

SUPPLY CHAIN MANAGEMENT

19 Questions You Should Ask Every Supplier

Finding a good and reliable supplier is not an easy task, but there is no way around it if you want to succeed in business.

Even if your company already has a supplier questionnaire or audit process, consider asking your suppliers the following questions to ensure you are only working with the ones that will meet your expectations and share your company values.

You always have to find a balance between quality, dependability, cost, and speed, but the best match is based on values.



6 QUESTIONS TO ASSESS PRODUCT AND SERVICE QUALITY



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ASSESSING PRODUCT AND SERVICE QUALITY

1. What key performance indicators do you use to measure the quality of your products?

Suppliers who are serious about excellence measure the quality of their output. Your suppliers should be able to provide some weekly or monthly key performance indicators (KPIs) that reflect their ability to meet customer requirements and product specifications, such as reject rates and defect rates, to name a couple.

2. What type of quality management system do you have in place?

This seems obvious, because most suppliers claim to have quality management systems, but they vary greatly from one supplier to the next. There are different types of certifications, but generally speaking, an ISO certification shows that your supplier takes quality assurance seriously and has policies, procedures, processes and dedicated resources, such as a director of quality, all geared toward meeting customer requirements. Ask to see their certificate to make sure it is current. Maintaining ISO certification requires annual surveillance audits and full reassessments every three years. If your supplier employs sub-contractors, you will need to confirm they are ISO-certified as well.



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ASSESSING PRODUCT AND SERVICE QUALITY

3. Do you produce everything yourself or do you use subcontractors? Where are your subcontractors located?

Nowadays, many companies are interested in keeping their production local for all sorts of reasons: better quality control, lower impact on the environment, reduced shipping costs, shorter turnaround time, etc. If this is important to you, you need to verify that your local supplier works with local subcontractors or that they at least uphold the same high standards and have quality controls in place. You can also inquire if they have a rating and evaluation process for their own suppliers. In case something goes wrong, you want to know in advance whether your supplier will take full responsibility or blame someone else.

5. Do you measure customer loyalty?

A great way to measure customer loyalty is to get some indication of your supplier's retention rate over the past three or five years. If your supplier is relatively new to the market, you may want to ask their actual customers how likely they are to repurchase from that same supplier.

4. How do you measure customer satisfaction?

Here again, your supplier may show you survey results or online testimonials, but ideally you should speak to actual customers and ask them if the supplier simply met or exceeded their expectations. If at all possible, try to get a sense of the evolution of the relationship. Is their business with this specific supplier growing or shrinking? Do they use the supplier for more than one product or service? How did they fare when faced with a challenge?

6. Can I visit your facility?

One of the best ways to assess your suppliers is to visit their facility. You will get a sense of their manufacturing capacity, and of their willingness to comply with workers' and human rights, especially if you are dealing with offshore suppliers. Socially responsible manufacturers conduct regular monitoring visits to assess working conditions in their suppliers' facilities. You will also be able to see the plant's cleanliness and how well it is organized, the equipment's condition and the general safety conditions.



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5 QUESTIONS TO ASSESS DEPENDABILITY



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ASSESSING DEPENDABILITY

7. Can you prove you are financially stable?

The more you depend on one supplier, the higher the risk of disruptions to your supply chain. Assessing your supplier's business stability is therefore crucial. To do so, you can ask them how long they've been in business and how many employees they have. You can also run a credit report with Equifax or D&B. Private companies usually refuse to release financial statements, but if this supplier is very strategic to your business, you may be able to obtain a statement prepared by their accountant. Some companies willingly share some numbers such as sales range, profit %, R&D spending % and personnel turnover. Moreover, you will need to run what-if scenarios and come up with contingency plans.

8. Do you have experience and references in our industry?

Working with a supplier who knows your industry is particularly important if you work in a highly regulated industry such as pharmaceuticals, aerospace defense or transportation. This will not only spare you costly mistakes, it will save you time, as you won't need to educate your suppliers on industry requirements and specificities. However, situations can arise when working with a supplier that is new to your industry is also an advantage, especially if that supplier can apply knowledge from another industry to yours, thus suggesting creative solutions to the problem you're trying to solve.



