Worksheet 5.1A

Supplier relationships

Level	Relationship	Capacity to influence sustainability outcomes
Level 1 **Spot purchasing**	There is little or no relationship with or knowledge of the supplier. Price is the key determinant of purchase. Quality is assessed on predictable product characteristics or supplier reputation alone. Each transaction is its own business contract. Commodity items such as landscape materials, mops and pencils are often purchased on the spot market.	To control sustainability impacts, the opportunity exists to change products or product environmental performance specifications. For example, you could specify the purchase of wood products made from certified sustainable forestry sources, such as plantation timbers, and prohibit the purchase of any products made from old-growth forest resources. You could also prescribe that all paper and consumables – from printer paper to toilet paper – have a minimum recycled content.
Level 2 **Competitively-based incumbent**	Suppliers have a longer term business relationship, typically an annual contract against which purchase orders are issued. Contracts are renewed annually. Your business is theirs to lose. Relatively little technical cooperation is invested in these short-term relationships because a better supplier may be located in the next year. Examples include minor electrical and plumbing products and services.	To control sustainability impacts, change specifications for the annual bid and let the market know you are always looking for suppliers who can better meet these specifications. New performance levels may include materials not to be brought on site or recycling and removal of packaging waste.
Level 3 **Preferred supplier**	The intention is for a long-term relationship that requires and benefits from fairly frequent communication and collaboration to improve or adjust supplier inputs over time. Examples may include contracts for building maintenance or management services.	To control sustainability impacts, environmental and social sustainability performance issues are discussed and targets may be set. Performance-based contracting provides an opportunity for environmental benefits and resulting cost savings to be shared between both parties (e.g. through energy efficient lighting).
Level 4 **Strategic partnerships or alliances**	Relationships involve an even deeper level of commitment. Typically, there is an explicit or implicit understanding that supplier and purchaser will share the business benefits of effective collaboration. Those benefits may be to corporate reputation as well as bottom line economic benefits.	To influence sustainability impacts, add environmental or social sustainability items to the agenda of issues the partnership must address. Write contracts so the business value of better sustainability performance is shared among the partners. Examples may include long-term or portfolio-wide contracts for managing agent services or service agreements with design firms to achieve building or fitout environmental targets e.g. a 5-star Green Star rating.

Source: Adapted from 'New Paths to Business Value' Global Environmental Management Initiative, 2001: Global Supply Project. 'Forging New Links: Enhancing Supply Chain Management Through Environmental Excellence' 2004 www.gemi.org/supplychain