



# **Maximizing the Value Realized from Supplier Relationship Management:** Insights from recent research

February 21, 2019

# Agenda

- Summary of recent research
- The impact of SRM program scope
- SRM best practices and associated ROI
- Recommendations for focusing SRM investments

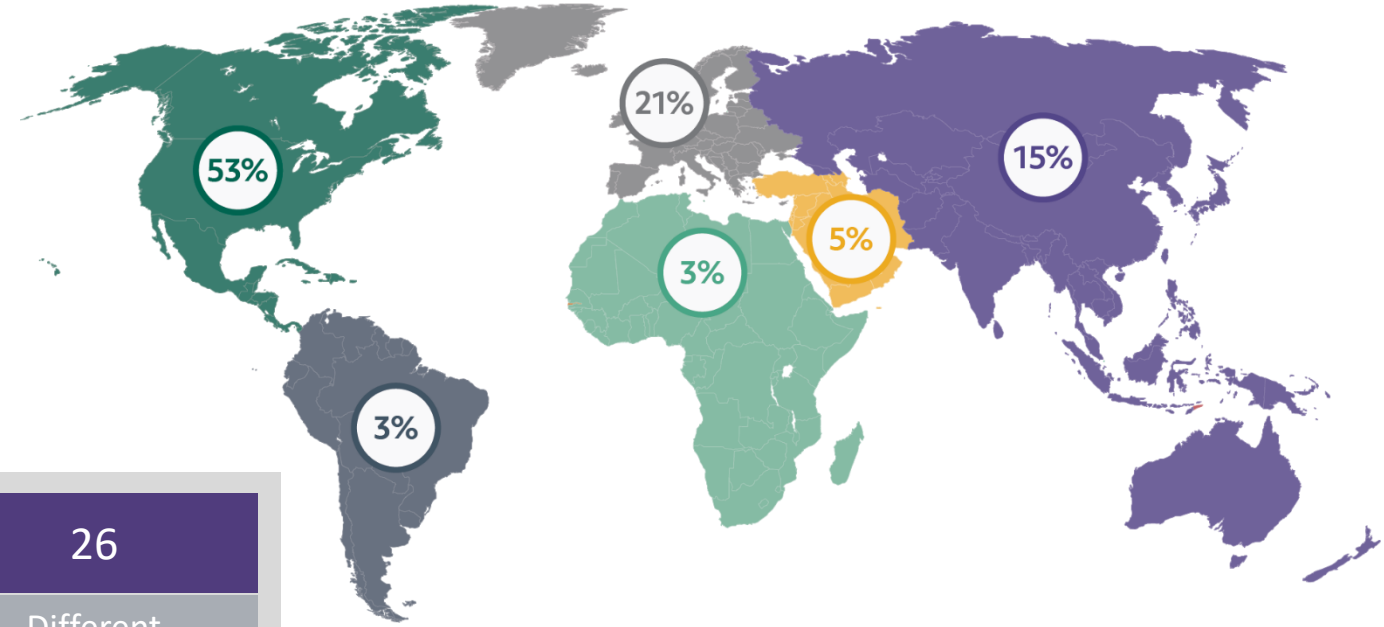
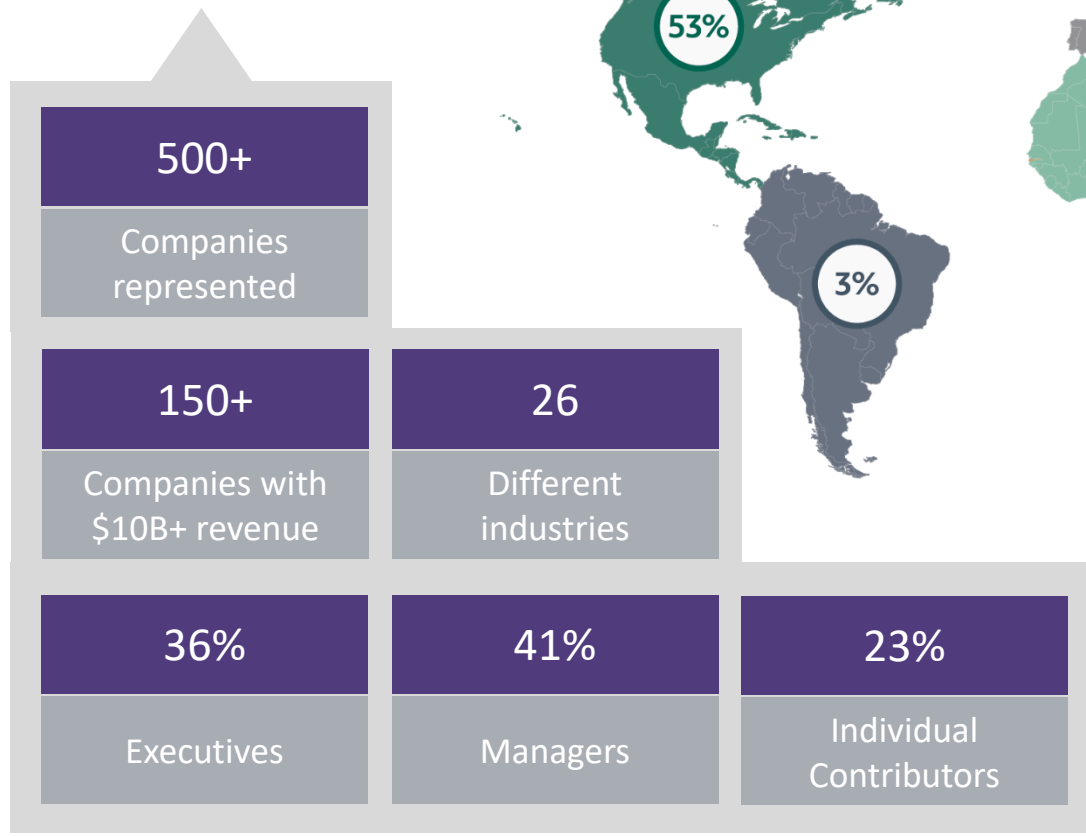




