



Hey, Procurement. Here's a new supplier. Can you please just set them up in our ARP system?" Well, to see if that is really a reasonable approach is the topic of today's episode of Procurement Zen. Welcome to episode number 11, evaluating a new supplier.

Phil: Hi, welcome. My name is Phil Kowalski. I'm your host at Procurement Zen podcast. Today, I have a very big surprise and an honor because from today onwards I will be no longer alone on this podcast. I now have a cohost with me. My cohost is Tanya. Hi, Tanya?

Tanya: Hi, Phil.

Phil: Great to have you here. It's really amazing that we will do this show together in the future.

Tanya: I'm very excited. Long time listener, first time caller, as they say.

Phil: Perfect. Great. It's so amazing to have you. Tanya, just for our audience, would you mind just to give us a short introduction of yourself, of your procurement and negotiation background before we dive deeper in today's topic?

Tanya: Sure. Hi, everyone. My name is Tanya. I have been in procurement for many, many years. I'm working in different functions such as methods processes and systems, governance, indirect material, project procurement and now, IT. I originally come from Australia, but now I'm living in Germany, which is where Phil and I connected and very, very passionate about procurement.

Phil: No problem.

Tanya: I really enjoy the fact that you get the opportunity to liaise with all levels of the organization. You see many different departments. You're the interphase between suppliers and the business escalation parts. A day in the life of a procurement professional is not always the same. So, I'm very excited to be here.

Phil: Yes, and I'm very excited to do this now together with you. We talked about this a little bit upfront, of course, I'm quite happy that we're here. Now, so the audience, you now get two for the price of one so to say. Okay, so as I said in the intro, today's topic is evaluating how a new supplier will be onboarded. As always with Procurement Zen, we have prepared a nice handy little checklist over at procurementzen.com/011. That's procurementzen.com/011 for episode 11. There's a little checklist with all the questions and topics that we discussed today when it comes to onboarding a new supplier.

Phil: So, without further ado, I would then go into the topics with Tanya again, and we split it up a little bit. Some of the questions, some of the topics that we will have a deep dive on are, for example, it is really important as a first question or first right check, so to say, to understand is there actually really a requirement to onboard that new supplier? The



second question that we may want to ask is, do we have the same culture or do we share the same values?

Phil: Third topic is financial viability. So, how secure, how stable is the supplier we're dealing with? Fourth topic, quite important, innovation. What is the supplier's USP? Tanya, would you like to go on with the remaining four?

Tanya: Sure. No problem. Number five, I would say is one of the most obvious questions, but still very important. What is their pricing? What are their payment terms? Can we agree on T's and C's? I mean, really some of the basic fundamentals, and let's be honest, it's not rocket science, but we need to embed that anyway. Six, ability to supply. Can they actually deliver what they've promised? Seven, quality and service. Do they actually have the appropriate service levels to support our business?

Tanya: Do we actually have confidence in them from a quality perspective? And really, last but not least but still a very, very important consideration, the cost of change. As you know, it's not only the pricing that the suppliers provide us, but it's also about the cost for change for our internal organization. I'm sure we will get into the nitty gritty of that

Phil: Perfect. So, these were the topics. Again, you can download them over procurementzen.com/011 for getting this handy checklist with all the questions you might want to ask. Let's start with the first topic, shall we?

Tanya: Absolutely.

Phil: With response to the first question, is there really an actual requirement to onboard a new supplier? It may seem obvious, of course there is. But you would be surprised, and I wonder what your take is on this one, Tanya, but you would be surprised how many times and how often this is driven by the supplier. They simply want to be listed, but nobody has really a clue, do we really want to purchase something there? Do we really have requirements and stuff like this?

Phil: If you're working in an existing organization where you already have incumbent suppliers, so what is so special about this new supplier? Or is it more driven by the supplier that says, "Why don't you list me? I can be pretty important to your organization."

Tanya: Yeah, I absolutely agree. What I find is that sometimes suppliers, they just want a name, any name to get into the organization and they try and meet with as many people as possible. Through that they try to stimulate the need and requirement for their services. I also find that sometimes, to be quite frank, the business or the stakeholders, they're flooded to get those calls. They're flooded to be seen as a decision maker from a supplier base.



