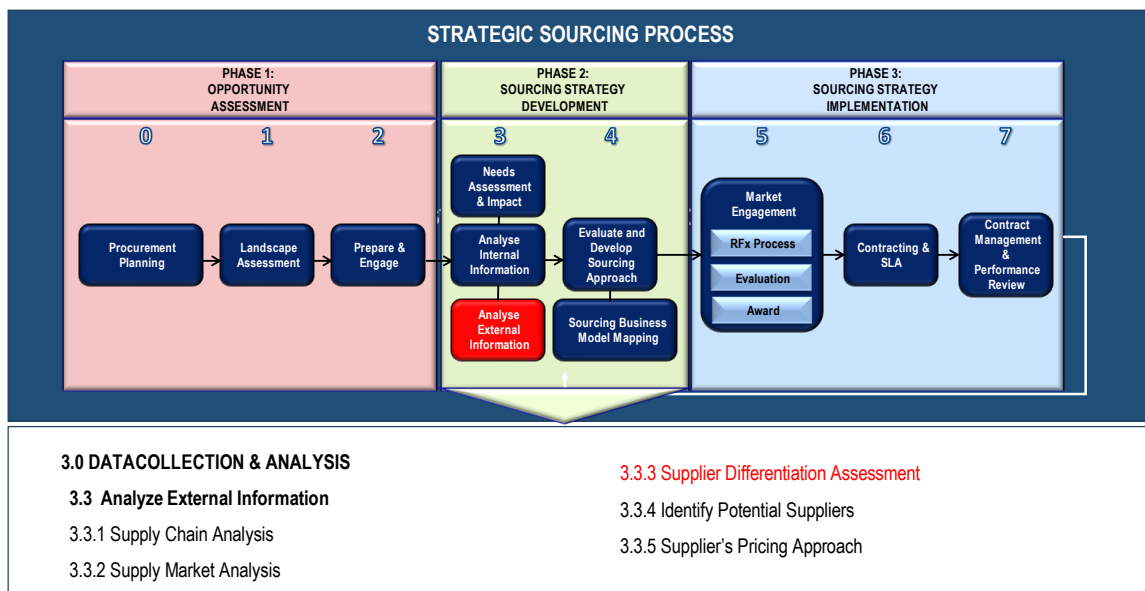


**Using this guide**

This guide accompanies the National Treasury's Strategic Procurement Framework (SPF) for Strategic Sourcing in the Public Sector. For more information, visit the National Treasury website at <http://ocpo.treasury.gov.za/>. The SPF can be found here: [http://ocpo.treasury.gov.za/Resource\\_Centre/Documents/1A.%20Strategic%20Procurement%20Framework.pdf](http://ocpo.treasury.gov.za/Resource_Centre/Documents/1A.%20Strategic%20Procurement%20Framework.pdf)

**SUPPLIER DIFFERENTIATION ASSESSMENT**



**1.0 Introduction**

- i. Supplier Differentiation Assessment is done in order to assess how much importance the supplier places upon the customer's business. It adds another dimension to the results of the Portfolio Analysis.
- ii. The following good practice guides and templates are applicable when conducting a supplier differentiation assessment:
  - a. Supplier differentiation assessment

- b. Positioning according to supplier perspective
- c. Account positioning in the portfolio analysis
- d. Power and dependency
- e. Positioning questionnaire (template)

### **1.1 The objective**

- i. To assess how much importance suppliers place upon the government's business and to understand how suppliers view government business and how they behave as a result.

