



# Understanding and managing your suppliers



## What are suppliers?

A supplier is an organisation (or an individual) that delivers materials, components, goods, or services to another organisation. Your social enterprise is part of a chain of business activities called a **supply chain**, where different businesses and organisations supply products and services to your organisation, so that in turn you can supply to your own customers.

For example, if you are a catering company, your suppliers may include local farms, food wholesalers and kitchen utensil providers. You use these supplies in order to provide catering services (e.g. sandwiches, canapés etc) to your own customers. Therefore, your enterprise is probably a supplier to your own customers as well as a customer to your own suppliers.

If you are providing services, your supply chain is likely to be relatively short. Whereas if you are selling products, your supply chain is likely to be more complex. The complexity may be due to the fact that materials may originate from a number of different countries and the manufacturing process may go through a number of different companies before you receive the product.

## Why are suppliers important?

Successfully managing this chain of activities makes economic sense: it will help you deliver your products and services on time and on budget, and will develop mutually beneficial relationships between your organisation, your suppliers and your customers.

Understanding your supply chain also matters because you may be buying from companies that are very different than yours in terms of ethical, social and environmental values. It is therefore worth knowing whether the materials, resources or services that you are purchasing from your suppliers meet your own ethical standards.

Being a social enterprise is not just about 'doing good.' It is also about ensuring that those who are involved in your supply chain are, at the very least, not 'doing bad.' Failure to do this could compromise your team, your values and your reputation, and have significant impact on your sustainability.

## How does it work?

### The Process

You need to start by deciding what kind of organisations or people you are willing to do business with. Many larger enterprises have an ethical purchasing policy which is communicated across departments, especially when they source their products internationally.

### A step at a time

Making bold statements about having ethical supply chains is inviting trouble. You have to be able to stand up to scrutiny. Many organisations are found to have exaggerated their ethical credentials, a process termed "Greenwashing," which leads to a customer backlash.

It is better to make modest claims and build up an appropriate and ethical supply chain. When you are starting your social enterprise you may not have the resources to purchase from the suppliers you would like to and you may have to compromise your values in the short-term.

### Vet suppliers

Ask your suppliers for their ethical values. Ascertain whether they have accreditations from the various bodies such as Fairtrade, Rainforest Alliance, Soil Association etc.

You also need to consider that using ethical suppliers may mean that the cost is greater than using non-ethical suppliers, and you have to take this into account in your own pricing strategy (see guide on Pricing and costing your products and services for further information).

## Managing suppliers

Listed below are some of the questions and processes you need to have in place for you to manage your supply chain more effectively:

### How much can they supply?

Organic and fairtrade suppliers may only be able to supply limited quantities and may not be able to meet spikes in demand. Ensure you have alternative suppliers in case of any problems. Note that some ethical suppliers can only supply in large quantities which may be too much for you at an early stage of your development.

### When can they supply?

If your purchasing policy is to buy local produce you may be affected by seasonality and shortage of supplies during various parts of the year.

### Credit terms

How much credit can your suppliers give you? This means the period that you have to pay for the supplies after you have received them. The longer you have, the better it is for you. If the credit terms are short they may not be appropriate as you may need longer to generate the cash to pay for the supplies. You will find that initially credit terms may be short or non-existent. This is because as a new customer you will be perceived as being high risk. As you become a more established customer, the credit terms should be eased in your favour.

### Reliability

You need to check the reliability of the supplier. This can be done by asking other customers. You can also ensure that you have a contract that compensates you if the supplier fails to meet your supply schedules. Many suppliers are small or newly established ethical businesses and may have problems with cash flow and growth issues. You may have to take strategic decisions on whether to trade with them and the risk associated of doing so.

### Quality

Ethical, organic, fairtrade etc. does not mean that you need to compromise on quality. Again, vet your suppliers' quality by talking to other customers. Check for consistency. Remember your own customers will blame you for poor quality and inconsistency, and they will not relate this to your suppliers. Quality is also about how well the supplier provides to you as a customer. You want to be dealing with suppliers who offer a good quality service, as defined by you, just as you want to do the same for your own customers.

### Communications

Build a good relationship with your supplier. They are more likely to support your requirements if they understand your enterprise better. Good communications will also allow you to spot problems with the supplier earlier. Suppliers are also good at spotting new opportunities or introducing potential collaborators and partners to you (see our guide on Collaborations and Partnerships).

