



Online Accounting Software

# MANAGING YOUR SUPPLY CHAIN GUIDE

### Managing your supply chain guide

Depending on the type of business you run, your supply chain can be an absolutely vital part of your success – it can make or break a business. Your supply chain can cover everything from your stock, spare parts or raw materials, to the processing of components and storage and delivery of goods to the end customer, as well as managing inventory and cash flow.

Actively managing your supply chain – rather than leaving it to chance – can have a big impact on the efficiency and performance of your business. It will be a major factor in determining your costs and, ultimately, your service or product offering to customers.

If you have many different suppliers it can get quite complicated, so it's important to have 'visibility' over your supply chain – a good overall view of how it fits together – so you can control your own destiny as much as possible. Say one of your suppliers can't make a delivery because of bad weather. Do you have a back-up plan? Do you have an alternative supplier or another way to keep trading?

### Choosing your suppliers

An effective supply chain requires strong relationships, communication, co-ordination and collaboration with suppliers, so it's important to choose them carefully.

There are many factors to consider when selecting suppliers – reputation, size, location, reliability, quality, value for money – so think carefully about the attributes that are important to you. Poor service or quality from suppliers can impact the success of your business. This is not something you can afford to put up with. Shop around and be prepared to change suppliers if necessary. Remember the quality of what your suppliers provide will reflect the quality of what you deliver to your customers.

Flexibility on the part of your suppliers might be a key factor, especially for smaller businesses. For example, can your supplier help you out in a crisis, accept returns of unused stock or allow you to place orders of varying size?

Similarly, working with the largest suppliers in your area of business might not be the best option as it can lead to an imbalanced relationship. On the upside, larger businesses may be more financially secure, but they may

leverage their power when it comes to payment terms or change their strategy to focus on larger accounts, for example.

Make sure you do your homework on the track record and financial standing of your business partners. The financial security of your suppliers can have a knock-on effect on your business if they get into financial difficulty.

### **Managing supplier relationships**

Set clear expectations when working with your suppliers. Be clear on deliverables, lines of communication, timescales and payment terms. These important factors could form the basis of key performance indicators as part of a service level agreement with your supplier.

A failure in your supply chain – say, delivery of the wrong components – can affect the delivery of your product or service, as well as your cash flow. Everyone in your supply chain needs to have an understanding of your business and how you meet or exceed your customers' expectations.

Try to have empathy with your suppliers and invest time in building relationships – at the end of the day, they'll play a big part in ensuring your business runs smoothly.

### **Supply chain risks**

Unethical business practices on the part of your suppliers or business partners can potentially damage your reputation and, ultimately, your financial stability. Having insufficient information on your suppliers or not researching them carefully can leave you wide open to supply chain risks. Undertaking the necessary 'due diligence' is important to protect your business. Just look at the damage to reputations that was caused when supermarket ready meals were found to contain traces of horsemeat, as an example.

If you run a restaurant, sourcing local or sustainable produce might be key to the reputation of your business. So building strong relationships with your suppliers is important, particularly those that understand what your business stands for.

Another important issue to consider when working with other businesses is data security. If you're sharing data, make sure you know who has access to yours and check whether your suppliers' systems are secure and their

staff can be relied on. It's worth taking the time to check out your suppliers thoroughly – after all, it's your business that's at stake, so make sure you take control.

### **Paying suppliers**

Paying suppliers in full and on time is an important part of building trusted relationships. Treat others as you'd wish to be treated yourself. Paying promptly earns respect, so talk to your suppliers as soon as possible if you anticipate problems with meeting payment terms for whatever reason. You don't want to risk supplies being stopped because you're unable to pay on time.

You may also be able to negotiate better deals, depending on the volume of orders, or agree a prompt payment discount.

You might want to consider The Prompt Payment Code established by the Institute of Credit Management (ICM). The Code gives companies the opportunity to commit to good practice in their supplier relationships, improving business cash flow and working capital throughout the supply chain.

### **Order management systems**

An order management system can help you manage multiple suppliers more efficiently and keep an eye on your costs.

For example, you can use these systems to track orders, keep customer details up to date, manage your inventory or the distribution of your products some offer modular components that you can add over time.

These systems come at a cost however and a cheaper alternative may be to manage this information using a simple spreadsheet, such as Excel. It really depends how complicated your supply chain is.

If you're investing in a system, be certain that you select the best product to meet your needs and one that still be useful as you grow.

### **Collaborate to grow**

Your supply chain can be the ideal starting point for identifying potential partners to help grow your business.

Collaborating with other businesses in the supply chain can help solve business problems and give you access to complementary skills, finance, innovation and greater efficiency. It can also enable you to target new customers and improve products and services. For example, a graphic design business might work in partnership with a web builder to provide a full service offering to its clients. Look for suppliers that complement your business and will champion your cause.

Collaborating with other suppliers may require formal agreements around payment or joint negotiation of contracts. Setting clear expectations on both sides will help to prevent disputes and foster trust and transparency.

### **Don't forget about advisers**

Although they don't necessarily get involved in producing your product or delivering your service, your bank and professional advisers are also an important part of the supply chain, so don't overlook their importance and the contribution they can make to your business.

The same care should be taken in selecting advisers as with any other supplier. These relationships can provide added value in a number of ways, such as advice on growing your business, introducing you to suppliers, potential customers or other businesses that may benefit your company.

## A checklist for managing your supply chain

Actively manage your supply chain to control costs and avoid business interruptions.

Choose your suppliers carefully, based on what's most important to your business.

Shop around and be prepared to change suppliers if necessary – and remember that the largest suppliers are not always the best.

Do your homework on the track record and financial stability of businesses you work with.

Set clear expectations on deliverables, communication, timescales and payment terms – use a formal service level agreement if necessary.

Consider whether your suppliers' business practices are ethical, especially if ethical values are an important part of your business.

Think about data security and whether your suppliers' systems are secure.

Pay suppliers on time and talk to them if you can't.

Consider an order management system if the complexity of your supply chain warrants this.

Identify potential partners with complementary skills in your supply chain to help your business grow.

Remember the role that your advisers can play in developing your business.



Online Accounting Software

## WHO WE ARE

Big Red Cloud is a leading supplier of online account's software to the SME market.

Our online account's software is simple and easy to use and takes only minutes to set up. It is designed to enable smart business people get on with doing what they do best which is to sell their products or services.

We believe in giving exceptional value by including multiple users, unlimited transactions, telephone, email, live chat support and free access for your accountant and bookkeeper, all for a low monthly fee.

Join over 35,000 businesses that have already made the smart move and get your business up and running with Big Red Cloud's online accounts software.

### European HQ

Rathdown Hall  
Upper Glenageary Road  
Glenageary  
County Dublin  
Ireland

Tel: +353 (0) 1 204 8300

### UK Office

Basepoint Business Centre  
Metcalf Way  
Gatwick  
West Sussex, RH11 7XX  
United Kingdom

Tel: + 44 (0) 161 926 8822

[info@bigredcloud.com](mailto:info@bigredcloud.com)

[www.BigRedCloud.com](http://www.BigRedCloud.com)

