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Spend analytics and Supplier relationship management at times of uncertainties

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Gone are the days when businesses used to be judged by the number of assets they possessed. Today, businesses are increasingly relying on Intellectual property and relationship both with the customers and their suppliers to beat the competition. Apple and Wal-Mart stand as good examples in the latter case.

With globalization, businesses are spreading their presence all across the globe. This also brings with it the challenges of managing a global supply chain. Supplier relationship management is increasingly gaining importance among the organizations. One of the prime reasons for the growing importance can be attributed to the volatile business environment faced today.

Volatility has affected not only the businesses, (the recent Japan earthquake & tsunami being the prime examples) but they are also having an impact on the suppliers (rise in interest rates and fear of recession are impeding suppliers from raising capital from the market).

As mentioned earlier this is the era of relationship, and trust plays a very important role in the same. Buyers and suppliers often donâ€™t trust each other and feel that they are been exploited or taken for granted. Procurement technologies help in overcoming this problem.

With a volatile business environment, the responsibility of commodity managers has increased. Commodity managers should be in close touch with the market to understand the trend and impact of price variations on cost drivers of suppliers to negotiate better contracts. This is where technology like spend analytics makes the job of the category/commodity managers simple.

Advanced Spend analytics tool, enables category/commodity managers to be more proactive rather than being reactive to rising prices. The tools not only keep themselves updated with trends in the market but also analyze the impact of the trend on the cost drivers of the suppliers.

This provides commodity managers the ability to modify contracting terms with the suppliers based on the changes in the market condition ensuring mutual benefit. Technology brings with it the element of transparency which helps improve on the element of trust.

Having a stable and healthy supplier relationship goes a long way in ensuring sustainability of businesses even during tough situations. Businesses are realizing this aspect and are using technology as an aid to improve relationship.

One of the prerequisites to having a healthy supplier relationship is to ensure proper information sharing among both the parties. Technology provides the platform where both the buyers and suppliers can share information in the simplest way possible.

Buyers should also monitor the performance of the suppliers at regular stages so that suppliers who meet the set goals are promptly rewarded for their effort which motivates them to continuously improve their performance.

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The author of this article has expertise in a Spend analytics. The articles on a Supplier Relationship Management reveals the authorâ€™s knowledge on the same. The author has written many articles on a Procurement Performance as well.

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