### **1.2 Output**

- i. Supplier's perception of the institution's account and strategies to engage with suppliers

## **2.0 Good practice guides**

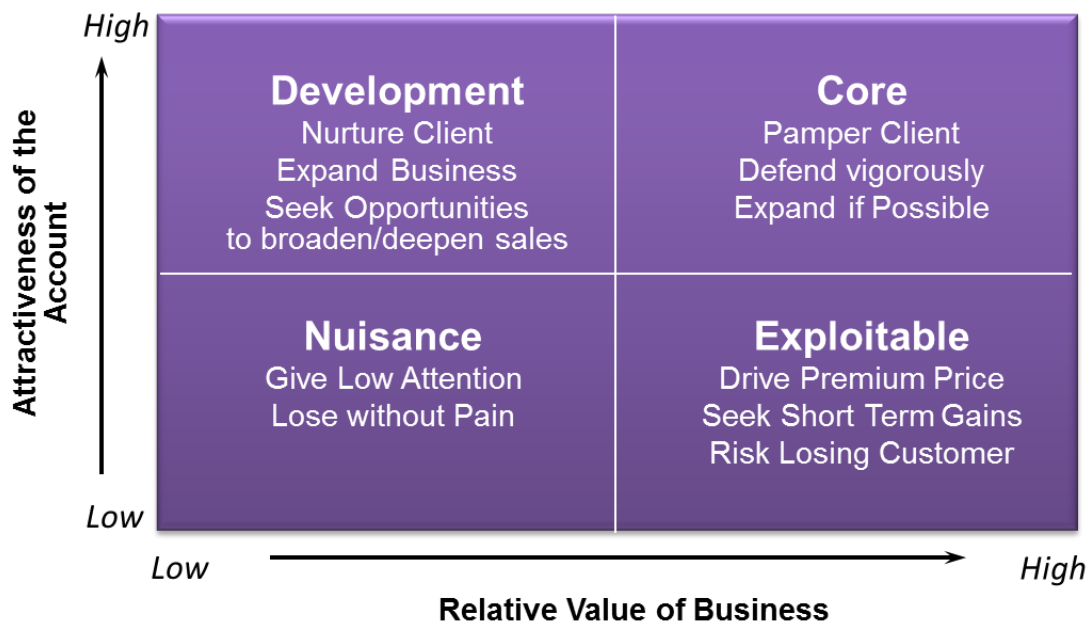
### **2.1 Supplier Differentiation Assessment**

- i. By understanding the government's value to suppliers, different strategies can be developed based on the willingness or reluctance of suppliers to meet the government's needs.
- ii. This analysis may identify changes the government department may need to make to be seen as a more attractive customer.
- iii. If this happens, there will be more competition amongst suppliers to get your business.
- iv. It is important that you accurately gauge your value as a customer to suppliers as this will determine the extent to which you can influence a market and achieve better procurement outcomes.

- v. While the previous market analysis tools looked at how the market functions, this piece of analysis attempts to “walk in the supplier's shoes” and understand how suppliers view government business and how they behave as a result.
- vi. The model can be used in two ways:
  - a. As a diagnostic tool, assessing current supplier relationships and the associated strengths, weaknesses, opportunities and threats.
  - b. As a decision support tool, assess the likely position of future/potential suppliers.

## **2.2 Positioning according to supplier perspective**

- i. The model involves assessing two variables:
  - a. Attractiveness of the customer's account
  - b. Relative value of the customer's account



**Figure 1: Supplier Preferencing Model**

- ii. Positioning is done by making use of a generic questionnaire while taking into account the various factors at play.
- iii. Answers to the questions are weighted to give an overall score which is used to plot the commodity account in one of the quadrants.
- iv. Although the positioning toolkit strives to be as comprehensive as possible, the questions and examples are not exhaustive: add your own and amend these prompts to suit your situation.
- v. Based on the answers to the questions in the questionnaire, you can now position the account into the following matrix.