Tanya: So, therefore as a result of that, they also try and push new suppliers. Of course, it's dependent on what you're buying. Sometimes you might have a panel of suppliers, sometimes you might be sole supply, but really if you are wanting to change your incumbent or onboard a new supplier or evaluate a new supplier, it's really important to understand why. Does your incumbent supplier have a capacity problem? Is there a niche in the market that nobody currently fulfills?

Tanya: Do you want to benchmark pricing to see what else is out there? Are service levels and your incumbent supplier not fulfilling their KPIs? I mean, it's really important that you check the requirements and the existing supplier base for change. And Phil, I also, I'm not sure your take on this, but also it's very important as well to align with the business if you want change to happen because of course you know, half of procurement is change management.

Phil: Absolutely. Yeah, I see it exactly the same. What is quite important also for me is to view this initial request, so to say, at least in a mid-term, if not a long-term perspective. To see it and say, "Okay, it may be interesting now, but how does it match with our overall business goals?" If you think of the procurement function more as a value add function, and I know Tanya, the both of us discussed this a lot outside of this podcast, and we may have a few episodes in the future on value add versus cost cutting.

Phil: But, if you see procurement really as a value add role and function in your organization, you should be aligned with the business. The first and foremost question, and that is somewhat reflected in that first remark or first topic that we'll talk about, is like how does this align with our business goals, with our mid-term goals, with our long-term goals? My experience and my perception is that not only the response but how the response is given to you. Is it more hesitant? Or is it quite open and frank? Or aggressive, passive, whatnot?

Phil: It's always a good indicator. First, who drives this? Is this really a requirement from ourselves or is this maybe more supplier driven? And it also gives you an insight into how viable this requirement or this request to onboard a new supplier is.

Tanya: I completely agree. Yeah, I completely agree. I think it's very important to keep the big picture in mind to see where you can add value and as you say, to determine which stakeholder's actually requesting in this. And whether they have I would say examples of why this is required. Because as you know, it's also a long process. These things don't happen overnight and it's important as well to reiterate that to the business.

Phil: Absolutely. Yeah. I would say that covers at least a little bit the response or the reasoning behind the question if there is really an actual requirement. Shall we maybe look at the topic number two, the couch a topic. If suppliers have the same values, share the same values as we as their customers do.

Tanya: Yeah, absolutely.



- Phil: That's quite important. I think this one is a little bit driven by maybe softer facts, at least softer as, for example, in another topic that is purely on contract clauses and pricing and terms, but especially if you're looking at a service contractor that you're dealing with. So, someone where you not only get parts but where you interact with a lot. I think culture plays really a big role because at least to a certain extent we have sometimes to deal with each other on a day by day basis.
- Tanya: Yeah, absolutely. And I also think it's dependent on what you're actually buying. So, for example, I know in my past experience there's been times whereby basically when you work in project procurement, you have your end customer. So. you are basically working as part of the supply chain wanting to deliver services to your end customer. And there's been times whereby we've had project escalations or the project hasn't gone ... they don't go as well as they can. And I've had instances with suppliers that really they're working in the project, it's 5:00, they're not staying, they're going home.
- Tanya: I really think that that's, quite frankly, from a values and a cultural perspective, I think is very important to align goals and expectations from our side. It wasn't looked upon very well at all because really when the going got tough, they got going and that's very difficult.
- Phil: Yeah. And I absolutely understand this and looking at my own field of action so to say that I'm currently in, as you can see also from my public social network files, I'm working in an IoT environment which is quite dynamic and very fast moving. Not saying that this is the best of the worst, but just stating as it is for us, it is quite important too to have a similar kind of mindset that we can apply to our supply base. At least to the important suppliers.
- Phil: As you said, Tanya, as in projects, customers come up with new demands and usually we cannot simply reject them and if we're dependent on our subcontractors, it's quite important that they see and react to this new request the same way and also maybe here and there a little bit more flexible and then yeah. That's actually how I have experienced it in the past.
- Tanya: Yeah, I remember once I was buying consulting services. I was in a meeting with one of the suppliers that we were thinking of using. Basically, we were talking about our values, and I would say from their behavior, and then I would say from their arrogance and attitude, they didn't really want to understand what was important. They were big four. Their name was stronger.
- Tanya: Their name, they perceived was enough to get them in the door and yes, it got them in the meeting, but did not get them the project due to their, I would say behavior, and I would say lack of cultural fit. So, I think it's very important to share the same values and as you say, to understand really the impact of, of the organization and how they can best deliver.



