Driving growth and innovation through supplier partnerships

Why supplier collaboration in supply chains is crucial

Executive summary
Supplier relationship management has always been critical to supply chain success. Consistent and transparent communication between supplier and manufacturer is crucial, and fostering a collaborative, longstanding partnership is a must. When supply chains face disruption or unconsidered variables, the investment in the supplier partnership is invaluable. We know what the benefits of collaboration are for the manufacturer, but what about the supplier?

Who: 237 suppliers from across the U.S.
When: February 2017
Why: To uncover insights (not specific to 3M) on the most urgent trends, opportunities and challenges facing suppliers today
Little is known about the supplier side of this relationship. As supply chains advance with new technologies and dive into sustainability efforts, organizations may not realize what’s driving their suppliers to work efficiently for them.

3M surveyed 237 suppliers across the U.S. in February 2017 to share insight on the most urgent trends, opportunities and challenges facing suppliers today. The findings reflect supplier sentiment around all customers and organizations they supply, and are not specific to 3M.

**Collaboration is key**

Ninety-five percent of suppliers report being at least somewhat empowered and encouraged to innovate and make suggestions for improvement for the customers they supply. Further, 43 percent of suppliers report feeling fully empowered.

Data shows that organizations that fail to collaborate with suppliers are leaving tremendous sources of knowledge untapped.

Supplier partnerships can drive innovation and growth, making it critical for companies to foster a strategic relationship with their suppliers.

In fact, half of the suppliers surveyed have held back from making a strategic recommendation due to lack of incentive or customer openness.

Whether it’s a more affordable way to package goods, or a new product innovation, organizations that fail to engage with suppliers risk leaving major value, cost savings and expertise on the table.

The problem may not only lie in lack of incentive and customer openness, but also because the organizations they supply lack systems and technology that make collaboration more efficient. Seventy percent of suppliers said at least half of the customers they supply do not have a strong system and process in place for buyer and supplier collaboration. This coordination gap is potentially costing customers in efficiency and development opportunities.

**Efficiency thrives thanks to new tech**

From digitization strategies to advancements in robotics, smart devices and big data, the systems and technology that keep the global supply chain running, are going through a period of immense change. According to the suppliers surveyed by 3M:

- **60%** of organizations suppliers work with are in the process of making major changes and upgrades to their systems and technology to become more digital and connected.
- **58%** of organizations suppliers work with already have fully modern systems in place.
- **25%** of suppliers said the organizations they supply make them use technology or systems that negatively impact productivity and collaboration.

The increasingly digital supplier relationship depends on clear and consistent communication. That being said, transparency and two-way information sharing are two areas that most supply chains need to prioritize.

- **Only 29%** of organizations suppliers work with currently have a strong system in place for two-way demand planning.
- Further, only **23%** of organizations suppliers work with use platforms that offer strong transparency and visibility across the supply chain.
Supply chain industry trends

2017 risk concerns

From economic and political uncertainty to supply chain disruptions, suppliers are facing an unpredictable risk landscape in 2017. Supply chain teams listed the biggest risks facing their supply chain this year from most to least concerning. The percentages below depict the respondents’ top concerns:

61% – Volatile commodity and supply prices
15% – Uncertain policies of new U.S. administration
8% – Regulatory compliance
7% – The performance of tier two and tier three suppliers
6% – Natural disasters and supply disruptions
3% – Cybersecurity

Cost concerns remain far and away the biggest risk area for suppliers. Sixty-one percent of suppliers said volatile commodity and supply prices were the biggest risk facing their supply chains in 2017. The second most prominent concern: the uncertain policies of the new U.S. administration — identified by 15 percent of suppliers as the biggest risk in 2017.

Despite the recent prevalence of headline-making security leaks and breaches, cybersecurity did not resonate as a major concern for suppliers, a potential oversight that could have far-reaching implications for the supply chain. Cybersecurity was ranked dead last by the suppliers surveyed with less than 3 percent of suppliers saying it was a top concern.

< 25% of suppliers are least concerned with cybersecurity

Sustainability still gaining traction

Supply chain sustainability and Corporate Social Responsibility (CSR) remain core focus areas in 2017, especially as organizations continue to connect sustainability directly to tangible business value. In fact, 76 percent of suppliers identified the biggest motivator for operating in a more sustainable fashion is positive business outcomes.

The next biggest drivers for sustainability and CSR: suppliers’ desire to create a more socially responsible supply chain (69 percent), compliance (64 percent) and brand reputation (62 percent).

Supplier/vendor managed inventory models

Offering benefits for both buyers and suppliers, supplier/vendor managed inventory models are picking up steam across the supply chain — but they need to be implemented effectively to ensure participation and two-way value.

Today, 35 percent of organizations are promoting the use of vendor managed inventory business models. Several factors motivate suppliers to initiate and/or broaden their supplier managed inventory model:

More accurate and timely forecasting
Additional growth opportunities
Enhanced information sharing
Clear expectations for short- and long-term return on investment
Increased contract lengths

What’s next for supplier relationships

Organizations that collaborate with their suppliers are reaping the benefits of a successful partnership. These companies’ suppliers are more open to share ideas and foster a relationship, whereas non-collaborators are leaving immense value on the table.

As technology continues to reign in the supply chain, supplier relationships will undoubtedly improve. Further, sustainability efforts will likely continue to be companies’ focus.

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