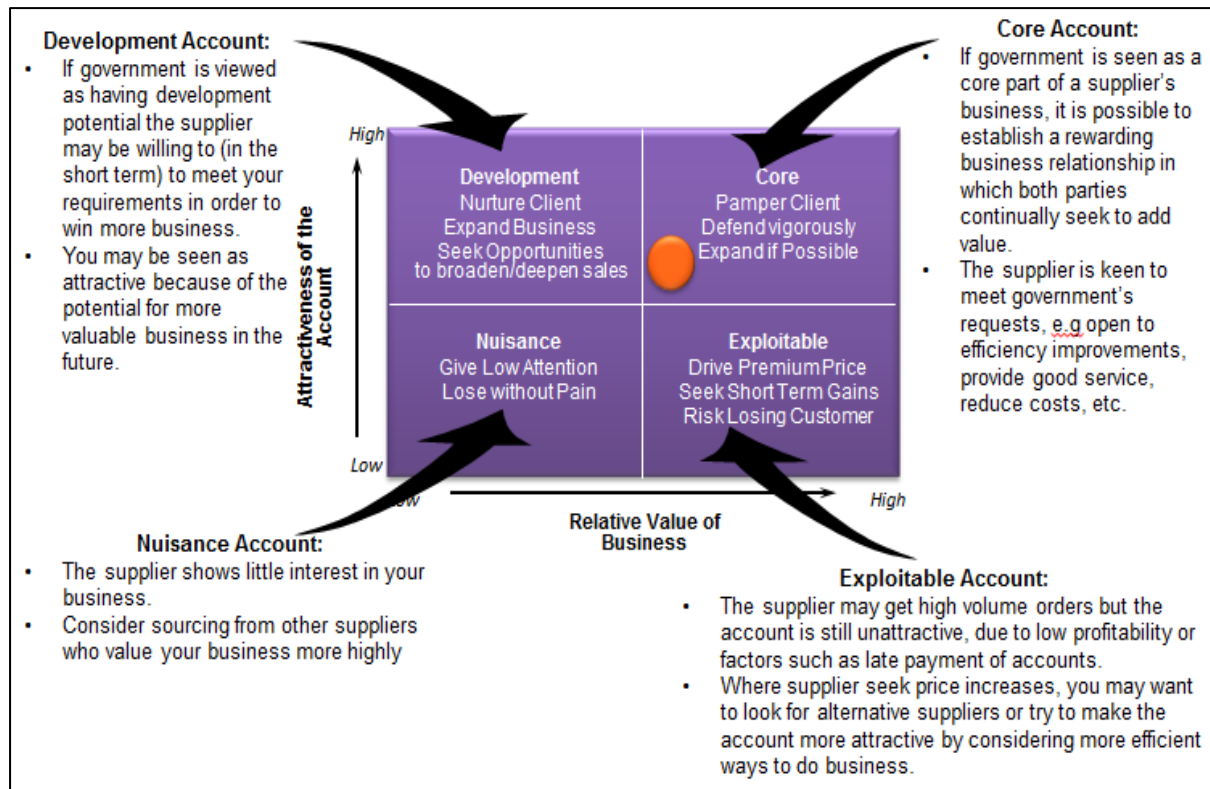


Figure 2: Supplier Preferencing Model -Elaborated

### 2.3 Account positioning in the portfolio analysis

- i. To understand the full picture, you need to combine your findings from the Supply Positioning and Supplier Differentiation (refer to 3.1 below the positioning questionnaire).
- ii. Identify areas of potential risk, e.g. if a service is deemed to be STRATEGIC to you, but your business is seen as a NUISANCE or EXPLOITABLE, this creates a supply risk.
- iii. You may need to work to change suppliers' perceptions of you as a customer to increase their interest and move you to the DEVELOPMENT quadrant.