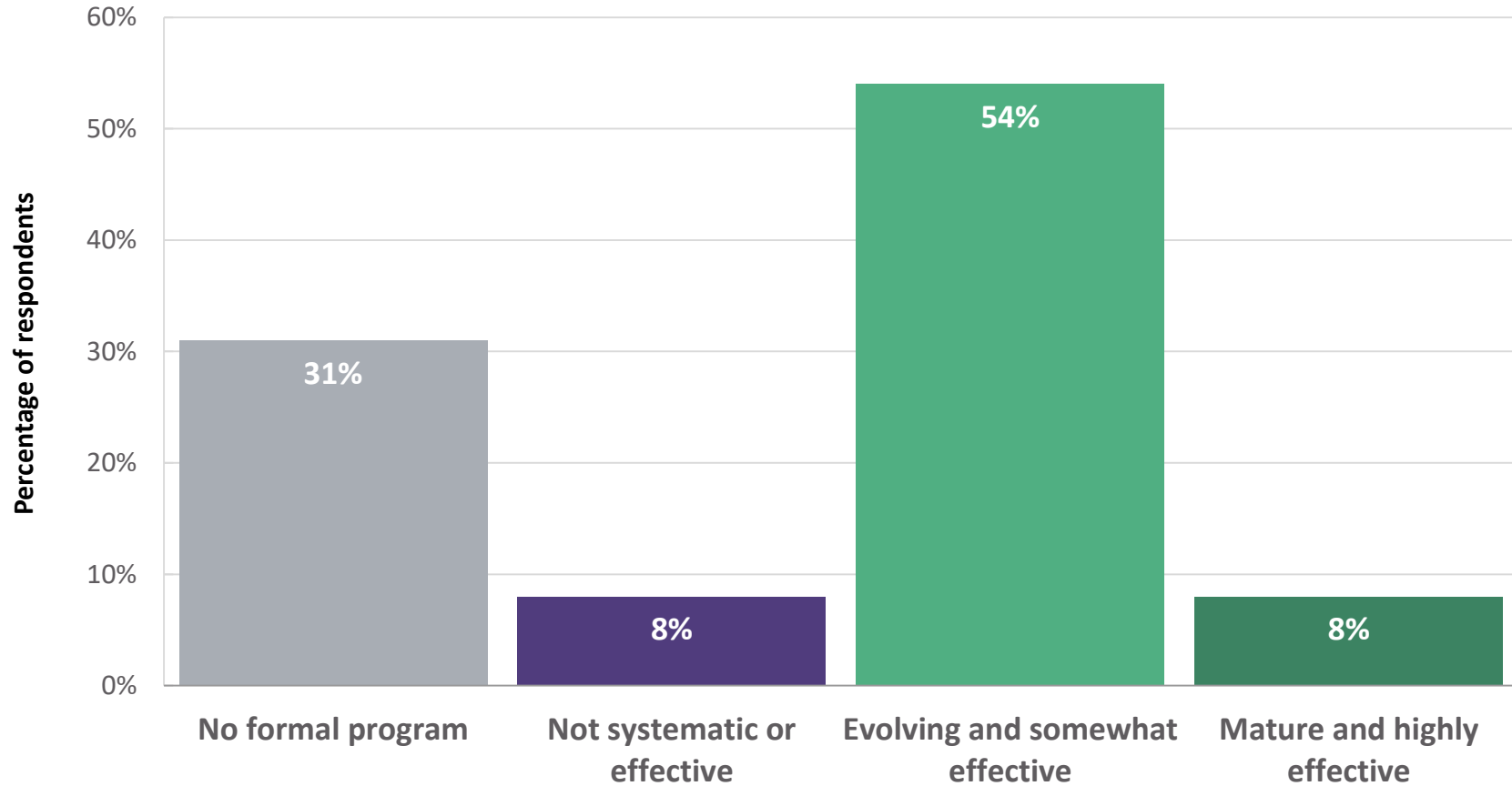
## Summary of recent research

# Study demographics

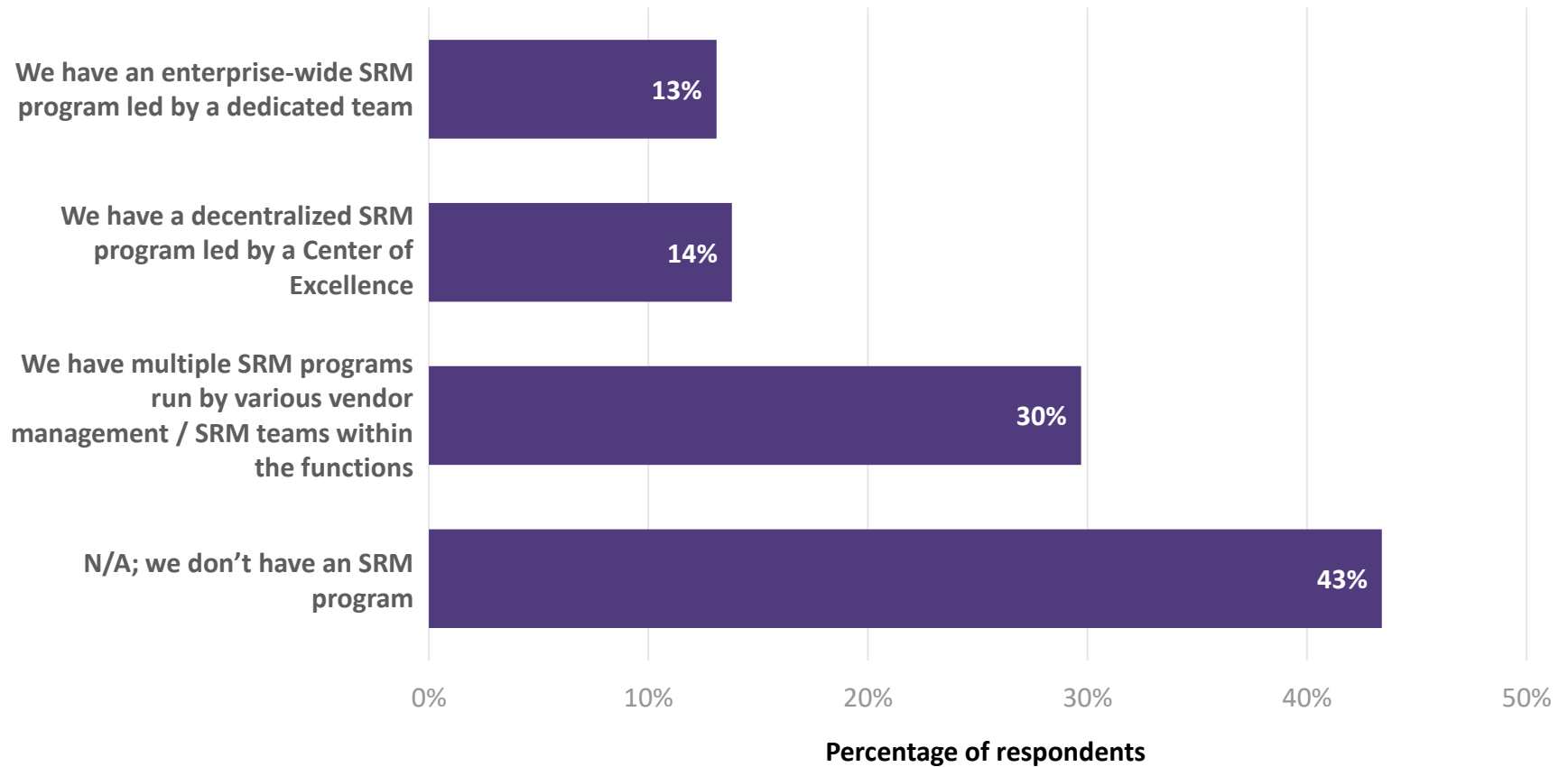
956 respondents



# Webinar registrants characterization of their company's SRM program

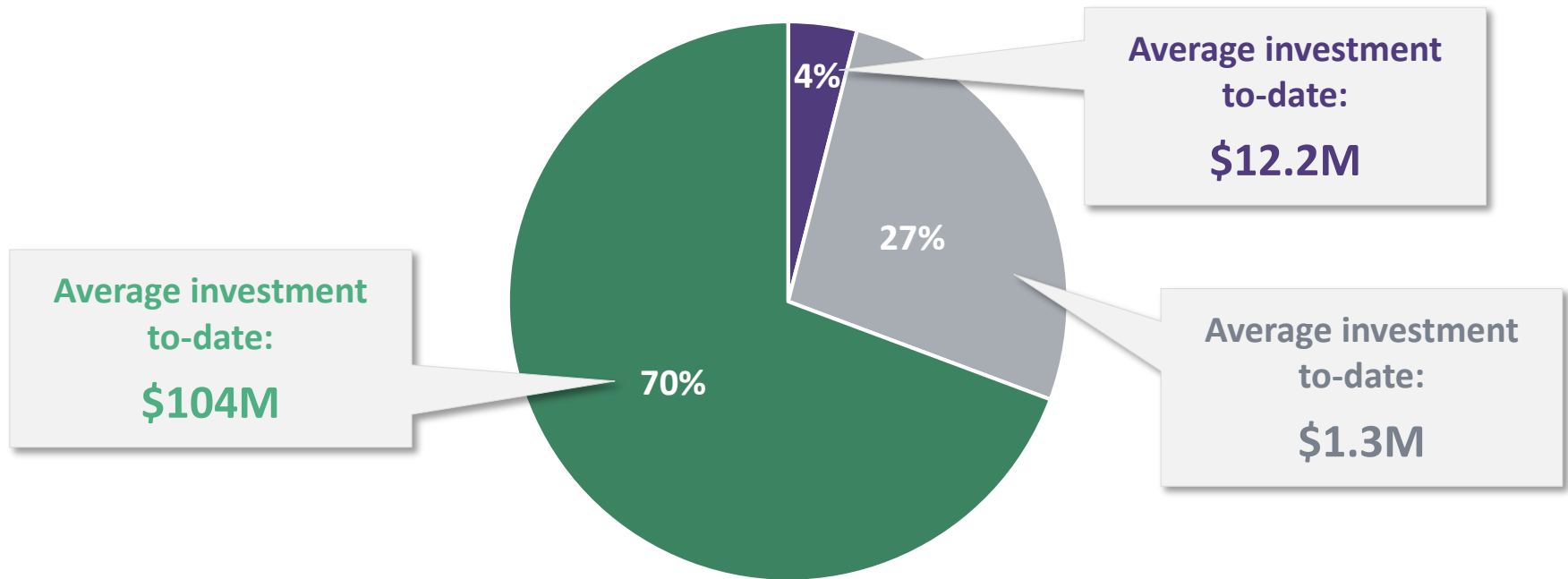


# Poll question: Describe the current state of your company's SRM program



# Companies are making significant investments in SRM

Extent to which SRM is seen as important to company's success over the next 3-5 years



- SRM will be of little to no importance to our company's success
- SRM will be somewhat important to our company's success
- SRM will be very important to our company's success



