



Advantages of Single Sourcing Fasteners & Related Products

AN ALL-PRO FASTENERS WHITEPAPER

A company faced with the need to recurrently purchase fasteners and related products must decide between sourcing from one supplier (single-sourcing) or working with multiple vendors. This whitepaper discusses the advantages of single-sourcing, based on factors such as market conditions, supplier and product characteristics, and individual business needs, which that may influence a company's decision.

In addition to the potential benefits associated with having a single-supplier sourcing program, there are potential drawbacks one must consider. To that end, this paper discusses important considerations that may help mitigate any potential drawbacks in a single-sourcing arrangement.

Explanation of Single-Sourcing

Single-sourcing refers to a procurement strategy in which a single supplier of a given product or service is chosen by the buying organization, even when multiple suppliers are available. This is different from “sole sourcing,” which occurs when only one supplier is available in the market for a given product or service.¹

Single-sourcing decisions are made on a strategic basis at the senior management level, based on how much value single-source relationships add – for example, through the ability to negotiate reduced material costs, more favorable purchasing conditions, or improved scheduling and logistics.²

Advantages of Single-Sourcing

In addition to providing the potential to negotiate lower costs and better purchasing terms, single sourcing can be justified when one supplier offers unique capabilities, or higher quality, or when the order is too small to divide among multiple suppliers.

In situations in which concentrating purchases with a single supplier can lead to price/cost reductions – or when just-in-time delivery is easier with a single supplier – the justification for single sourcing becomes even more obvious.

Forging Closer Supplier Business Relationships

One key motivation for pursuing a single-source buying arrangement, is the buyer’s desire to forge a closer business relationship with the vendor to achieve key strategic and operational advantages. For example, the buying organization may determine that they can benefit from a particular vendor’s ability to understand their business more deeply, thus adding value through a single-source purchasing arrangement.

A single-source contract can open the door for a higher level of collaboration and partnership on special projects and provide greater incentive for the vendor to perform at high levels, based on a strong incentive to retain the buyer’s long-term business.

Negotiating Materials Cost Reduction

As previously mentioned, the ability to achieve material cost reductions is often the most compelling reason for a buying organization to pursue a single-source relationship with one vendor. In some cases, awarding all the business to one supplier allows him or her to achieve production efficiencies that result in cost savings. Since these savings can be passed on to the buyer, there is a strong incentive to negotiate a single-source contract. In cases where the supplier is able to achieve these production efficiencies, and still generate a reasonable profit, he has a strong incentive to formulate an aggressive pricing strategy that satisfies both parties.

Achieving Better Control of Materials and Processes

Another advantage of single-source purchasing is the ability to achieve tighter control over materials, processes, production schedules and logistics, which can be negotiated during the procurement process. This allows the buying organization to specify the precise requirements needed in the production of its goods, allowing it to go to market with products that meet its brand standards and go-to-market strategy (for example, a requirement to use conflict-free minerals, which is a commitment at All-Pro Fasteners). At the same time, this arrangement allows the supplier to put procedures in place that ensure the buyer’s specifications are consistently addressed. The result is a mutually beneficial arrangement whereby the buying organization is assured of receiving goods that comply with their exact requirements. At the same time, the supplier is able to adopt processes that allow it to deliver the goods efficiently.

Considerations When Contemplating Single-Sourcing

Any decision to enter into a single-source relationship is of significant strategic importance to both the buying organization and the supplier, and this decision can depend on various (and sometimes unique) factors of doing business. While all circumstances are different, there are factors that should be considered when evaluating the efficacy of a proposed single-source arrangement.



What Efficiencies Can Be Achieved

Would single-sourcing help to make the purchasing, sales, manufacturing, distribution and/or accounting processes more efficient for one or both parties? If so, the economic incentives for entering a single-source arrangement can be compelling. How well these efficiencies can be structured for the mutual benefit of both parties can determine the long-term efficacy of the single-source relationship. These efficiencies can lead to benefits such as lower costs, increased profitability, and reduced overhead for one or both parties.

Benefits vs. Downsides

The benefits of any single-source solution under consideration must clearly outweigh any potential downsides. An in-depth analysis allows the procurement team to compare the benefits and potential downsides of the proposed single-source relationship, in order to make a determination based on all considerations. Does the vendor offer higher quality products, or superior lead times, that are critical to the buyer's success in the marketplace? Do they offer innovative logistics solutions that reduce the costs of going to market? If the benefits offered by the supplier represent a significant upside to the buying organization, compared to potential downsides, then a single-source approach to procurement is a potentially advantageous approach.

Supplier Troubleshooting and Backup Plans

Does the vendor have troubleshooting plans in place in case of emergency? Can production be shifted to another facility in the event of a disruption? Does the vendor have access to multiple sub-suppliers if the supply of manufacturing materials is disrupted? Are backup plans in place to guard against potential outages? By understanding the ins-and-outs of the supplier's operations and engaging in the necessary dialog to ascertain the details, the buying organization can help protect itself, and ensure proper due diligence has been conducted to lay the groundwork for success.

Size of the Business

Is the business large enough to allow the supplier to realize efficiencies that can be passed on to the buying organization? Is the business too large to make single-sourcing feasible? By analyzing the production capacities of the supplier, both parties can ensure the single-source approach can be balanced, practical and economically workable for both parties.