Phil: Yeah. This also refers to when things get tricky and things get hard, which we talked a lot about when we had the expensive sentences focus week. I don't need these expensive sentences that much. I don't have to fight them that much. If we have like a cultural fit, I would say. And, that's also quite important. It's not all on the paper and it's not all in the bank accounts, but it's also like gut feeling plays a big role here, maybe.

Tanya: Absolutely. I completely agree.

Phil: So now that we have talked about gut feeling and soft facts, I think we should also look at the next topic which is quite important I think for us, especially as we're commercial role or commercial function and that is actually financial viability. So, the question here really is do they have the capacity? Do they have enough capital to support projects that we want to run with them?

Phil: I have a very recent example, not stating the supplier's name, but if you have a supplier that has more than 50% of its revenue done with your department, this is something that can become, especially if it's not a big supplier. I mean, if it's a big company with thousands of employees, they may not like it, but they find ways around it if things go wrong, but especially the small firms, from a reputational perspective, from a financial perspective, from a knowledge perspective, this can become very, very tricky.

Phil: I had one very, very bad experience in the past where we had something like a hard monopoly and it let us suffer so much. I think it is really important to evaluate the financial viability of a potential supplier.

Tanya: Absolutely. I mean, they need to be liquid, right? That's really one of the most important thing. They need to be in good financial shape. I would say there are a few ways that you can determine this information. Of course, you can always ask for their balance sheet, whether they give it or not is another story, but don't ask, don't get. If they're listed on the stock exchange or they released any kind of annual reports, of course, it's also very important to read.

Tanya: I would say one of the most key things, and it's probably the most basic, is just basically google them. You can understand a lot about a company's reputation and also about their financial status, and also potential lawsuits by just doing a simple google search. And then of course you've obviously also got your Dun & Bradstreet's of the world or you've got your other credit reporting organizations that can try and determine whether they are a good fit.

Tanya: I think that that's very important. I think the other thing is, and we haven't talked about that and we'll talk about that with ability to supply as well, but as you mentioned Phil, it's important to understand their customer base and do they have all their eggs in one basket and what is the flow and effect for you? Because if, for example, they lose a big client, do they have enough capital or capacity to fulfill your needs as well? So, just food for thought there.



Phil: Yeah. And one completely different point of view and that does not have to do very much with onboarding, but we mentioned that before. Especially the topic of researching your supplier may give you some measures you could use or some tools you could use in a potential situation because I just remember a situation where we had a supplier that has a dip in his stock price and was closed to their fiscal years.

Phil: At that in time, they were looking for revenue, revenue, revenue. They were willing to make much more concessions and they would have maybe during the midst of their financial year. But that is a completely different topic. Also, I really like a google research that you mentioned. We will have a future episodes where we will cover like how to use Google for your procurement and negotiation preparation. But that is also something that we usually do. It's surprising from my point of view that I would expect at least some of these tasks also with the requesters.

Phil: And it is surprising to see more often than not that simply, let's say some of the marketing material that has been forwarded to them is pushed through to us with a request to simply accept that. I think it is our role and our responsibility to really evaluate and proofread all this kind of stuff and see does that match our expectations? Is the market seeing it the same way? And so on.

Tanya: I completely agree. It really has to make sense.

Phil: Okay. The next topic that we will talk about is innovation. Yeah, what is your take on innovation, Tanya, when it comes to onboarding new suppliers?

Tanya: I think it's really dependent on what you want to get of the supply relationship, but I think that whatever supply you onboard, you need to understand, or you need to get their opinion on what their unique selling point is or their USP, just one acronym I need to throw in there. I'm sure we'll have many, many acronyms. over here in the procurement the world, but I think that is very important. What do they have that you don't currently have with your incumbent supplier?

Tanya: Do they have better technology? Do they have an app whereby everybody is now currently using a browser? Do they have faster processes? Do they have offshoring capability? I think it's really important to determine ... and when we also talk about cost for change, why are we actually changing, and the sake of that. I think that definitely innovation is critical. I mean, the world is moving so fast.