# Best-in-class SRM programs deliver substantial value

**Approximate total value** (inclusive of savings and other financial and strategic benefits) achieved over the past year through their SRM program

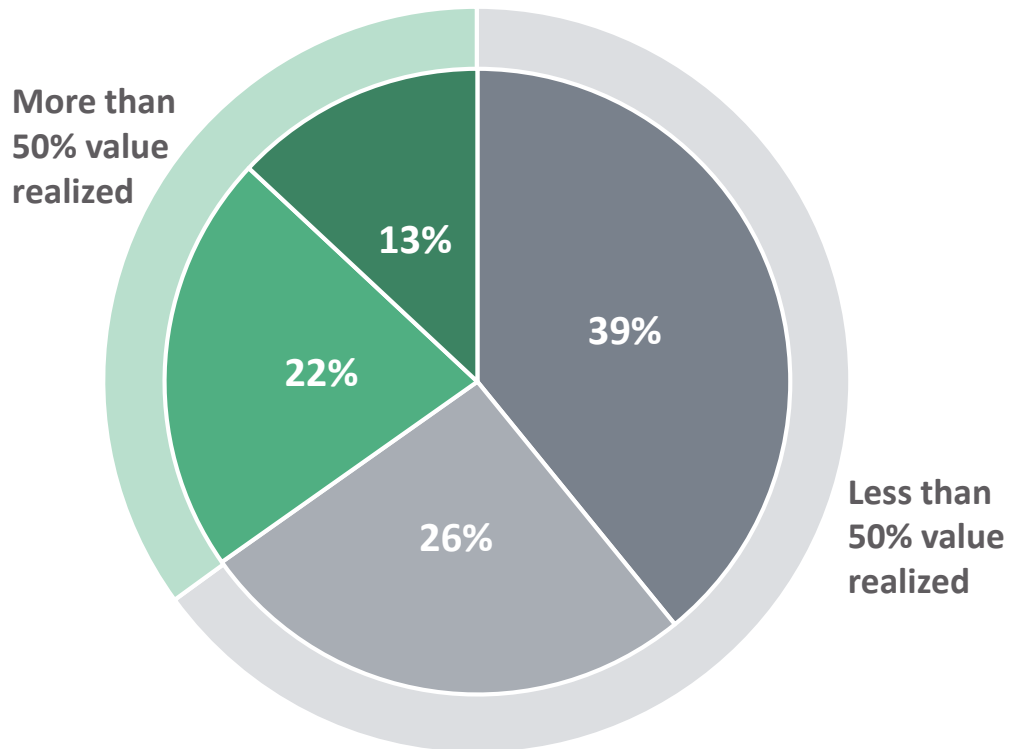




# Yet significant potential value from suppliers still goes unrealized

**Value currently realized** from/with suppliers

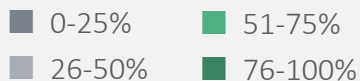
— as a percentage of total potential value, **ISM webinar registrants**



**Global leaders realize, on average, 50% of the potential value from suppliers.**

**Global Leaders are twice as likely to realize the majority of potential value from suppliers, compared to the bottom 10%.**

