ProPurchaser

HANDOUT

Plant Tours Worth every Minute



You gotta go look.

The struggle to find "good fit" suppliers never ends. And finding the right suppliers has never been more important than right now. Global competition and the need to drive down costs has really cranked up the pressure on supply chain professionals. In some cases, the very survival of their companies depends on their efforts.

How do you make sure – really sure – that your supplier is capable of going the distance providing you with the price, quality and service your company needs to compete successfully? We're not talking about attitude here: it's your supplier's capability that matters.

Well, you could take the sales rep's word for it. But we strongly suggest you see for yourself.

Simple as it sounds, an actual physical tour is the best way to gather reliable information about your supplier's capabilities: control over costs, quality commitment and service culture.

It may seem like an inconvenience or a time-waster. But that plant tour will reveal so much that it's almost a crime not to go see. You really can't do it from

your office or online. What is required is an old fashion, non-virtual plant tour..... You still gotta go look!

What follows is somewhat lengthy, but worthwhile, advice on taking plant tours so that you get the insight and information you need to properly gauge your suppliers' capabilities and competitiveness.

Get the right tour guide

Ask for an operations person to conduct the tour. He or she will usually be pleased and proud to show off their plant. They are much more likely to have the information you need than a sales rep or an executive that's been parachuted-in for the occasion.

Start at Receiving

Start at the receiving door and follow the production chain to the loading dock. You'll remember a lot better if you see the operation in a logical sequence.

You can also learn a lot at the receiving door if you know what to look for. For example a small raw materials inventory reveals a just-in-time manufacturer: a "good fit" if your own requirements are fairly predictable. The supplier can make what you need, without tying up a lot of space or capital in non-productive inventory.

BUT, if your ordering habits aren't predictable, then a small raw materials inventory is a red flag for potential short-shipments, especially if they don't keep a finished goods inventory of your products.

Shake a few hands

Make sure to stop, look around and chat with the operators, as you follow the production line. You'll learn a lot by observing and listening. Are work areas clean and safe? Are there large piles of scrap and rejects?

Is the operator really involved or just punching buttons? Ask questions. An 'involved' operator will be happy to explain. More importantly, an involved operator usually means a competent operator, and competency is vital to producing the consistent, high-quality, low-cost products you need.

Look for 'control charts' and ask the operator to explain what the lines and figures mean; how they are used to control the process. Ask about run sizes; how long changeovers take; what their biggest challenges are; what causes scrap and re-work. Explain what your company does with the products he or she makes, and thank them for their contribution.

Take mental notes

As you're walking around observing and asking questions, you should be filling in a mental check-list about your supplier's overheads and structure. What is their total head count; how many are production workers? How many shifts do they run? How many square feet are devoted to production; how many in the whole building? What is the total output of this facility (measured in $ or units)?

Finish up at Shipping

At Shipping, you'll learn as much (or more) than you learned at Receiving. Look for inventories again – finished goods inventories. Are they 'just-in-time' shippers? Or do they store finished goods?

Ask where yours products are stored. Note quantities and space (and money) tied up.

Request a person from Production Planning to join the group at Shipping. Ask the magic question - "What can we do to be a better customer?". Would changing our ordering practices make their life easier - help them reduce set-ups or facilitate materials planning? Would small changes to our specifications allow them to run faster, or bigger batches, or reduce scrap or re-work?

You'll likely be pleasantly surprised by the answers and, even more so by the good ideas that flow from these kinds of positive interactions. In addition, you will have laid an important foundation for future projects and idea sharing.

Make a good impression/build a broad base of relationships

Meet as many people as you can from your supplier's organization. Ask thoughtful questions; solicit their ideas; listen to the answers. You can only benefit by creating new relationships and opening wider channels of communication that don't depend on your sales rep being the gate-keeper.

Put those mental notes on 'paper'

The moment you are alone (say in your car) get out your notebook or laptop and write it all down, while everything is still fresh in your mind.

A quick schematic showing how their lines are set up is a good way to start. Jot down what you saw and learned (key raw materials, set-up times, etc); your impressions (clean, dirty, size of scrap piles, operators' knowledge and involvement). Don't forget the answers to your general questions: square footage, numbers of people, number of shifts, etc.; and, of course, any good ideas that surfaced and the names and emails of the people you met. A thank you note is always a good touch.

When the time comes for modeling their costs or organizing joint cost-savings initiatives, all this information is invaluable. It is also useful when you're comparing them with their competition.

Visit competitors

"What?" you say, "I'm still trying to figure out how to find enough time for even one tour; and now you're talking about several!

"You can't be serious."…..The simple answer is "Yes."

Learning about your own supplier's capabilities is important, but understanding his competitiveness is even more so.

You need comparative data. You'll be surprised by how quickly (and easily) you can detect differences between suppliers: inventory policies, competency of operators, size of scrap piles, set-up times; tightness of 'control charts', amount of space and staff (relative to output), and quality of ideas.

Armed with that information, it isn't difficult to pick out the 'best fit' supplier.

If it's the one you're currently doing business with, good.

If it's not, even better!

Because this means you have likely uncovered an opportunity to make a deal with a 'better fit' supplier; reduce your costs, improve quality and service, and strengthen your supply chain.

Certainly, a fitting reward for all your hard work.