Services Required

If specific or specialized services will be required of the potential vendor(s), this will also be a major factor in evaluating the feasibility and value of a single-source option. For example, if special packing, specialized distribution, customized paperwork or special delivery requirements will be part of the requirements, potential vendors must be screened accordingly. Are Vendor Managed Inventory (VMI) services required? Are special testing procedures on critical parts necessary for the items produced? Before deciding on a single-source solution, it is important to define the specific services that are required on each product that is to be delivered and evaluate the ability of the supplier to meet the requirements.

Contingency Plans & Other Considerations

When evaluating the use of single vendor sourcing many procurement managers become very concerned about their risk exposure and are seeking options to mitigate risk. Mutual dependency or partnerships is key so that both sides will regard the relationship with high importance. In this instance both the vendor and the buyer are motivated to improve quality, reduce costs, and improve designs.

Other considerations include the presence of prior commitments on the part of the buyer or supplier, successful past relationships between the prospective parties, or the existence of ongoing relationships between the parties and/or competitive organizations.

All-Pro and Single Sourcing

All-Pro Fasteners seeks to create mutually beneficial, advantageous and prosperous relationships with its customer partners. In most cases, each company has a successful procurement process in place that supports single-sourcing or multiple-sourcing. Our goal is to expand on our partners' success by being flexible to their needs.

We do this by offering solutions to both single- and multiple-supplier sourcing. What works best for one company in one market, does not mean it will work for all. We work with each customer based on their unique requirements, structuring business in ways that create a win-win result based on those requirements.



With All-Pro, Single Sourcing Does Have Its Advantages

There are a number of advantages to partnering with All-Pro Fasteners on a single-source basis.

- 1. Building and maintaining a relationship with All-Pro Fasteners is easier than with two or more suppliers.** As a trusted supplier of a wide range of fasteners, products and industrial supplies, we build close relationships with our customer partners, working to understand their needs, and employing teams to handle every aspect of their business, from design and manufacturing, to quality control and delivery. Working with All Pro Fasteners on a single-source basis makes it easier for our partners to build and maintain a reliable sourcing relationship, when compared with the effort required to build and maintain relationships with multiple suppliers.
- 2. Administrative and accounting costs are reduced when you place orders using All-Pro Fasteners as a single supplier.** By streamlining procurement activities on a single-source basis with All-Pro Fasteners, our customer partners are able to streamline their administrative and accounting activities, and simplify many operational aspects of their procurement processes. It is easier to procure orders with a single supplier, and with dedicated customer service resources available to support every level of the buying organization, All-Pro Fasteners works to ensure doing business on a single-source basis is as efficient and reliable as possible.
- 3. Where advantageous, All-Pro offers the option of small, frequent delivery programs to improve your inventory control.** All-Pro Fasteners offers flexibility in the size and frequency of deliveries that best meet our partners' requirements, and offers a consultative approach to help determine the best operational and logistical options for consideration. Working on a single-source basis, we can tailor our manufacturing, storage and distribution expertise to each partner's unique requirements, helping to pinpoint and eliminate redundancies and inefficiencies in their operations.

4. **All-Pro Fasteners offers a Vendor Managed Inventory (VMI) system that removes the stress and time of PO buys.** With its Vendor Managed Inventory (VMI) service, All-Pro Fasteners adds another solution to the supply chain, by monitoring inventory accuracy and maintaining optimal stock levels and reorder points. Our systematic approach for controlling inventory aids in improving a company's overall operations. As a single-sourced supplier, All-Pro Fasteners can provide a single point for expert inventory management services from the beginning of your supply chain.
5. **All-Pro Fasteners offers value-added services that can be customized to the needs of single-source procurement.** These services include Consignment Inventory Solutions, Point-of-Use Delivery, Engineering Support, Part Consolidation, Summary Billing, Custom Labeling, In-Plant Storerooms, Barcoding per Customer Spec, Stock & Release, Scan to Order, Customer PN Cross Reference, Paperless Reordering, Consolidated Invoicing, Electronic Packing Slip, Electronic Invoicing, Electronic Funds Transfer, Custom Designed Sales and Usage Reports and more.

How All Pro Helps Actively Mitigate Risks of Single-Sourcing

By taking extraordinary measures to mitigate potential risks of single-sourcing, All-Pro Fasteners works to deliver the most advantages to the customer, with the least amount of supply chain risk to their organization.

1. **Managing demand fluctuations.** Our teams can help you plan for significant demand fluctuations and are always on call to respond to unexpected demand requirements.
2. **Mitigating risk of supply disruptions.** On-time, on-spec delivery of key products and components is critical to your organization's success. We are proud to combine a history of uninterrupted manufacturing with a strong financial and regulatory track record, allowing us to anticipate the ability to continuously meet your ongoing supply chain requirements, and be a go-to source as your single fastener supplier.
3. **Supporting buying departments in the areas of quality and cost.** Bringing an in-depth understanding of the operation and economics of the fastener business – with experience across virtually every industry – All-Pro Fasteners knows the quality and cost of fastener products. As a single-source supplier, we can support our customer partners as a resource able to provide trusted checks and balances on the products and services they require.
4. **You will always be treated as a single-source partner with All-Pro Fasteners.** Whether All-Pro Fasteners is a single-source vendor, or one of several multiple-source vendors, our approach in tailoring our products and services to our partners' requirements is the same. You can count on All-Pro's commitment to on-time delivery of high-quality products.



REFERENCES

- 1 (Larson and Kulchitsky, 1998; Van Weele, 2010).
- 2 (Leenders et al., 2002)

