BUILDING BETTER SUPPLIER relationships

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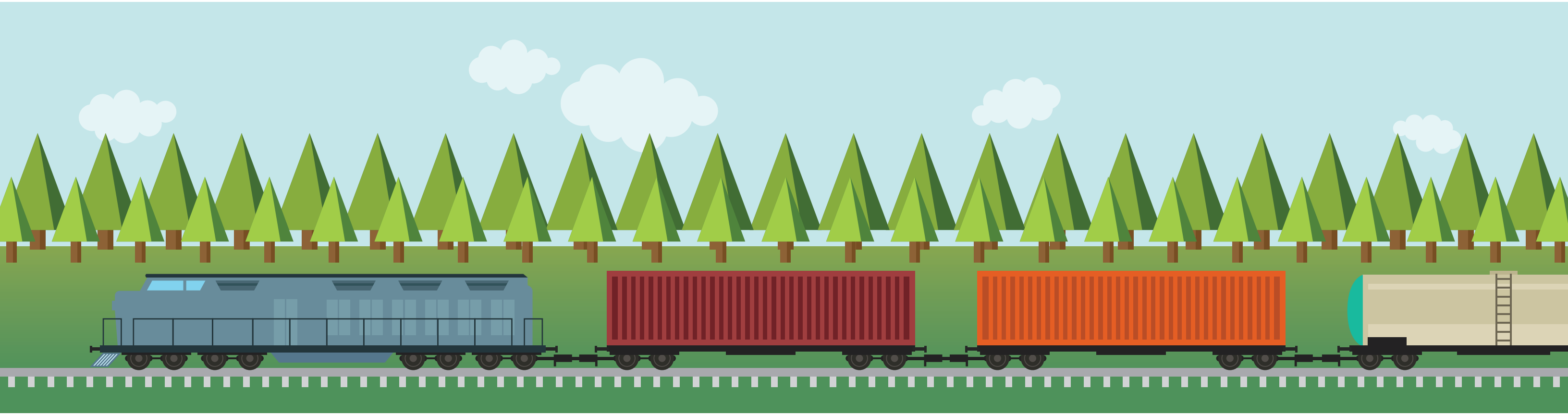
Any company which uses suppliers to help produce its services will be aware of the way relationships have changed in recent years. In particular, supplier relationships have become much more nuanced as businesses look to develop a more accurate and agile approach to planning.

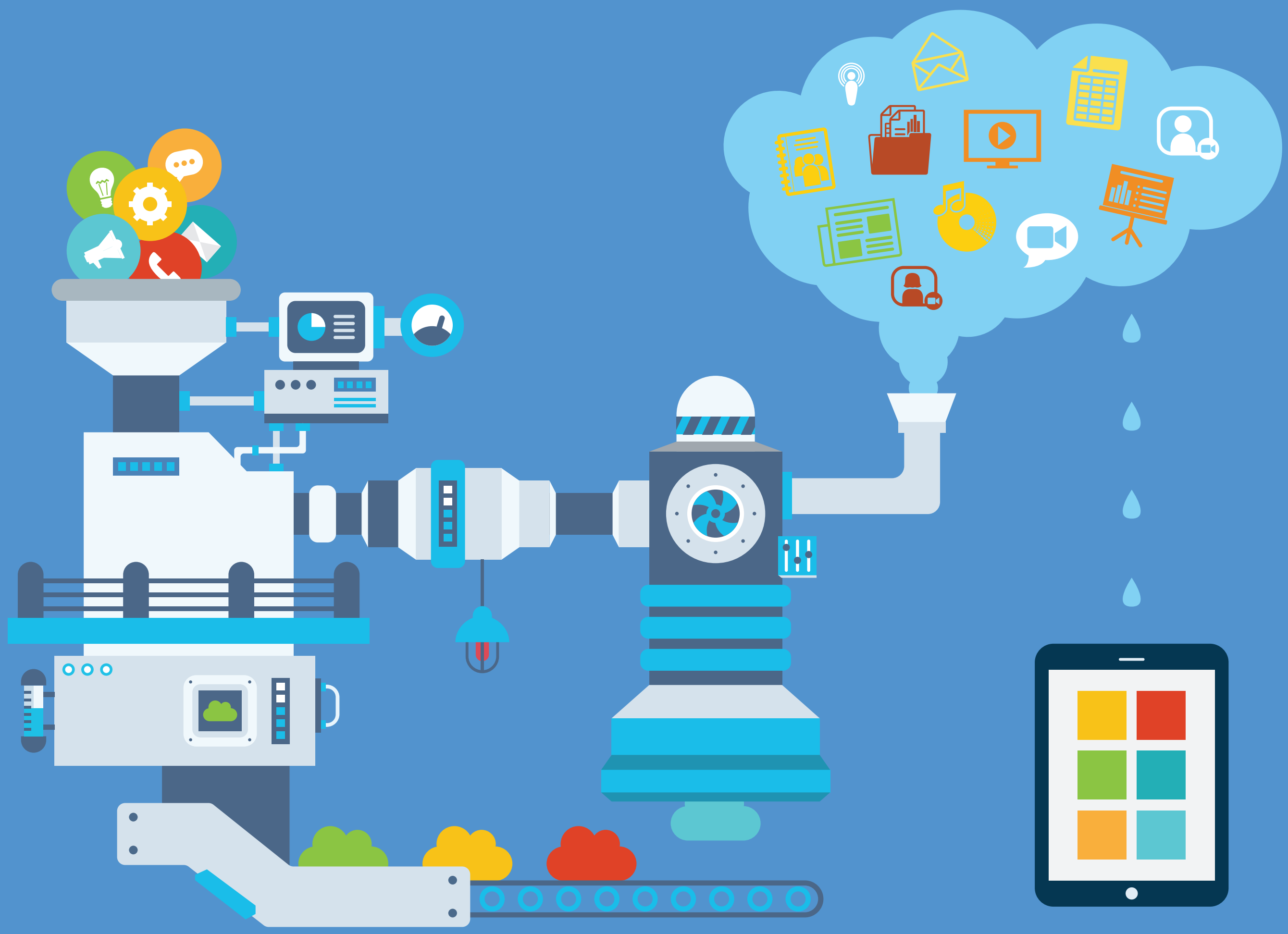
A central feature of successful supplier relationships is transparency, and this is true on both sides. Companies need a deep enough understanding of their suppliers' activities to accurately plan ahead while suppliers need to understand where they fit in to the bigger picture for the business (rather than just being a provider of raw materials).

