

Strategic Sourcing Checklist

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Define Your Business Objective

- Cost Reduction
- Supply Chain
- IP Protection
- Sales Volume
- Speed to Market
- Risk Mitigation
- Internal Factors
- Government Regs
- ESG

2

Calculate Total Cost of Ownership

Determine TOC for each category, including the following:

- Unit Price
- Logistics
- Duties/Tariffs/Taxes
- Inventory Storage
- Quality Risks
- Travel Time
- Management Effort

Stress test each TOC and potential savings:

- Delayed shipment
- Quality issues
- Scrap costs
- Fuel spikes
- Tariff changes

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Assess Risk & Resilience

- Assess Geopolitical, Regulatory, Logistical & Environmental risks
- Determine potential supplier's financial health
- Determine potential supplier's operational stability
- Analyze suppliers & supply chain for effects of trade restrictions/regional events
- If savings/profits are wiped out by identified items, consider alternate sources/dual sourcing/backup suppliers

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Quality, Collaboration & Capability

- Verify supplier's ability to meet technical requirements
- Consider supplier's track record on similar products
- Use samples to independently verify supplier quality
- If switching from a quality supplier for lower price, consider effects on quality
- Estimate internal effort to manage suppliers as inexperienced cheaper suppliers require significantly more internal effort

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ESG, Compliance & Governance

- Consider labor conditions, health & safety practices & ethical considerations for each supplier (Environmental, Social, and Governance)
- Establish credible ways to monitor the items above overtime
- Consider legal risks of a supplier's non-compliance
- Consider public opinion on supplier's business and ethics practices

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Commercials, Contracts & Governance

- Evaluate commercial terms of each supplier
- Define expectations with each supplier including on-time delivery, quality requirements, lead times and other KPI's
- Consider supplier responsiveness and ability to continuously improve

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Implementation & Review

- Ensure each stakeholder makes their own decision & consider decisions jointly
- Before making award, outline realistic transition plan, define internal owners for each step of the process and checkpoints on product roadmap