Tanya: We talk about Blockchain, we talk about warehouses and we talk about manufacturing of the future and I think it's very, very important to understand where a company wants to go and how it wants to get there and what kind of tools they have.

Phil: Absolutely. From my perspective, it also means it is not purely focused on the product, but as you said already, it could be like their delivery capabilities, which maybe is a little bit related to what the product is, but also things like faster processes or maybe access



to certain resources or something that maybe also quiet important for us, which is not like only they have the better tool, but especially like having faster processes.

Phil: Because as, as always, we usually tend to watch the whole procurement process from a total cost perspective. And faster processes also with new supplies can play a big role here. But one thing I'd like to mention here, that is maybe true for all of the topics that we talk about, but for this one, especially is I also like to play back this question into my requesting organization and say, "Okay, so dear requester, what do you see? Are they fostering innovation? What is your perception on that topic?"

Phil: That is something where I really think it also gives you a good indicator if that's a real business value behind onboarding, search a new supplier, or maybe to ... yeah, reject such a request.

Tanya: But Phil, they're my cousin's brother. This is why I need them.

Phil: Exactly. Can you tell us please why we need that supplier? Yeah, I know him from the fireman's club.

Tanya: Exactly. Or he's my neighbor. Unfortunately, these things sometimes do happen.

Phil: Absolutely. That is the only USP, it can become a little bit difficult, not only for the supplier, but maybe for you as well.

Tanya: Exactly. Right, exactly right. I think that actually is very good point because if one day you're audited, if you work for a large organization, chances are you may be one day, it is important to determine, well, there was actually a reasoning behind this supplier choice rather than maybe not the best idea is to have your neighbor as onboard just because you know them. So, it's always important to have some credibility around that.

Phil: Absolutely. We have covered this slightly in some of the other topics already. Innovation, which is also very much related to, as you said USP, the unique selling position. What is it they can do that our incumbent suppliers can't? I mean, a lot of our listeners as we are as well are working in existing organizations that already have sometimes a huge supply base. From my point of time.

Phil: I mean, we as procurement people get oftentimes contacted also by some salespeople and can we come and introduce ourselves? We deliver ABC services much better than the rest of our competitors. I simply say, but if you cannot immediately like in an elevator pitch, showcase me your added value, I have no interest in my 25th infrastructure supplier.

Tanya: I completely get that. I think some suppliers do it better than others and that's what sets the apart. I think maybe we will have an episode on this as well about sales versus procurement. I think that there are some very, very intelligent salespeople and then



there is some salespeople that should really listen to the podcast to understand how procurement people think because it still surprises me how basic sales techniques are sometimes, and they can't even, as you say, decipher their value.

Phil: Absolutely. Yeah.

Tanya: Shall we jump to number five?

Phil: Absolutely. Please, yes.

Tanya: Okay. The three, like I said, the most obvious three, but still very, very important, pricing, payment terms, legal T's and C's. I mean, let's just break these things down. Pricing, of course, are they competitive within the market? Are you benchmarking the price against what you currently have with your incumbent supplier? Are they in the zone when you were purchasing them as services by getting value? Anything else you want to add, Phil, to the pricing? I mean, its procurement 101, but still important.

Phil: Absolutely. Setting up a new supplier does not only cost money, but also, of course, time. I mean, again, stepping in and out of the negotiation topic all the time, but I would usually also say to onboard you to recover my costs and my effort, you have to be even better than my incumbents because if there is not something very special besides being a cousin of the requester's brother, it does not make sense for me commercially and economically to set you up, Mr. Supplier.

Tanya: I think it's really the same with payment terms. I mean, there is a saying cash is king and I really think that that's really prevalent and that's really important. Your stakeholders may not understand that, but I can guarantee the CFO understands that. Of course, as procurement people, it is our responsibility. Although sometimes it is a difficult task to try and extend capital and payment terms as long as possible.

Phil: I absolutely see this also as a very, very important topic because it could be the best supplier in the world or even very innovative or whatever. But, if we got cash problems due to very limited payment terms that we have maybe accepted, we do not even get that far because if we really have cash flow problems, our whole business to a certain extent is endangered.

Phil: It always seems like a minor or some of these topics that is rooted into the category of others. But again, talking about financial impacts and that can become hugely important, especially when you're looking at a big supply base and the average payment terms that you have with all your suppliers.

