



Prioritize Suppliers

Who are your key suppliers? Companies tend to forget about the opportunities for managing profits and cash flow by effectively managing their suppliers.

WONDERMENT® Project Steps:

1. Identify the top 20% of the suppliers by using Pareto Analysis, or the 80/20 Rule (see box at right).
2. Create a visual grid of vendors based on annual purchase volume.



80/20 Rule

80% of the purchases are achieved through 20% of the suppliers.

Vilfredo Pareto

Example: Service Parts Provider

During the last year, Alec's Automotive Service Parts had \$10M in revenue with a material and overhead cost of 65%, and 300 suppliers. Using Pareto Analysis, the following is determined:

$\$10M \times 65\% \times 80\% =$

Top 60 suppliers with \$5,200,000

Bottom 240 suppliers with \$1,300,000

In Your Company ...

Using your most recent accounts payable data, calculate the revenue split for the top 20% of your suppliers. Identify your material and overhead costs and number of suppliers. Do the math, and then create your own visual grid:

$Revenue \times Costs \times 80\% = \# \text{ of suppliers w}/\$$

Revenue Split for Top 20% of Alec's Suppliers (60 total)

\$250K & Over	\$250K - \$100K	\$100K - \$50K	\$50K or less
Rolieon Company	Phillips Company	EX-best	Grays Company
Central Inc.	Occidental	Triple C Company	Franklin Parts
Graphite Inc.	Bestron's	Specialty Tool	Smith's Bolts
	Williamson	O'Leary's	Rhyno Company
	Equiptal	March Company	Varitek
	Fastex	McDonner	Machers
		Great Oregon	A-100 Services
			Schmidt
3 Suppliers total	6 Suppliers total	12 Suppliers total	39 Suppliers total

What questions does this raise?

- If we created a different chart for just one of these groups, what columns or information would you want?
- Over the last three years what has changed?
- Who manages each supplier? How often is each supplier visited?
- Who should or could manage each supplier? Why?
- What effect could the top 10 suppliers have on your business?
- Are they treated differently? Specifically how?

Send us your unique results and get a free Pareto T-shirt. Log on to www.jacquard.com.

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