive.
- **3** if anything goes wrong, we're sure to have stock-outs or waste.
- **4** in case we have a sudden increase in orders.
- **5** price is bound to be an issue.
- **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
- **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?



02 Managing suppliers

Expectations and responsibilities

- 1 <u>Underline</u> 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.

Avery + live inciet + 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.
С	We simply can't to rely heavily on
	oneaccount.
d	In future, we will that you respect the
	times in our contract.
е	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.
	up to your expectations.
3 D	ecide if the sentences in 2 are more likely to be
	by a customer or a supplier. Mark each sentence

Learning outcomes

C (customer) or S (supplier).

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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.