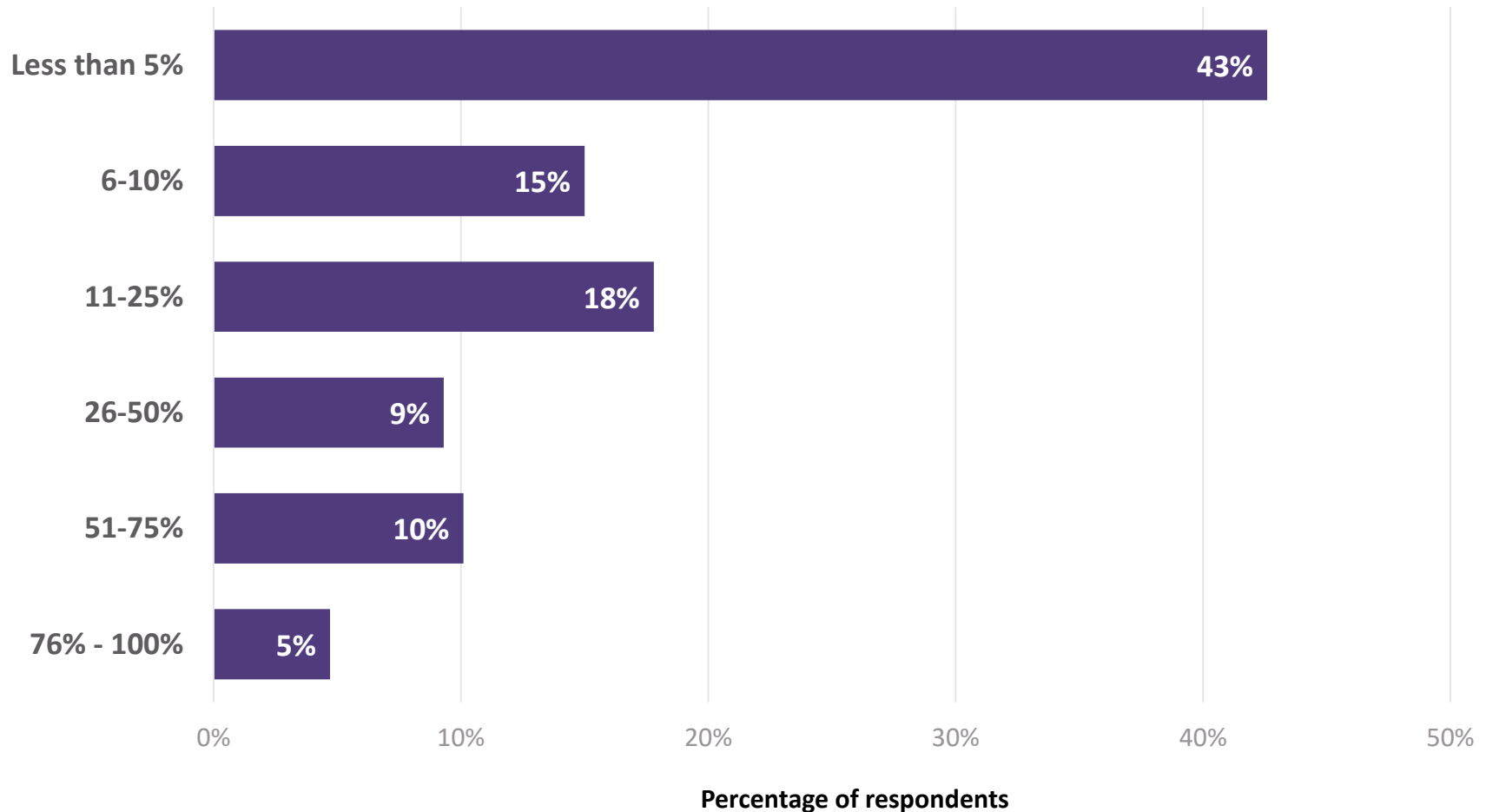
**Percent value realized**



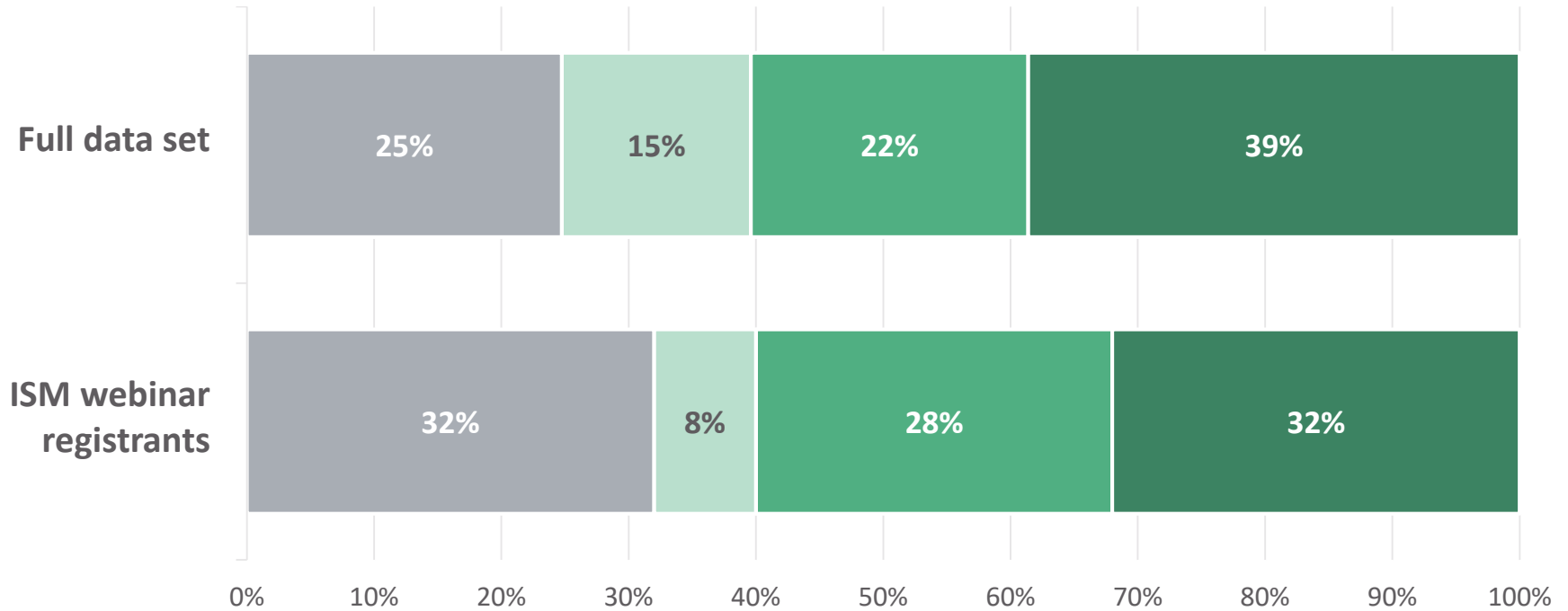


# The impact of SRM program scope

# Poll question: What percent of your total supply base is engaged in your company's formal SRM program?



# Scope of SRM programs

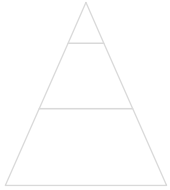


**Percent of total respondents categorizing the scope of their SRM programs as:**

- N/A, no formal SRM program
- Focused on most or all suppliers
- Focused on a significant portion of suppliers
- Focused on our most strategic suppliers (top 10% or fewer)



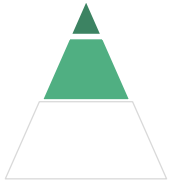
# Organizations that focus their SRM programs more narrowly realize more value



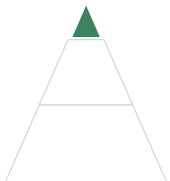
Companies that lack a formal SRM program realize, on average, **\$5M** from their SRM activities.



SRM programs focused on all or most suppliers realize, on average, **\$29.5M** in value.



SRM programs focused on a significant portion of suppliers (more than 10%) realize, on average, **\$40.1M** in value.



