



Doing Business in the global value chain

Supplier Requirements for successful integration

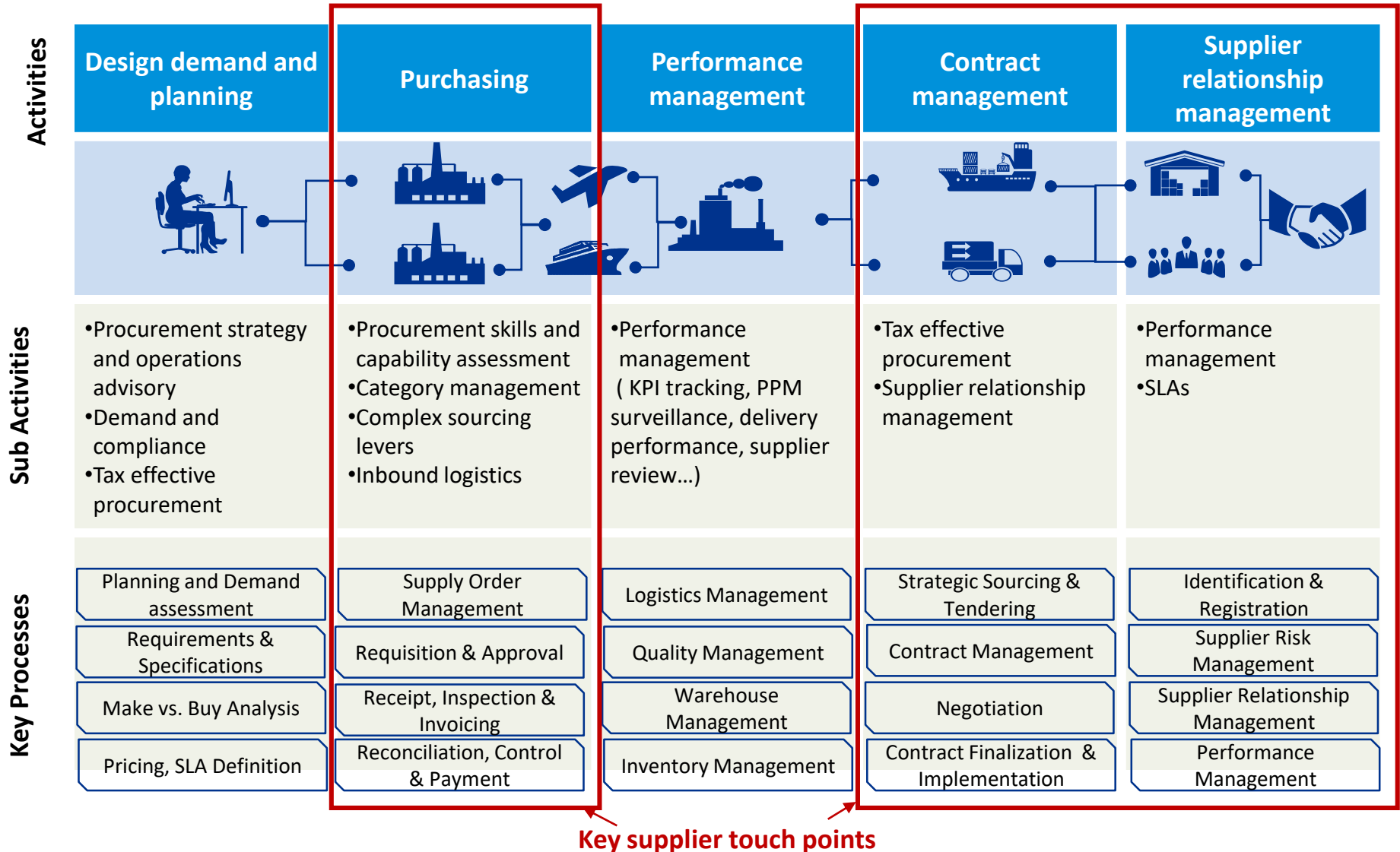
