Three methods to reduce supplier lead times

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Suppliers are often overlooked in improvement processes. Yet, they tend to have a major impact on their own lead times and delivery reliability.

A company's success is not only determined by its own performance, but also largely depends on its supplier network. Unpredictable suppliers who deliver late disrupt internal processes, impose rescheduling and result in unnecessary rush orders in production. Suppliers with long delivery times in turn slow down deliveries to end customers.

In this article, you will find three practical methods to tackle delivery problems.

Method 1: Improve the information flow to suppliers

As a customer, you may not have direct control over your suppliers, but you do have control over the information that you send to them. The nature and quality of this information flow co-determine the lead time, allowing you to get a grip on your suppliers' delivery times.

Some concrete steps to improve the information flow:

- Increase the ordering frequency: if you order once a week, you are in fact building in unnecessary delays.
- Split large orders into partial deliveries with different delivery dates. Finishing a large order takes a lot of time for your supplier, while you may not need everything all at once.
- Ensure proper digital exchange of data. The administrative processing of orders can take one third to even half the turnaround time. A part of the administrative steps can often be skipped by exchanging the data directly (e.g. EDI, supplier portals) and delivering the information in the correct format.

Method 2: Use capacity slots

To avoid having to join the back of the queue for each order, you can make agreements about certain capacity slots. During these reserved time periods, the supplier keeps the agreed capacity free so that you can use it as you wish. For example, if you regularly send parts to a paint shop, you could agree to reserve a shift every Tuesday and Thursday. This would mean that parts delivered on Tuesday could be included in the return transport on Thursday.

This method reduces delivery times and gives you the certainty of delivery dates, which in turn makes it easier to plan your own production. At the same time, this approach eases pressure on the purchasing process by reducing the need for communication on delivery dates, orders, price agreements ...

Method 3: Work closely with the supplier to reduce lead time

Delivery times can often be reduced through better cooperation and by putting in place relatively simple measures. To achieve this, you must have a good understanding on how lead times at the supplier are affected. A few examples:

- One company had to order custom-made parts from the supplier six weeks in advance. By working with the supplier, they discovered that the customisation of parts took place in the last two weeks of the process. This meant that, on the basis of a forecast, production could start six weeks in advance, while the specifics were communicated in last two weeks before delivery. This new way of working resulted in a de facto lead time reduction of four weeks.
- By collaborating early in the design phase, not only the delivery time but also the cost price is favourably affected. Designers often do not have a good idea of the suppliers' limitations, sometimes specifying too tight tolerances or requesting unusual materials or coatings.

Negotiating long-term framework contracts with price agreements can speed up the administrative process on both sides. As a result, the supplier has to spend less time on preparing quotes and you save time by comparing fewer providers. Negotiating price discounts based on annual volumes rather than individual orders also prevents buyers from placing orders that are too large, resulting in longer delivery times.

Want to know more about QRM?

By reducing lead times, a company can grow and reduce a lot of indirect costs. The Quick Response Manufacturing (QRM) production strategy makes this possible for companies in a high-mix-low-volume environment. Another training cycle on QRM will start soon, from 30 March 2023 in Diepenbeek and from 18 April 2023 in Ghent.

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