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ASSESSING DEPENDABILITY

9. Do you have dedicated account representatives?

A good account manager will make every effort to understand your business and accommodate your needs. He or she acts as your single point of contact, thus reducing the frustration of re-explaining your situation each time you contact your supplier and reducing errors caused by miscommunication.

10. What is your production capacity?

This is an excellent question to ask to determine if the supplier you are evaluating will be able to meet customer demand. And since you have to adapt to changes in demand, you may want to ask additional questions about your supplier's flexibility to scale production up or down.

11. What other products or services do you offer?

When companies search for a new supplier, they are usually looking for something very specific. As a result, they may not pay attention to the other products and services this supplier offers, which may be a perfect solution for another product or department. Some complementary products or services can add value to the whole process. Similarly, if you've been working with a supplier for a while, you may not be aware that they have extended their product or service line.



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8 QUESTIONS TO ASSESS COSTS AND SPEED



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ASSESSING COSTS AND SPEED

12. Do you offer volume discounts?

Suppliers often offer price discounts for all sorts of reasons—to encourage a large order instead of a series of small ones, to show customer appreciation or simply to compete with other suppliers who give discounts. You don't want to miss out on the opportunity, but you also want to make certain you understand all the conditions, because some companies only apply discounts to units ordered above a specific price tier or on total business volume. Things tend to be more complicated when you are assessing suppliers based on multiple criteria and your quantitative and qualitative factors conflict with each other.

14. Do you offer 30-day credit terms?

What are the requirements?

Local suppliers typically offer longer payment terms than their offshore counterparts, but you might have to meet specific criteria in terms of credit rating, customer history, etc. Alternatively, you may be able to negotiate a discount if you pay in advance.

13. Do you have an engineer on staff?

Suppliers who have an engineer on staff will cost more than “low-cost bidders,” but it is a huge advantage if you want to identify design flaws and find clever ways to continuously improve the design of your products. This can result in better performing products and cost savings. Engineers are typically highly skilled problem-solvers, which can be very useful when faced with challenges, unlike the low-cost (low-value) bidders.

15. Do you have a warehouse?

Suppliers with a warehouse can offer you more options to reduce inventory management costs, like vendor-managed inventory or consignment inventory. Keeping safety stock and just-in-time delivery systems are sought-after options that can increase profitability and minimize the downtime risk.



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ASSESSING COSTS AND SPEED

16. What is your return policy?

In a perfect world, you would place your order and everything would arrive exactly as planned. In reality however, you may have to deal with miscommunications, and poor shipping or handling conditions. The quality of your products might be not as expected. Look at the supplier terms and conditions and make sure you can live with them. In the case of custom products, establish a clear set of requirements your product must meet and find out what the supplier's policy is in case of non-conformance.

18. What is your average turnaround time for orders of this type?

This is a tricky question, because you're likely to compare apples and oranges. Keep in mind that turnaround time varies greatly depending on the project's degree of complexity. It is however a key consideration when you're selecting a vendor, because quick turnaround time helps reduce inventory costs and gets your product to market faster. However, we all know it is easy to overpromise on turnaround time, so make sure to check your supplier's references and ask for key performance ratios.

17. What happens if you cannot deliver on time?

Inevitably, some shipments will arrive late. The question is, how will you work things out with your supplier? Does your supplier have a process to alert you of potential delays as soon as possible? Will they accept part of the responsibility by offering you a discount or paying for expedited shipping? You are more likely to find an acceptable solution if your supplier is proactive in this situation.

19. What is your on-time delivery score?

Top suppliers often measure their on-time on-spec ratio on a regular basis and should be willing to share the results with you. Complex products may require more time, and this ratio will help you look at the bigger picture. There is no point in receiving your order quickly if it is not delivered in accordance with the product specifications.



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NO TWO COMPANIES ARE ALIKE. IDENTIFY THE KEY CRITERIA FOR YOUR ORGANIZATION

The answers to these questions will help you choose who you want to work with. It is an excellent method to assess new suppliers, but it can also be used to periodically re-assess existing suppliers.

No two businesses are alike, so you'll have to decide which requirements are most important to you as your business evolves and what kind of trade-offs you are willing to make. Ultimately, your personalized list of questions will help you continuously improve the purchasing process.



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