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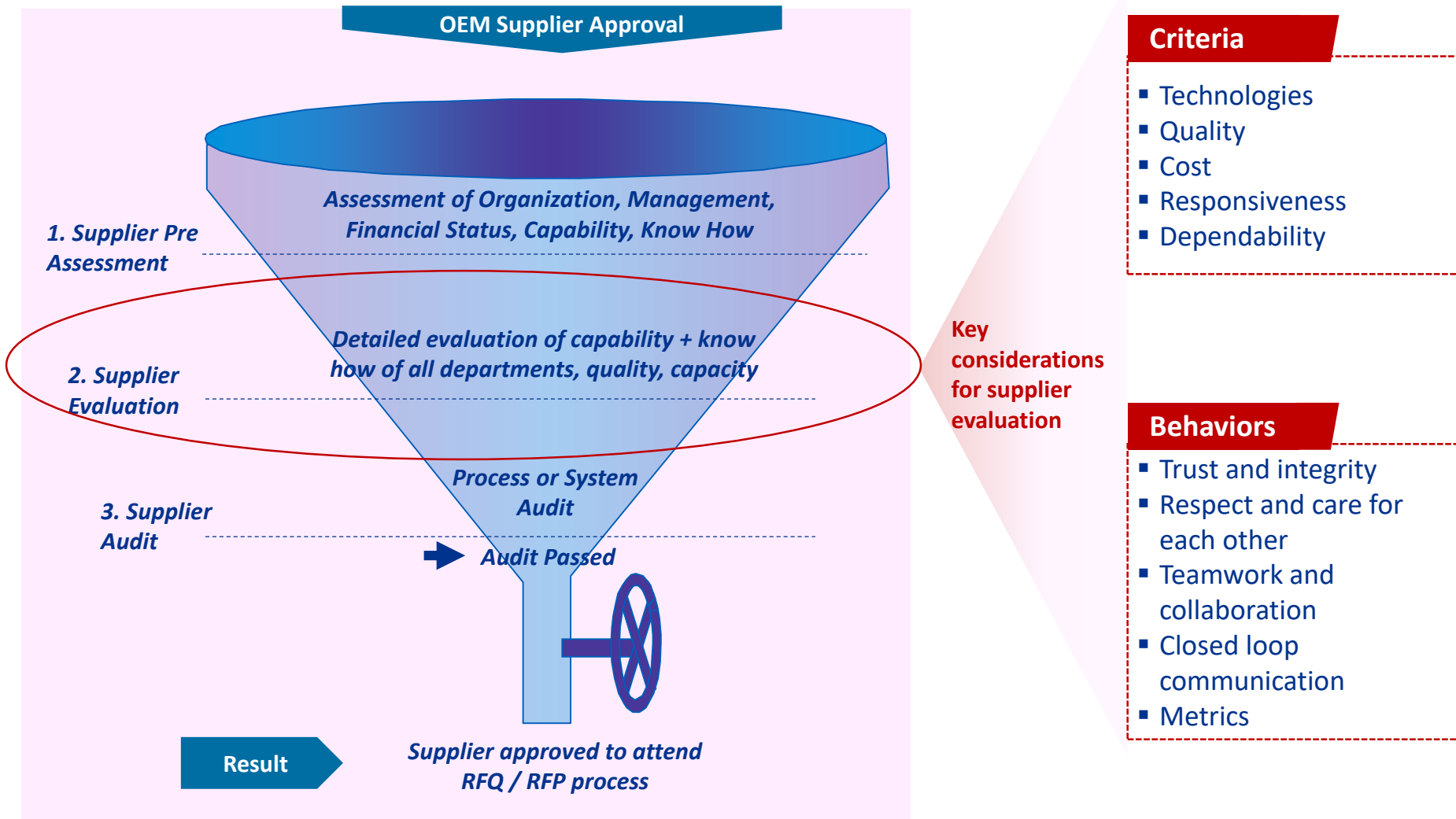
Typical Procurement Process of International Companies