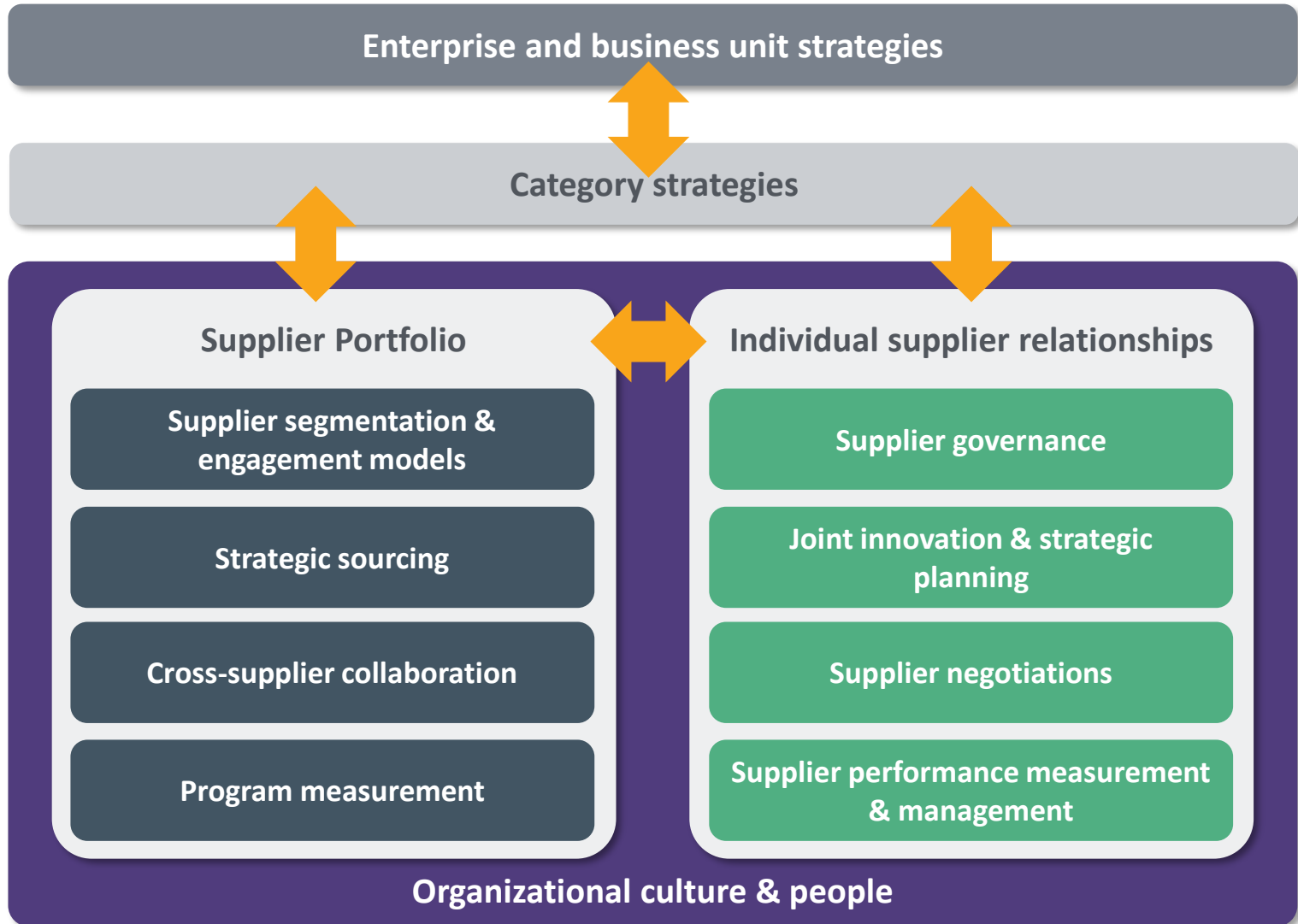
SRM programs focused on the most strategic suppliers (top 10% or fewer) realize, on average, **\$51.5M** in value.





# SRM best practices and associated ROI

# Framework for SRM and supply management best practices



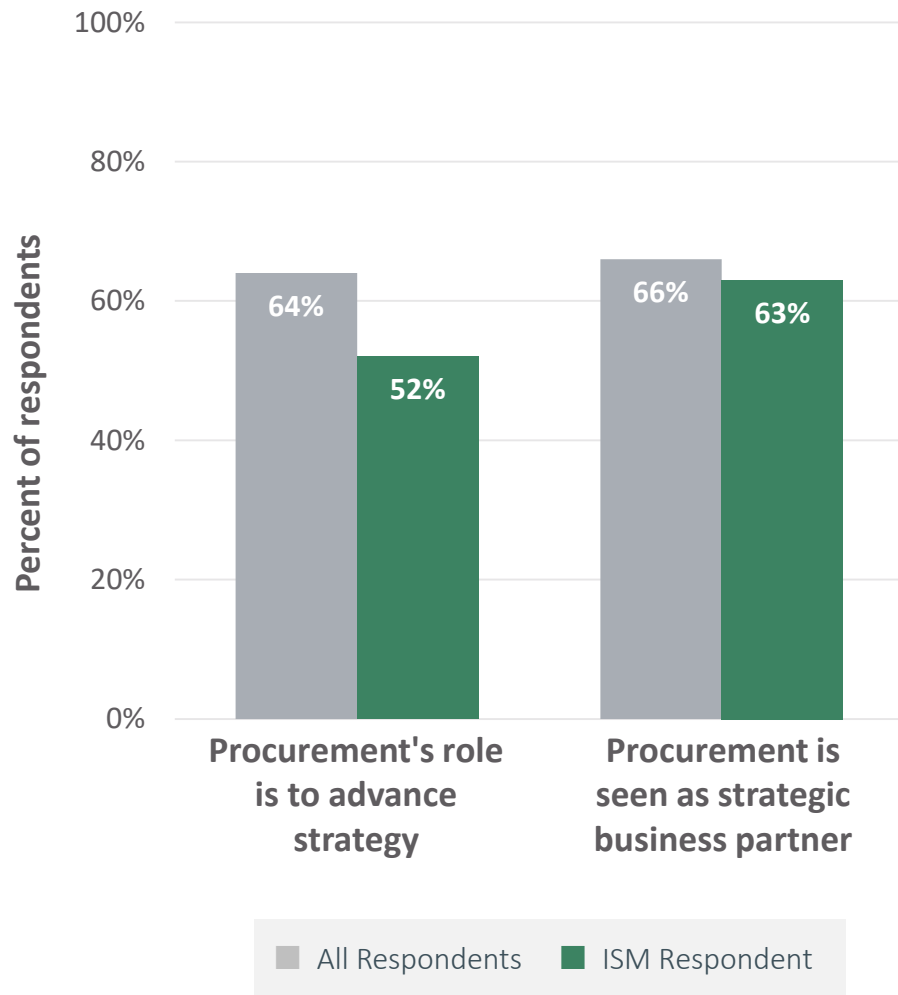
# 10 best practices most commonly implemented by Global Leaders