## Things to look out for when managing suppliers

- Viability - will your supplier be in business when you need them the most? You should take credit references on your suppliers. Check their accounts. This can be done by accessing financial information at Companies House (visit [www.companieshouse.gov.uk](http://www.companieshouse.gov.uk)).
- You can also purchase credit data on suppliers through agencies such as Experian ([www.experian.co.uk](http://www.experian.co.uk)). This is what many statutory purchasers do before engaging with suppliers. Remember that all the data you have access to is historical and does not necessarily give you a current picture of the supplier's financial health. Keep in touch with other customers of the supplier often, as they can warn you about problems before they are officially acknowledged.
- Risk - don't be reliant on a single supplier. Ensure that you spread your risk or at least ensure that you know of alternative suppliers in case you experience problems with your main supplier.

## Further information

### Sourcing ethical suppliers

Listed below are some websites that can be used to source appropriate suppliers.

**The Ethical Junction:**

[www.ethical-junction.org](http://www.ethical-junction.org)

**The Hippy Shopper:**

[www.hippyshopper.com](http://www.hippyshopper.com)

**Ethical Consumer:**

[www.ethicalconsumer.org](http://www.ethicalconsumer.org)

**Consumer International:**

[www.consumerinternational.org](http://www.consumerinternational.org)

**Ethical Business:**

[www.ethicalbusiness.nd.edu](http://www.ethicalbusiness.nd.edu)

**Ethical Company Organisation:**

[www.ethical-company-organisation.org](http://www.ethical-company-organisation.org)

**Ethical Affiliate:**

[www.ethicalaffiliate.com](http://www.ethicalaffiliate.com)

**London Remade:**

[www.londonremade.com](http://www.londonremade.com)

**The Ethical Directory:**

[www.ethicaldirectory.co.uk](http://www.ethicaldirectory.co.uk)

**Ethical Trade:**

[www.ethicaltrade.org](http://www.ethicaltrade.org)

**Co-operatives UK:**

[www.cooperatives-uk.coop](http://www.cooperatives-uk.coop)

Other sources are:

Read Social Enterprise London's members list on the Social Enterprise London website:

[www.sel.org.uk](http://www.sel.org.uk)

View the Social Enterprise Coalition members lists:

[www.socialenterprise.org.uk](http://www.socialenterprise.org.uk)

Visit Sedex, the Supplier Ethical Data Exchange, a membership organisation for businesses committed to continuous improvement of the ethical performance of their supply chains.

[www.sedex.org.uk](http://www.sedex.org.uk)

There are also some industry specific 'seals of approval', including:

**The Forestry Stewardship Council (for wood products):**

[www.fsc-uk.org](http://www.fsc-uk.org)

**The Soil Association (organic food accreditation):**

[www.soilassociation.org](http://www.soilassociation.org)

**The Rainforest Alliance:**

[www.rainforest-alliance.org](http://www.rainforest-alliance.org)

Also see our guides on:

**Read our guide on Becoming a green business:**

[www.blondon.com/SocialEnterprise/Operations/Compliance/Greeningyourbusiness.aspx](http://www.blondon.com/SocialEnterprise/Operations/Compliance/Greeningyourbusiness.aspx)

**Read our guide on Working with quality standards:**

[www.blondon.com/SocialEnterprise/Operations/Compliance/Workingwithqualitystandards.aspx](http://www.blondon.com/SocialEnterprise/Operations/Compliance/Workingwithqualitystandards.aspx)

**Read our guide on Delivering your products and services on time and on budget:**

[www.blondon.com/SocialEnterprise/Operations/Planning/Deliveringontimeandonbudget.aspx](http://www.blondon.com/SocialEnterprise/Operations/Planning/Deliveringontimeandonbudget.aspx)

**Read our guide on Collaborations and partnerships:**

[www.blondon.com/SocialEnterprise/Operations/Planning/Collaborationsandpartnerships.aspx](http://www.blondon.com/SocialEnterprise/Operations/Planning/Collaborationsandpartnerships.aspx)

**Read our guide on Pricing and costing your products and services:**

[www.blondon.com/SocialEnterprise/Marketing/Salesandmarketing/costing-pricing.aspx](http://www.blondon.com/SocialEnterprise/Marketing/Salesandmarketing/costing-pricing.aspx)