

Distributors take on global sourcing with a customer focus

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Top buyers report expanding supply bases.

By David Hannon -- Purchasing, 3/1/2007

As chemical distributors expand their global sourcing footprint, they are carefully keeping in touch with their customers' needs to ensure what they buy—and where they buy it from—is on their customers' wish list. Even more than their manufacturing brethren, buyers at chemical distributors preach deep supplier evaluation and product testing in their global sourcing strategies.

Tom Corcoran is vice president of sales and sourcing at Brenntag North America, a Reading, Pa.-based subsidiary of the German chemical distributor that sources from and sells into a variety of overseas markets. Corcoran says as a distributor, Brenntag's global sourcing efforts are much more customer-focused than a traditional chemical company's.

"We don't simply look at global sourcing as leverage for better pricing, but rather we look at it as a way to expand the sourcing options for our customers," he says. In fact, that philosophy is embodied in Corcoran's unique title, which includes both sales and sourcing. As a distributor, Brenntag is, in effect, selling its suppliers to its customers and therefore, its buyers are more closely tied to the customer side than in a typical manufacturing environment.

"Our customers clearly have an impact on where and who we source from and influence which suppliers we use in various global markets," Corcoran says. "And without the suppliers' commitment we'd have nothing to sell. Our suppliers are as important as our customers."

Leveraging assets

Corcoran says he has an advantage in global sourcing because his company is a subsidiary of the global distributor. Corcoran has counterparts in various other global regions including Latin America and Europe, which provide leads and assistance in uncovering new suppliers on a case-by-case basis.

Also, Brenntag North America inherited a sourcing office in China when it acquired Los Angeles Chemical and has found it to be an extremely useful asset in its efforts to source more from China. The four sourcing employees there work to assure that the suppliers Brenntag recruits from that market meets its needs in terms of quality and reliability.

Beyond those regions, Corcoran says he is investigating India very closely as a potential source for new suppliers. "We have some suppliers in India now, but more and more that is becoming a strategic marketplace for us."

Shondra Garrigus is vice president of purchasing at Seattle-based TRInternational (TRI) and says the company's experience in exporting product to various global markets (most notably Europe) has helped the purchasing organization streamline its global sourcing efforts. For example, TRI has been an exclusive distributor in Thailand for Thasco Chemical for several years, which has provided it with access to suppliers in that market as well.



"For a company our size—we're on the small side—to survive in the chemical industry, we have to be a little bit more innovative about how we source," Garrigus says. In the past, the company has sourced up to 75% of its products from outside the U.S., but today that amount has been pared back to about 60%, due mostly to recent currency fluctuations in Europe.

Like many purchasing executives, Garrigus is focused on China. "We've gotten some materials like citric acid from China for a while, but we're rapidly expanding the list of chemicals we source from China," she tells Purchasing. "In the past year, we've been expanding the breadth of

products coming out of China."

The biggest challenge in global sourcing, she says, is educating suppliers in new regions how to export efficiently to the U.S. market. For example, in China there are fewer regulations on the types of packaging or drums that chemicals can be shipped in.

"Thankfully, today, we're experienced enough that we can go through that supplier education process pretty quickly today," she says. "And suppliers in many of these markets are more willing to work with us today and are becoming more savvy in learning the regulations required to export."

Both Corcoran and Garrigus say customers are leveraging their relationships with distributors more in global markets.



Corcoran: Customers impact global sourcing strategies.

"There is a lot of networking that goes on in the Asian and Chinese market," says Corcoran. "As our customers move into those markets, they want as much information as possible and we sometimes serve as a source of information for those customers. Brenntag has an office in Shanghai, and our manager there spends time interacting with suppliers and customers looking for information on how to go to market in China and extract the value out of those markets."

Supplier evaluation

As important as supplier evaluation is for manufacturers in global sourcing, it's even more important for distributors. If a manufacturer finds it has been working with a less-than-reputable supplier, it's a problem, but often the problem can be rectified before the end customer is impacted. However, poor supplier selection in distribution can have a direct impact on customer satisfaction in the distribution business.

"The same parameters we'd hold for our domestic suppliers, we hold for all of our foreign suppliers as well," says Corcoran. "That's because the customers' requirements don't change based on the supplier's location."

But when it comes to global sourcing, learning by mistake is sometimes the only way.

"Anyone who has been doing this a long time has been burned on more than one occasion," says Garrigus. "It comes with the territory. But we can learn from those experiences. Beyond cost, it's most important to us to make sure we have a secure supply line for our customers. We have to make sure the suppliers we're working with are reputable and will be around for a long time."

Both Brenntag and TRI receive requests from customers specifying that nothing they buy can be sourced from outside the U.S., especially for application-specific and specialty products. Other customers prefer product from certain regions or countries.

"Sometimes customers have a valid reason, but we can sometimes break their biases by providing the right materials," says Garrigus. "We can show them that while this might not be the same supplier they are used to, this is a quality product and can save them money."



Garrigus: Supplier education is key to global sourcing.

Put feet on the ground

Certainly Internet-based communication and software has been a big factor in the global sourcing boom, but nothing beats having boots on the ground to evaluate suppliers in far-off lands.

Both Tom Corcoran of Brenntag North America and Shondra Garrigus of TRI recommend placing company representatives in the regions being sourced from. If it's not direct employees, then buyers can recruit agents with a knowledge of the local exporting procedures and requirements.

Brenntag North America has a sourcing office in China and subsidiaries in various other global regions.

"[Brenntag's people in other regions] help us make sure we're meeting the necessary regulatory compliances, which has been critical to our success in global sourcing," Corcoran says. "So many mistakes can be made by putting material on the ocean and getting it hung up in ports and customs, so the logistics and regulatory issues around moving these products are very important."

"The Internet has helped us find suppliers in new markets and review their products initially," Garrigus says. "Often we can find out if they've worked with other distributors and for how long. But discovering suppliers via the Internet is a much longer process—it requires more detailed sampling, making sure they are certified, and deeper supplier evaluation."

TRI has two agents on the ground in China. "And we recently hired a woman in Shanghai to work more closely with the suppliers in that market," says Garrigus. "Of course, she can work with them in the same time zone, but also, she can also translate best what our needs are and what the supplier can bring to the table."