Best practices	Top 10%	ISM Webinar	Difference
Involve suppliers in R&D	88%	68%	29%
Align SRM strategies with go-to-market strategy	82%	59%	39%
Procurement is a strategic partner to the business	80%	63%	27%
Align across sourcing, category management, contracting, and SRM	80%	45%	78%
Treat suppliers with professionalism and respect	80%	78%	3%
Conduct “Apples to oranges” comparisons across supplier proposals	78%	68%	15%
Assign dedicated Supplier Relationship Managers to key suppliers	78%	35%	123%
Jointly develop multi-year strategic plans with key suppliers	78%	52%	50%
Suppliers seen as business partners	76%	74%	3%
Segment suppliers	76%	48%	58%





# Companies where Procurement is seen as a strategic partner to the business realize more value



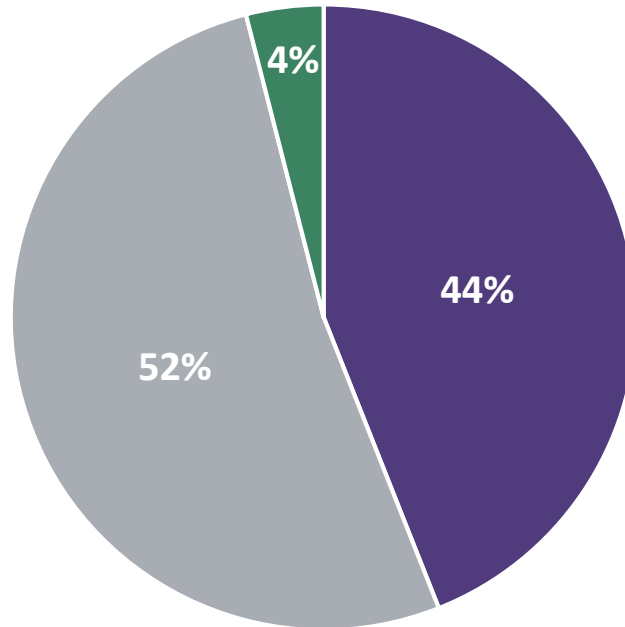
Companies where Procurement's role is to advance enterprise strategy, and Procurement acts as a strategic partner to the business, are **~twice as likely to be in the top 10% in terms of value realized from their SRM programs.**





## Recommendations for focusing SRM investments

# Investment in SRM relative to other procurement and supply management investments, ISM respondents

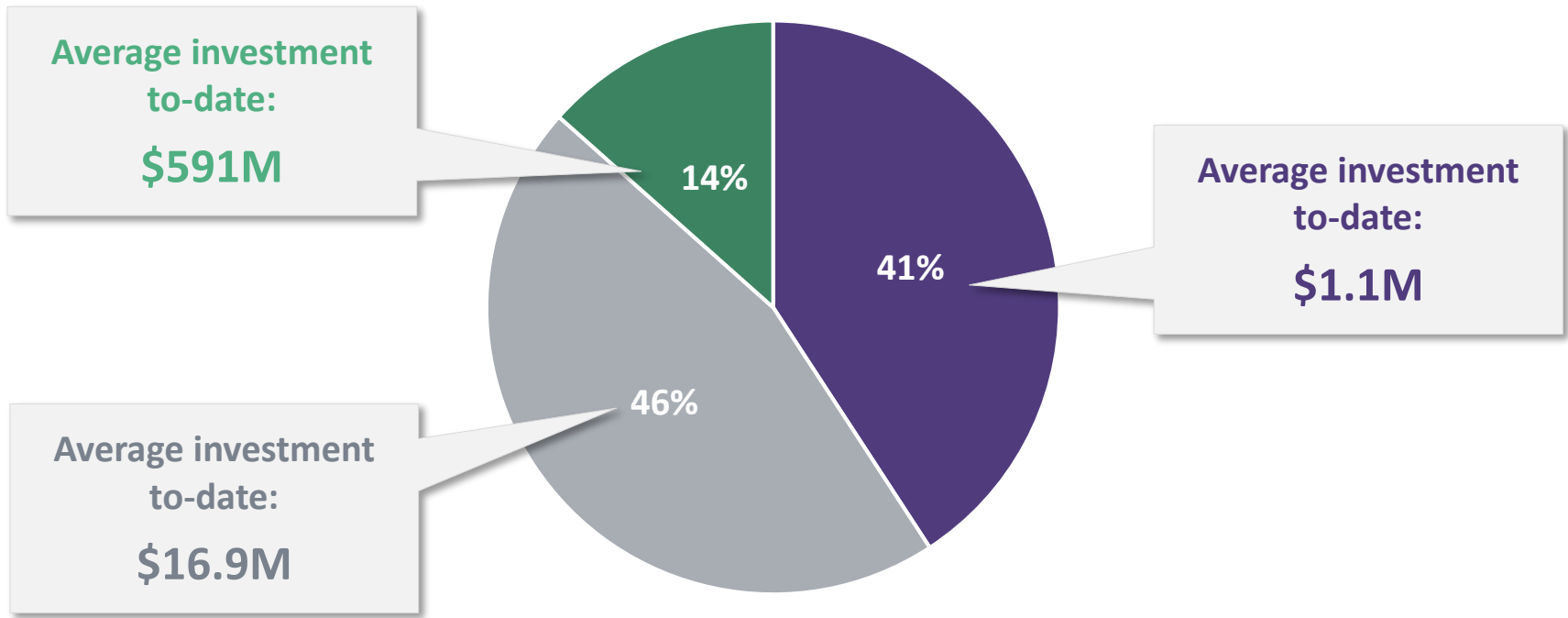


**Level of investment in SRM**

- One of our lowest areas of investment
- Neither at the top, nor the bottom of our investment areas
- One of our top areas of investment