Tanya: The third one, legal T's and C's. I mean, obviously you need to have a basis of collaboration. You hope that things don't go wrong. However, if things do go wrong, you know, you need to make sure that you have that basis from a legal perspective to



understand each other's expectations and to understand the boundaries and the goalposts there.

Tanya: I mean, I think that's very important. It's really the basis of collaboration. If you don't have a basis of understanding of which terms they need to be engaged, well, there's a big problem there.

Phil: Absolutely. I'm pretty sure our audience experiences the same. For all the requesters out there listening to this podcast, the legal T's and C's does not mean signing the supplier's documents that they have sent to us. It's like about liabilities, and data protection, and all this kind of stuff.

Tanya: About IP etc.

Phil: Quite Important, yeah. Exactly, it is quite surprising because sometimes, and I'm pretty sure our procurement professional colleagues out there listening may have experienced the same it. It's quite interesting to see how often people hand over supply of paper and say, "But with that topic, isn't the legal discussion ended?" "No, sorry, it's not."

Tanya: It's just began.

Phil: Yeah.

Tanya: I completely understand. Obviously, these things take time as well depending on what you're buying. I think you need to keep a level head. Are we talking about \$2,000 or 2,000 euros, or are you talking about \$200,000 and 2000 euros? I think that also needs to be thought about and how much effort you've put in. However, if we're talking about high risk or high value transactions, then of course, Rome wasn't built in a day and we need to ensure that there is a minimum understanding of expectations from a legal perspective.

Phil: Absolutely. I can only refer back to our previous episode, episode number 10, that you can find that procurementzen.com/010, where we talked about procurement early involvement. As Tanya just said, these legal discussions may take a little bit longer because they provide us as a company with the security net, so to say. It's better to start these discussions earlier than later, but this can only be done if we're early involved.

Phil: If you need it tomorrow ... another expensive sentence by the way. If you need it tomorrow and the company still wants its legal security, then we may be facing some tough discussions.

Tanya: as we all know, and unfortunately it's sad, but true. I've never worked anywhere else. Sometimes it's very difficult to get legal support as well. It's always better to make sure that appointments they're people's diaries and that people know what's coming up



because, it's always stalls, unfortunately sad but true with availability of legal on both sides.

Phil: In a future episode we will cover a case study on a very successful project where we find a pretty neat way of at least structuring the legal back and forth, which we will share it in one of the future episodes with the audience, but that is the baseline, but the discussions have to take place nevertheless. Shall we go to number six?

Tanya: Yes. Ability to supply. So I mean, I think that comes into, again, can they deliver what they've promised? Can they really meet our demand? Can they really meet our requirements? I think the most important topic in my opinion is that when you meet suppliers you meet their sales. So, of course, they do deals, but then when he goes into an operational phase or when you've signed the contract, more than likely they hand over to operations.

Tanya: The operations team basically needs to bring to life what was agreed in the contract. I have, unfortunately, found this on a few occasions, sales and operations from a supplier side are not aligned and they actually cannot deliver what they've originally promised. So you get ... and I've experienced this myself very long time ago with facilities management. Operations came to us once the contract was signed and said, "Well, actually we cannot deliver this. It's actually going to take x amount of time and then it will be an extra y cost.

Tanya: So, you, unfortunately, put yourself in a position whereby know you've communicated to the business that you're moving suppliers. The suppliers are implementing what you've done. You've gotten rid of your old supplier and they're being phased out. And then the new supplier comes and says, "Well, actually we can't do it and we need more money. I think that's obviously, that's a terrible thing to be in, but a good lesson to note that if they're selling is feasible and realistic.

Phil: Absolutely. I have also experienced this in several occasions, even up to the level that we had sales and operations in a offer presentation, arguing against each other while the other party - again - from the same company, that supplier's company. I mean, that was a good eye-opener for us. As a customer. It gave a clear indication maybe who not to partner with.

Phil: But in general I think this is very, very important. One counter measure that we could take here is oftentimes say is reference certain existing customers or projects and to have a one on one discussion if that's possible with an existing customers to have their experience to share with us may give us a better insight. It still may be biased, but it is better than having no reference at all or just "reference on a PowerPoint slide."

Tanya: Completely agree. Also, the other thing that I've done in the past as well is when we get close to doing the deal, you also meet with operations because you need to ensure that



as you said, that they're aligned and you need to ensure that they've actually promise they can deliver.