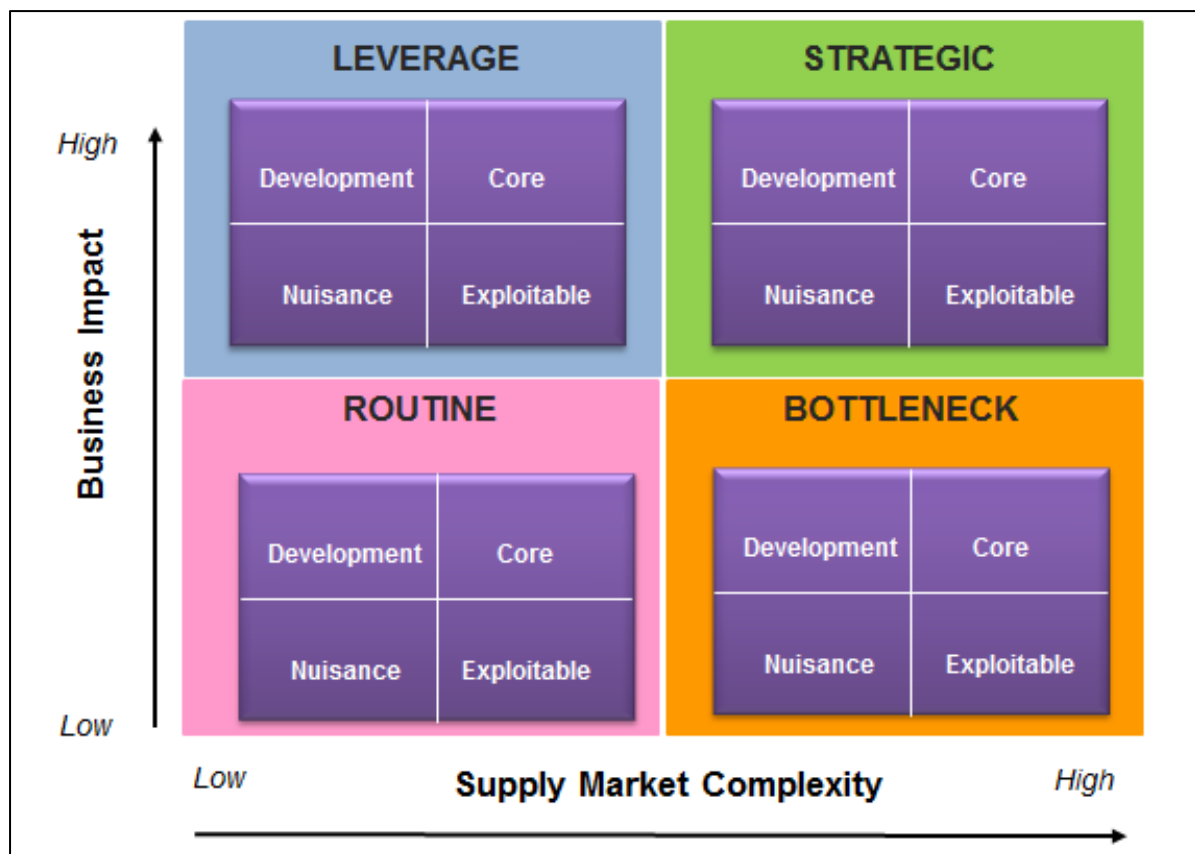


Figure 3: Combined Kraljic Matrix and Supplier Preferencing Model

## 2.4 Power and Dependency

- i. Assess the levels of power and dependency between the government and individual suppliers. You need to be aware of situations where a supplier is highly dependent on your business and vice versa. These can be high-risk situations. If you are overly dependent upon a supplier, you may be vulnerable to exploitation.
- ii. Based on the positioning above, the account would have been placed into one of the following quadrants.