Achieving this level of transparency requires the finance team to expand its skillset. The days of straightforward reporting are over. The modern finance professional must be at once a data manager, analyst and business strategist if they are to ensure supply is not interrupted and help the company remain profitable.



Any one organisation might have myriad suppliers that provide goods or services which are crucial to its operations. Consider a global retailer, for example. A delay from one supplier can easily result in a major disruption to its entire supply chain, an issue that could have serious financial implications if it comes as a surprise and leaves the retailer with little time to react.

Understanding suppliers' business therefore goes much farther than just ensuring they are able to service orders in the moment. Finance professionals need to be able to predict how current events and future market developments might affect a supplier's ability to deliver. This has opened up a new dimension of analysis for finance professionals, who are beginning to incorporate "unstructured" data into their risk assessments.



After all, risk can be affected by many things. A supplier's productivity may of course be threatened by access to raw materials, but also by other circumstances outside its control such as troubled financial markets, delays to its activities due to consumer action campaigns, extreme weather, political unrest, and so on.

Building just a small amount of unstructured data - such as current news stories and social sentiment – into a financial model has already proven to greatly improve the accuracy of predictions. For example, some credit agencies have begun to incorporate non-numerical data into their analyses to deliver more accurate ratings, and the improvements they've seen are making the entire industry rethink its approach.

Taking things even further, organisations can integrate historical data on a supplier's productivity under different market conditions into its planning activities. With this, the finance team can more accurately identify which suppliers will be best-suited to help them roll out a new product, for example. It will also give the company a more complete picture of how vulnerable their new product plans are to supplier circumstances.

Which brings us back to transparency. Integral to realising the benefits outlined above is a more open exchange of information. For one, a shared dashboard that keeps track of all the activities in motion between business and supplier will ensure all responsible parties are working off the same up-to-date information. Crucially, this data can easily be integrated into the finance team's planning and decision-making process.

As the ability to stockpile components becomes less economically viable to the business, allowing suppliers to see materials requirements allows them to better plan their own workloads to avoid overstock situations. Some companies even encourage suppliers to jointly manage their data so they all gain a more complete view of how their activities are affecting each other. An example of this is details about supply and delivery scheduling.

The integration of unstructured data into supplier planning will no doubt become the norm, particularly as more companies adapt cloud-based platforms and analytics that underpin this approach. Oracle's own experience is that the companies already doing this have seen their planning become between 15% and 20% more accurate, and we are surely only scratching at the surface of what's possible.