# Investment in SRM relative to other procurement and supply management investments



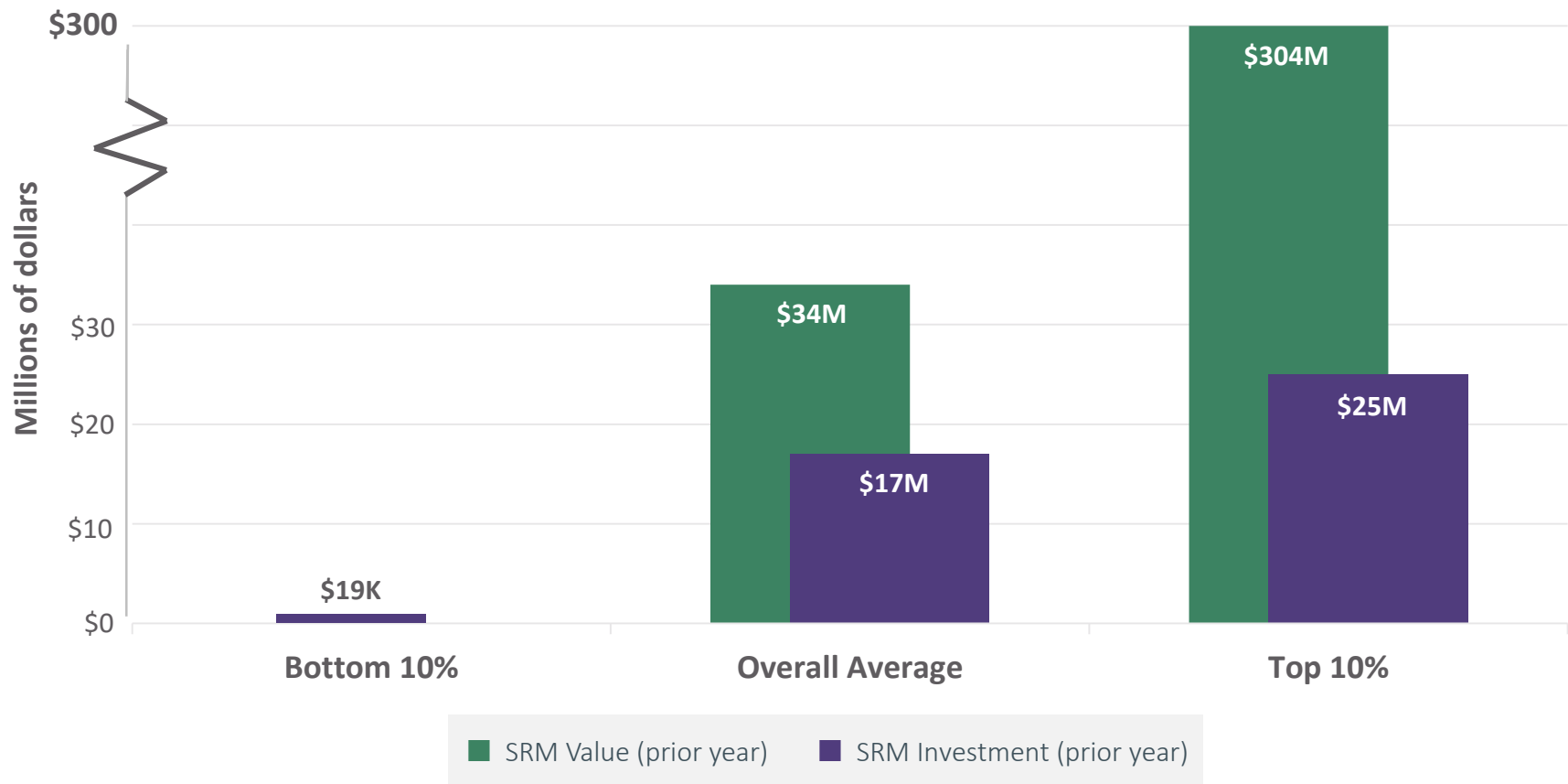
Level of investment in SRM

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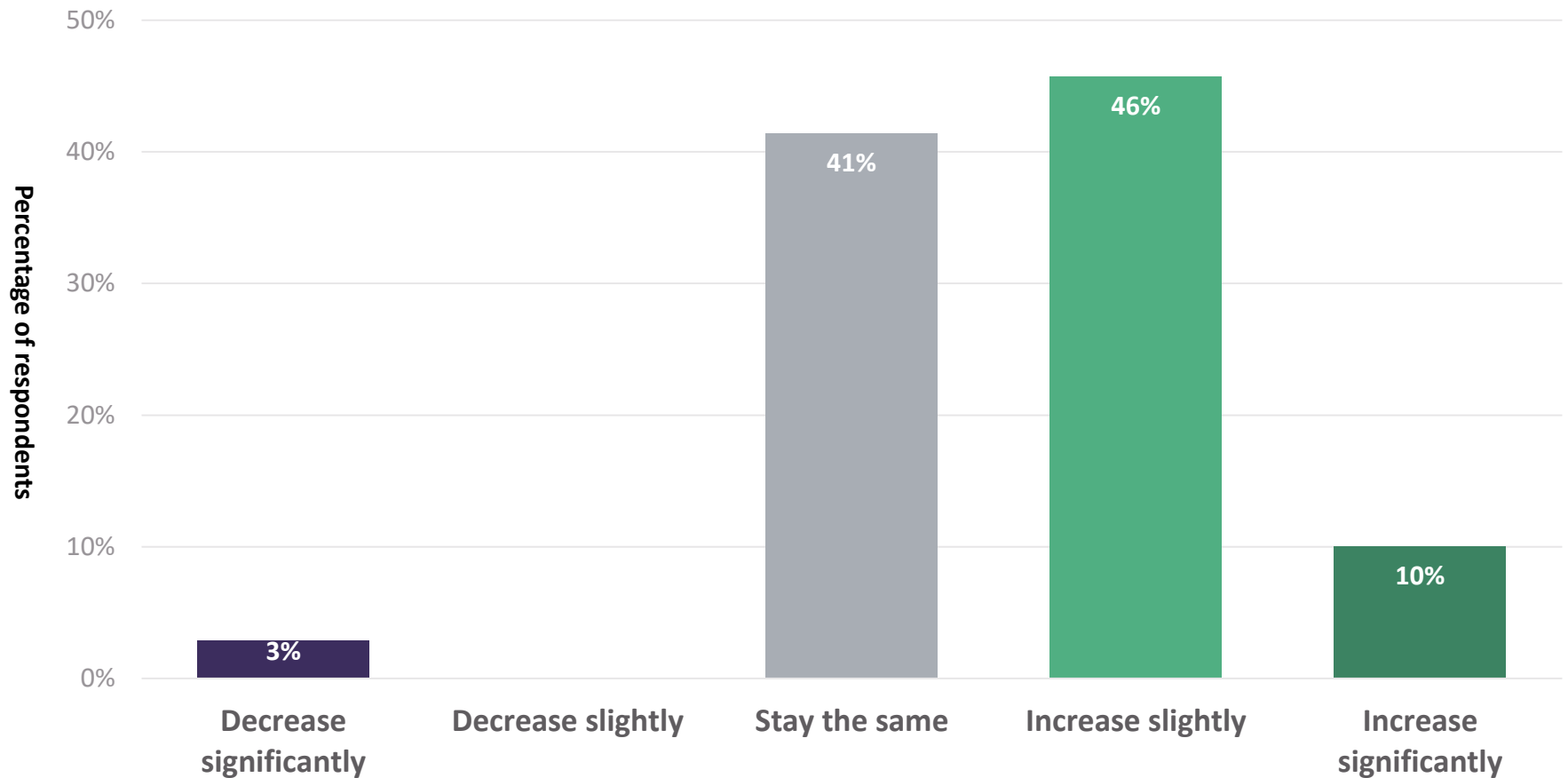