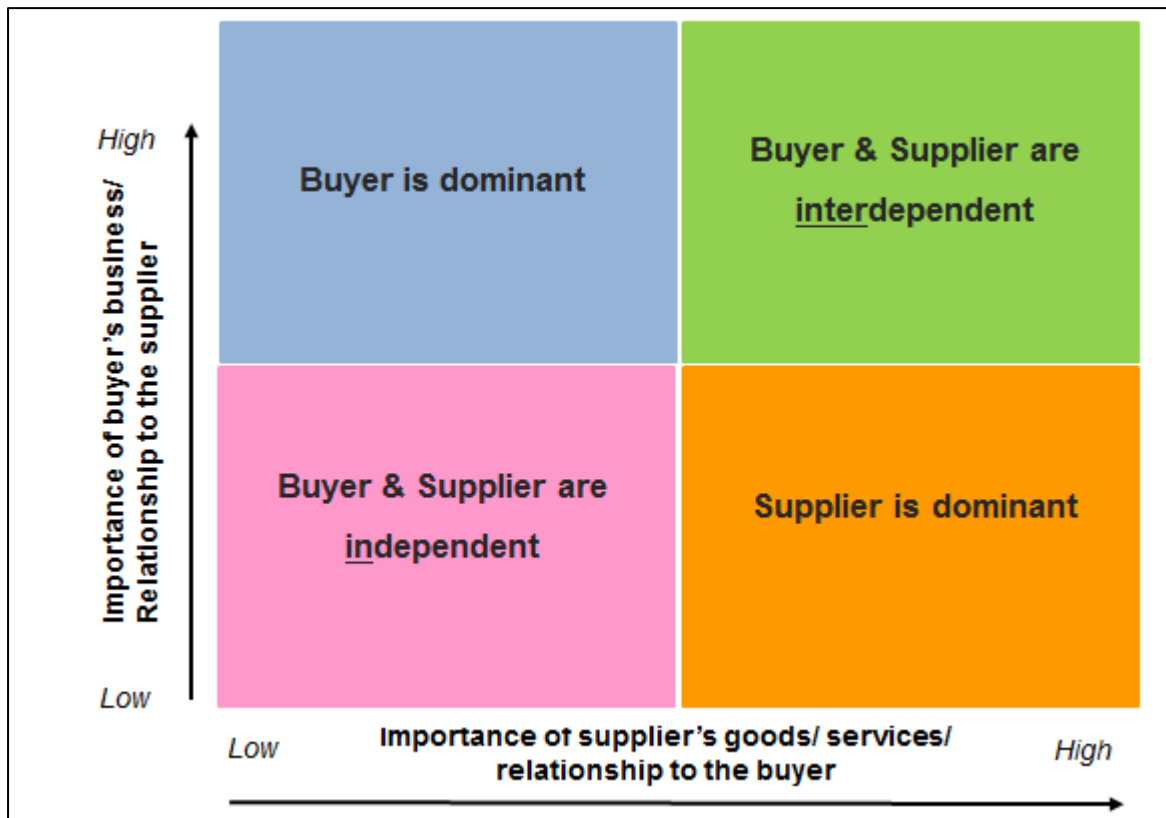
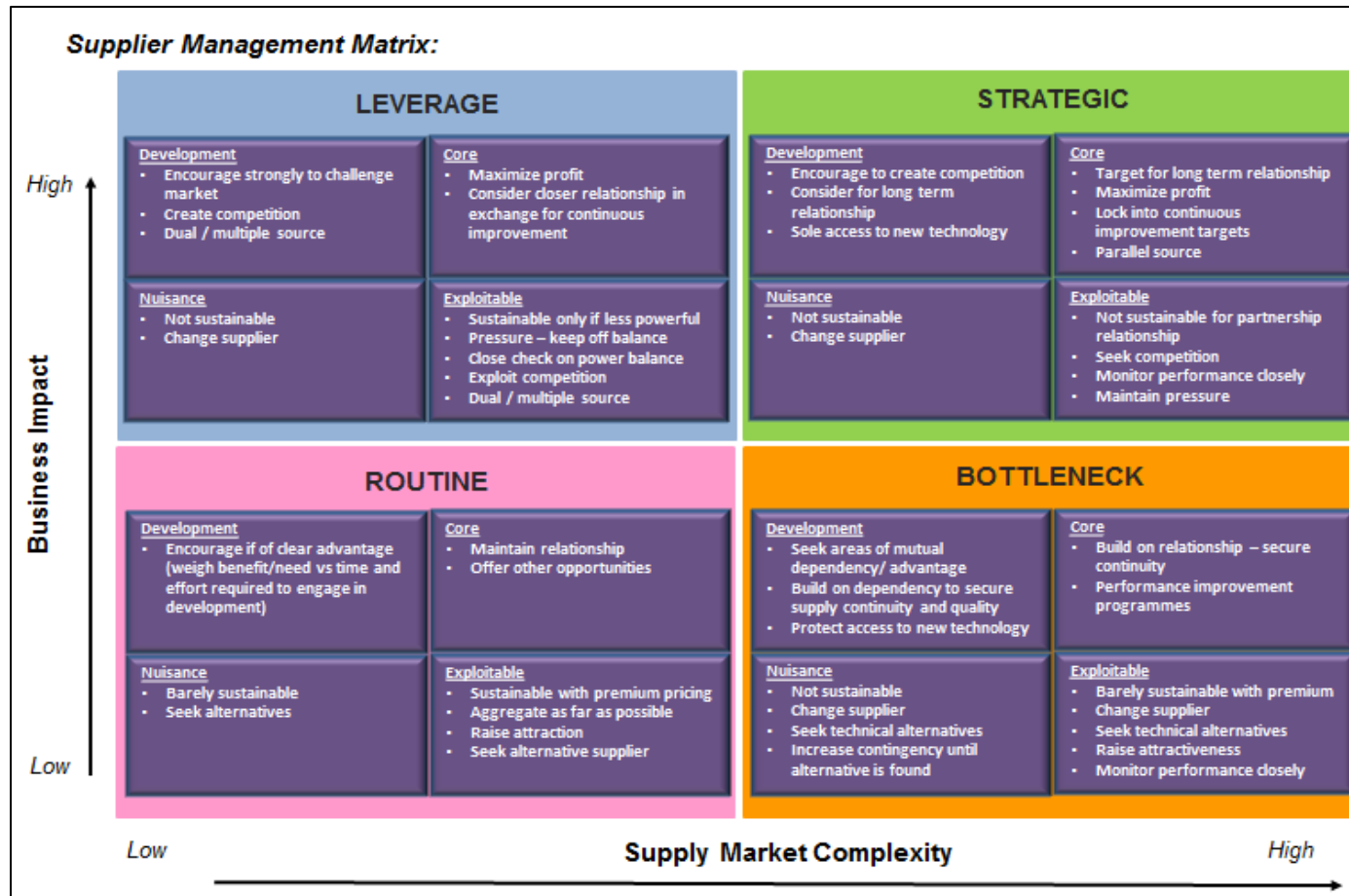


