



Status: *Draft*

Client: *Fairmarkit*

Date completed: *21 May 2021*

Primary keyword: *supplier relationship management (1000)*

Secondary keywords: *strategic sourcing (2900), suppliers in business (2400)*

Target industry:

Word count:

Writer: *Emily H*

Title: *What Is Supplier Relationship Management (SRM)?*

What is Supplier Relationship Management (SRM)?

Natural disasters, diplomatic stand-offs, global pandemics: there are many unexpected events that reveal to procurement teams the fragility of their supply chains. Logistical delays, product shortages, or a [steep increase in demand](#) are obstacles that can happen at any moment. The silver lining of any of these disasters is that they reveal the importance of supplier relationship management.

In this guide to supplier relationship management, we'll go through some basics to help you understand where your procurement process can be even stronger.

What is Supplier Relationship Management?

[Supplier relationship management](#) (SRM) is the process of determining what suppliers are important to an organization and then creating strategies to optimize the management of those suppliers.

The idea behind supplier relationship management is originally credited to [Peter Kraljic](#), author of the 1983 article "[Purchasing Must Become Supply Management](#)." In this article, Kraljic describes how companies must shift their perspective toward procurement from one of "purchasing (an operating function)" to "supply management (a strategic one)" for those procurement categories that are most vital to the company's success.

SRM starts from the assumption that not all suppliers are critical to the organization's business results. As one expert in [Forbes](#) points out, "[S]tationery supplies do not impact the company's profitability, nor does its absence represent a significant risk. However, should Foxconn, a major technology manufacturer, suffer a shutdown, this



creates a major risk to the operations of the big-name brands it supplies, such as Apple. Indeed, so closely intertwined are Foxconn's and Apple's fates, that they are considered to have a strategic alliance."

Supplier relationship management recognizes that some suppliers deserve a bigger investment in terms of time, vetting, resources, and communication than others. SRM allows a company to leverage **strategic sourcing** and to build value for their business, lowering wholesale costs, improving efficiencies, and creating long-term relationships with **suppliers in business** that benefit all parties over time.

Benefits of supplier relationship management

Most procurement teams don't have the bandwidth to treat every supplier with the same level of attention and time. Supplier relationship management provides the framework for allocating those resources optimally for achieving business goals. Here are some ways in which this can benefit a procurement team and their organization.

Save money

Optimizing supply chain management means prioritizing business-critical suppliers and working closely with them. This approach can lead to better supplier retention, which inevitably saves your procurement team money.

"Optimizing supply chain management practices can dramatically reduce the costs associated with establishing relationships with new suppliers. Sourcing new suppliers, sampling products, and negotiating contracts is a costly, time-consuming process and mistakes made can undermine the growth of a company," wrote [Quickbooks](#).

SRM can help you build reliability and stability into your supply chain, helping your business weather any storm.

Read more: [Supplier-buyer relationships: The backbone of your supply chain](#)

Run more efficiently

Global disasters aside, the better your supplier relationships the more efficiently your supply chain. SRM allows you and your supplier to improve communication over time and provide a clear understanding of what each business needs to eliminate supply chain delays. Troubleshooting also tends to be more streamlined as each party knows the other's work constraints and opportunities.

Strategic sourcing

SRM also gives procurement teams a clear picture of where to consolidate their supply chain. Procurement teams can be more strategic during an RFP event, working with a smaller list of trusted suppliers and eliminating the costs involved with vetting a large list of potential partners.

[Read more: [Strategic Sourcing](#)]

How to practice supplier relationship management

To start improving supplier relationship management at your company, start by looking at your suppliers. Segment these suppliers based on profitability and liability: Which partners are integral to your company's success? Which ones could be potentially putting your operations at risk?

Next, create a strategy for your suppliers. What tools, processes, and platforms do you need in place for making sure your suppliers can meet your business needs?

"The strategy in question would emphasise bundling similar items into a single, global contract as well as creating a 'light-touch' approach to sourcing. Here, using e-auction platforms, whereby a multitude of suppliers compete in an online auction to lower price, creates a suitable environment to cut costs on a commodified good," wrote [Forbes](#).

Fairmarkit has a range of tools that can help you put supplier relationship management strategies into practice. For more advice on improving elements of your sourcing and procurement process, check out Fairmarkit's blog, [The Source](#).

Meta Copy

Meta Title (Must not exceed 60 characters)	What is Supplier Relationship Management (SRM)?
Meta Description (Must not exceed 155 characters)	Supplier relationship management (SRM) provides a strategic way for a company to invest in strategic sourcing, find efficiencies in the supply chain, and reduce costs.



Galactic Fed