# Higher levels of SRM investment are correlated with greater ROI

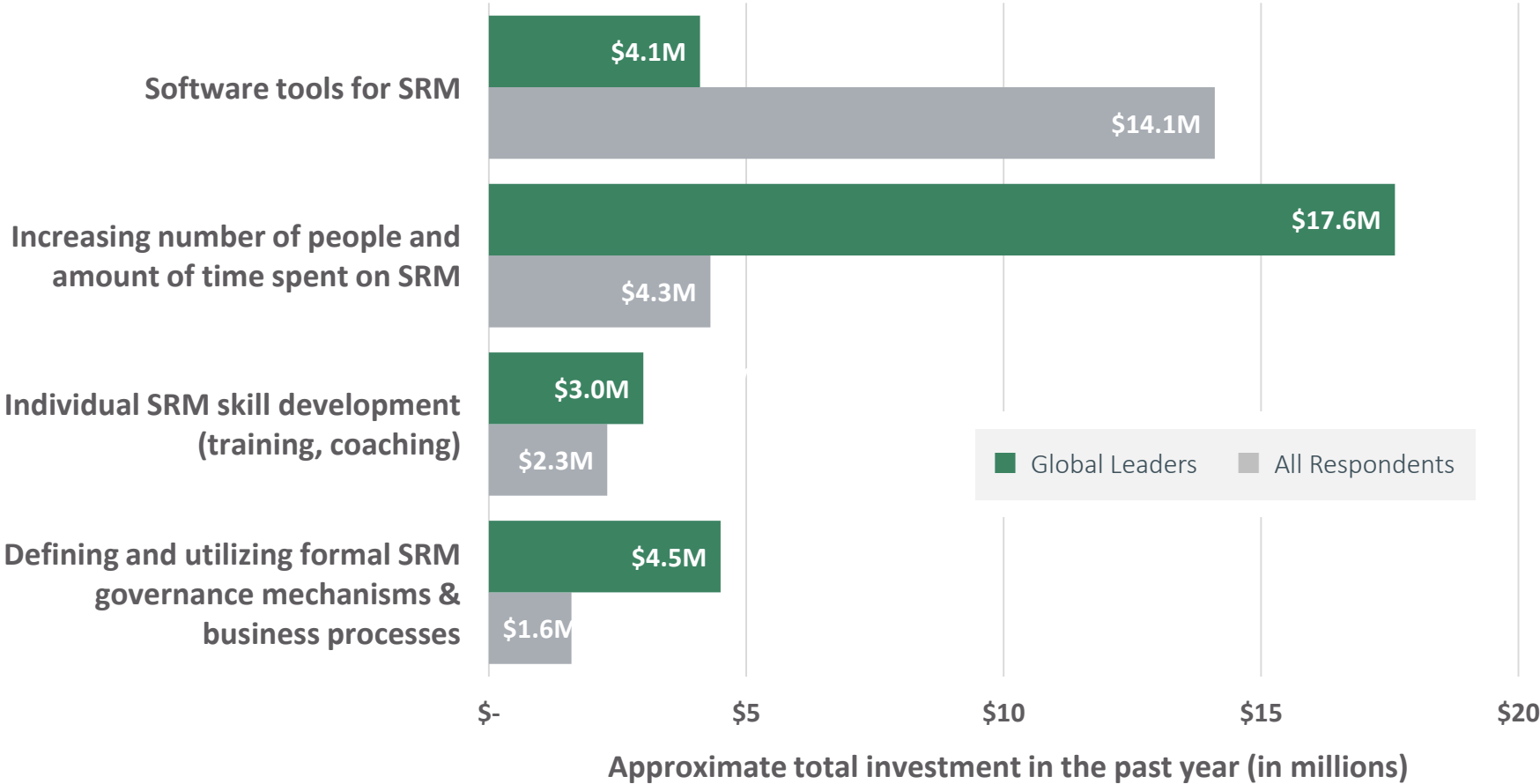
Average value realized from SRM over the prior year, compared to investment in SRM



# Poll question: How is your investment in SRM expected to change over the next 1-2 years?



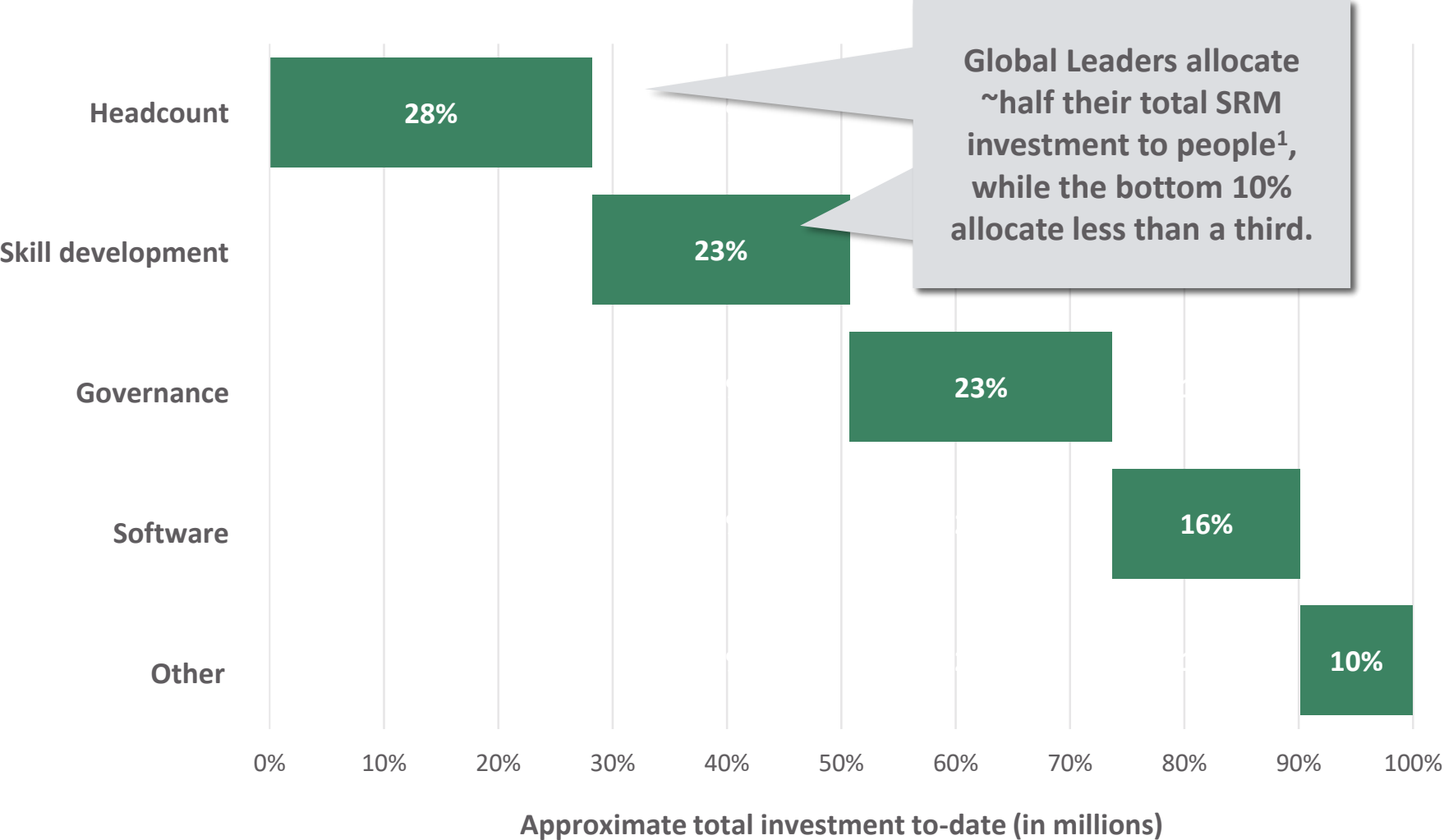
# Allocation of SRM investment in prior year



Note: Companies in the bottom 10% invested, on average, no more than \$21K in a single category.



# Target future investment in SRM by Global Leaders







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