Figure 4: Power and Dependency Matrix

## **2.5 Generic supplier management strategies**

- i. Based on the assessment above, the model suggests various strategies that can be deployed to manage the relationship based on the positioning in terms of the portfolio.

## SUPPLIER DIFFERENTIATION ASSESSMENT



**Figure 5: Supplier Management Matrix**



### 3.0 Templates

#### 3.1 Positioning questionnaire

Attractiveness of the account	Possible score
<b>a) Account Status</b>	
• The customer has key account status with the senior director responsible	2
• The customer has no key account status	1
<b>b) Product Development</b>	
• Customer key to supplier's product development	2
• Supplier imposes new products/changes	1
<b>c) Market Development</b>	
• The customer provides an entry/leverage point for the supplier into the market	2
• Customer one of many in the same market well served by the supplier	1
<b>d) Supplier Marketing</b>	
• Customer used as a reference site and/or in promotion literature	2
• Customer not used as a reference	1
<b>e) Preferential Treatment</b>	
• Evidence of preferential pricing, terms and/or value-added services	2
• Supplier inflexible on prices, terms etc	1
<b>f) Business Development</b>	
• Supplier showing proactive interest in developing additional or retaining existing business	2
• Supplier not proactive in developing business	1
<b>g) Responsiveness</b>	
• Track record of high supplier responsiveness to customer needs	2
• History of adequate but no special level of responsiveness	1

Attractiveness of the account	Possible score
<b>h) Prestige/Image/Brand Presence</b>	
• Customers are seen as a high-prestige account	2
• Customer not differentiated	1
<b>i) Financial and/or Demand Stability/Growth</b>	
• Customers seen as financially very stable, have excellent credit risk, source of stable/growing demand	2
• Customers are not seen as a good credit risk and source of stable/growing demand	1

**Table 1: Commodity Positioning Questionnaire**