Tanya: Because I mean, if it sounds too good to be true, sometimes it really is. I think that that's very, very important. I would say the other thing with the ability to supply is it's really important that you understand, particularly with direct materials, their second tier and their third tier supply chain. So, make sure you get that information upfront. Obviously, there's a lot of ethical considerations and boundaries that need to play to play a part. If you are buying something from a supplier that you know they are not delivering themselves, they're relying on their partners.

Tanya: Make sure you've got the second and third tier supply chain, and you under actually understand the roles and responsibilities of each party. Because the last thing you want as well is if a project goes wrong, you're in an escalation meeting and the two suppliers, they look at each other and they're like, "Well it was his fault." Obviously, you can't see me at the moment, but I'm pointing to each other, basically, you know what they're like.

Tanya: I think that that's really important as well to ensure the availability to supply. You understand their supply chain end to end. If there are ethical considerations you've investigated that and then you can make a clear distinction about whether the supplier is feasible or not.

Phil: Yes, absolutely. One other thing that I've done in the past to have certain quality criteria, KPI, or whatever in in some type of SLA which you can connect also to exit clauses. I mean, you have to brief your own organization as well because sometimes like signing a contract and then getting out of it again because of bad performance is perceived as a loss of face and stuff like that.

Phil: Nevertheless, I think it is quite important if we can come to such a conclusion. That also puts, again, a little bit more pressure back onto the sales organization because they're incentivized on the forecasted revenue usually. And having exit clauses and having to answer them management questions why the forecasted revenue doesn't come, may also be like a reality factor that may influence our suppliers offer.

Phil: I think that is also really, really important because I have seen it also, especially when it comes to services business, at least from my perception, and in the field of IT. Promising something and selling something is completely different than to really deliver it. Because we have this, especially when all these new technologies came up, everybody all of a sudden, wanted to do robots and AI. And then when you get back to the suppliers and say, "Yeah, can you give us an example?" Yeah, we can show you a case study? "No, not a case study, give us example.

Phil: Tell us a reference customer where you did it. What was the business process that you're covered?" It usually differentiates the good from the bad. So to say,



Tanya: In Australia, I do remember when the hand over to sales to operations, sometimes they were called drive by shootings because literally it was run, run, run, run with the folder. Oh we've won this project bang, it jumps on the operations of people's desk and then they keep on running. I think it's really important as you said to make sure that that gap's closed.

Tanya: Two left. Well, I think through number seven fairly quickly. Of course, there's, it's self-explanatory as well, but it's really about quality and service. As we talk about from a quality perspective. If you are buying direct material or any kind of indirect material and you need to get your quality people involved and engaged. I mean, of course, that's looking at the product.

Tanya: It's making sure it's fit for purpose. It's making sure that it has the ability that if it's going into your supply chain or your production that it is doing what is promised. And service, I kind of take service, Phil, I'm not sure how you dictate service or whatever, but I take that as account management so there's a clear setup from the supplier of how the account will be managed.

Tanya: Again, we're talking about big deals. We are talking about high risk, high value. There's an appropriate escalation path. If there are questions or if there are operational legal, there's, there's a clear transition between implementation and then operational steady state and that they're meeting the KPIs and that there are people responsible and accountable for that.

Phil: Absolutely. I think also, as you said, when we're setting up a structure for relationships, so to say, when we're onboarding a new supplier. Especially when you're talking to mid-size to big enterprises, the responsiveness on our request to connect to the mid and top management for setting up such escalation path is also a good indicator of their motivation to work with us and also how willing they are to accept our question. That may also give some positive influence on potential contract negotiations of things.

Tanya: And then, drum roll.

Phil: Drum roll. The last one, number eight.

Tanya: The last one, only number eight, yes. Last, but not least, the cost of change. And of course, we've put this last, but really it is absolutely critical to understand. Price is not the only factor when you talk about exchanging a supplier or adding in a new supplier. You also need to factor in implementation costs. You also need to bring in into play transition costs.

Tanya: We're talking about teething problems, we're talking about processes, we're talking about time. Time is time as a total cost of ownership. Does it take time to maybe train the business in this new supplier systems? For example, I don't know, if you have a new travel booking tool that you want everyone to use. Of course, everybody needs to



understand how to use it. So, when you're thinking about implementing such things, you have to look at the cost of change from a total cost of ownership perspective.