Procurement process at most International Organizations looks as below:



Supplier's journey with an organization starts with his Onboarding

In order to become a part of an International Organization's Supply Chain, the Supplier undergoes the following onboarding process:



Once approved, the Supplier proceeds to the RFQ / RFP Process

As a part of the Request For Quotation (RFQ) / Request For Proposal (RFP) process, Supplier is required to fulfill all the requirements of the RFQ / RFP package. Shown below is a typical RFQ / RFP process



Typical contents of RFQ / RFP Package

Confirmation of Interest from Suppliers

Confidentiality Agreement / NDA

RFQ / RFP Overview

RFQ / RFP related questions from Suppliers

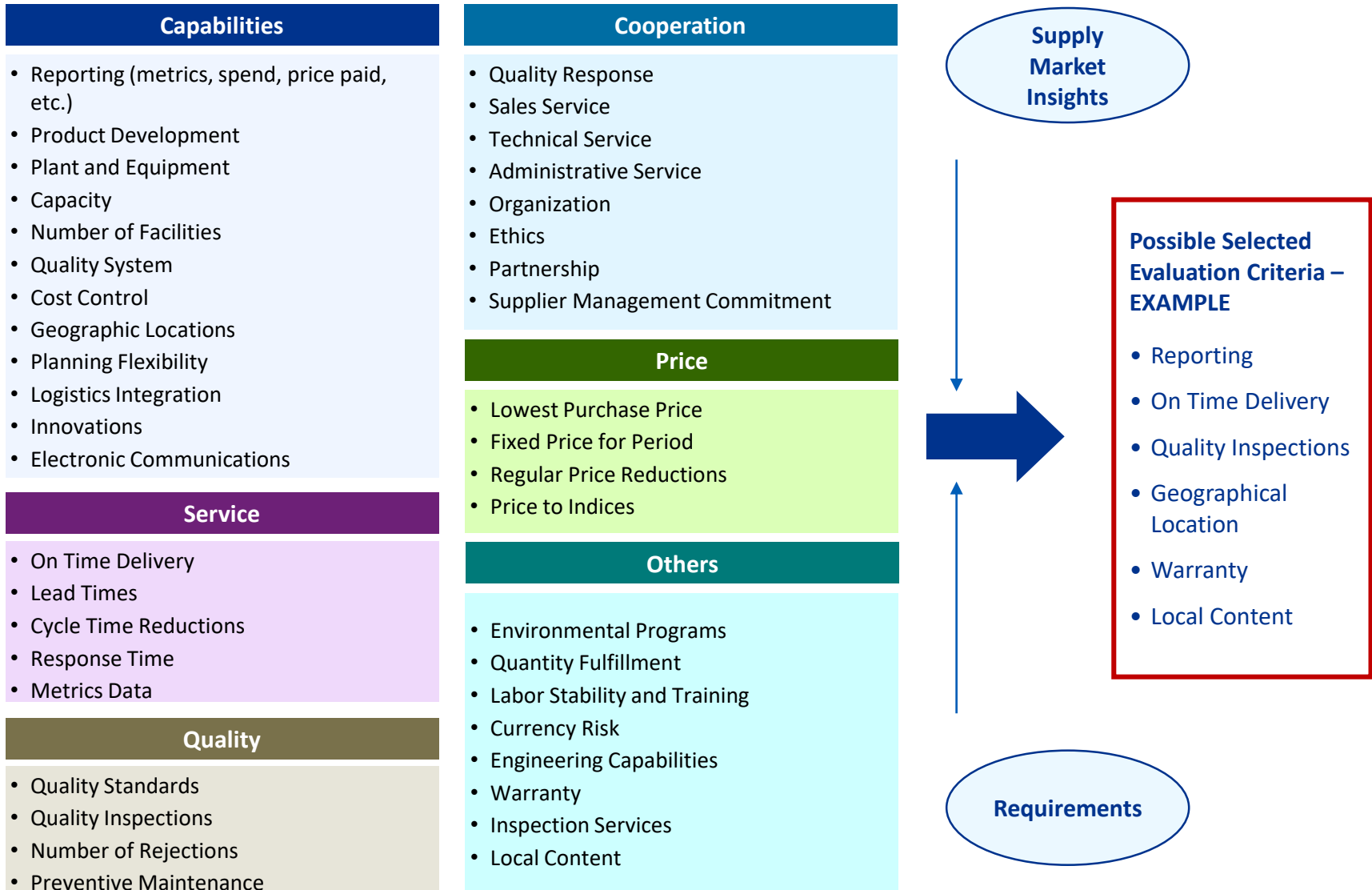
Supplier Questionnaire

General Terms + Conditions

Specification & pricing Workbook

General Evaluation Criteria during RFQ / RFP stage

During the RFQ / RFP stage, suppliers maybe evaluated on one or more of the following criteria:



Shortlisted Suppliers are then invited for Negotiations

For global players, the key idea behind a negotiation may include one or more of the following aspects. If the suppliers are able to fulfill the requirements, they may win an opportunity to develop business relationships with the global players

Average Annual Cost Reduction

Better Compliance and Customer Service

Annual Productivity increase

Continuous Improvement initiatives

Expected Annual Savings in the form Total Cost of Ownership (TCO) initiatives

Cost Transparency



Typical Expectations Global Players have from T1 Suppliers

Typically, the International Organizations (with supplier involved in development process) have following expectations from T1 Suppliers:



Once integrated, Supplier Performance is regularly monitored

Contracting is not the end of the Supplier Journey. Once finalized for contracting, International Organizations constantly monitor the performance of these suppliers. Common Key Performance Indicators for suppliers are developed around the following areas:

- 1 Understand and listen to your customer
- 2 Experienced with specific customer processes (purchasing, ordering, accounting, etc.)
- 3 Well managed company with healthy financial background
- 4 High production flexibility to cover volume change (+ / - 10% to 20%)
- 5 Innovation, annual cost reduction, annual savings, continuous improvement
- 6 Cost Transparency (cost break down, quotation analysis forms, etc.)
- 7 A reliable, professional and stable organization

Not all suppliers can make it to the global value chain

For successful integration into global value chains, suppliers must get rid of the following drawbacks:

1 Lack of and / or fragmentary operation / control system across supplier's supply chain

2 Gap between Commitment and Delivery to the customer

3 Short term gain vs. long term win approach

4 Lack of LEAN practices and insufficient Quality Management (QM) system

5 Lack in problem solving techniques – no analytical approach

6 Absence of Safety Standards / Safety behavior

7 Missing customer orientation

8 Communication (Language, system, structure...)



Thank You for your attention

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