Phil: Absolutely. Here's where really the value add, especially from our role is differentiated from pure cost cutting. The pure cost cutting maybe reduced down to let's say users license and hourly rate, a part cost, but the total cost, as you said, is so much more. It's setting up new machines and all this kind of stuff.

Phil: This is something, at least from my experience, that is usually not reflected A, in the request from our colleagues who came up with a wish to onboard the new supplier, and usually B, you also don't find it in the suppliers' calculations and that may give you here and there a good lever for negotiations later on because if suppliers want to get involved with us, we also certainly expect a certain investment so to say. But again, this is really where the value add of procurement shines from my point of view.

Tanya: I think when the business is talking about value rather than cost, this is definitely what they want you to consider. It doesn't make sense to tender a demand every six months or is it more feasible to do it once every year or once every two years? The cost of change is very difficult. On my side, we have had tenders.

Tanya: So, we have had RFP, RFQs, whereby even though the supplier was cheaper from a price perspective, they were not chosen because you need to think about the cost of transition. You need to think about the difficulty in bringing everybody along on the journey. And sometimes those costs outweigh the actual dollar price that you're paying.

Phil: Absolutely, it also influences the total cost of ownership. And you said that already is our experience maybe with similar suppliers. For example, I work in IT. Some trends come and go and for example, outsourcing to offshore locations is always a big topic in IT. As you said, not the cheapest one is always the best. If you're in a supplier or sales position and listening to this, that does not mean please raise your prices to the max.

Tanya: No, it does not.

Phil: But we give our audience and the people listening to this podcast some food for thought, how they can approach certain requests. I think it is quite important because at least the one thing you can do with a bad experience is apply some lessons learned from my point of view. This is something which may be nearly every IT company has as that with some bad experience when it came to offshore. We also had very good experiences, but this is something we should factor in the total cost evaluation as well.

Tanya: All right. Well, just to summarize, I know we've talked about a few topics and just to reiterate, I would say, what considerations do you need to think about when evaluating a new supplier? So, just to reiterate, number one, is there an actual requirement to do so? Number two, culture, do they share the same values? Will they be there in times of need?



Tanya: Whatever is important to you, the suppliers need to understand that and they need to also leave that. Number three, financial viability, are they liquid? Are they sustainable in the long-term? Number four, innovation. What is their unique selling points? What do they have that another supplier doesn't? Five, pricing, payment terms, legal T's and C's. Like, we talk about, procurement 101, very, very important when onboarding a supplier.

Tanya: Six, the availability to supply. Can they basically deliver what they've promised? Or is this a clear disconnect between sales and operations? Also looking at your tier one and tier two supply chain. Number seven, quality and service. Do they have the appropriate account escalations in place? Have you agreed on KPIs? Are they delivering? And then again, to just to reiterate, last but not least, cost of change and total cost of ownership.

Tanya: What are the other factors besides what the supplier is priced that you need to factor into your decision about whether onboard? I think that's about it.

Phil: Sounds amazing. As always, if you want to join our exclusive membership area, so to say, the Procurement Zen resource page where you can download a neat little checklists where we have all this listed down for you so you can use it in your daily business. Also, of course, all of the other goodies that we have prepared from the previous episodes. Just head over to procurementzen.com/011. That is for episode 11. That's it, so far. Tanya, it was a pleasure to have this first episode with you. It really is amazing and I'm really looking forward to doing this with you together in the future.

Tanya: So am I. Thank you so much, Phil, for obviously inviting me into your baby and into your world. Yeah, I'm really looking forward to seeing how it grows and if anyone is listening, obviously, it's our first time. I'm sure we will smooth out our delivery and build our rapport and things like that.

Tanya: If you have any feedback, please reach out to ourselves via our website, because obviously ... Or if there's a topic that you really want to discuss as well, we're always open for ideas and suggestions and abilities to improve because, obviously ... Yeah, the show is the show is beginning, but yeah, hopefully, it can continue for a long time.

Phil: Perfect. That is me, Phil, saying goodbye for tonight.

Tanya: And me, too. Thank you very much everyone. Bye-bye.

Phil: Bye-bye.