

WEB APPENDIX

WHEN SHOULD ORIGINAL EQUIPMENT MANUFACTURERS USE BRANDED COMPONENT CONTRACTS WITH SUPPLIERS?

Mrinal Ghosh and George John

Data Collection Process and Sampling Frame

We undertook a pilot study consisting of on-site interviews with purchasing managers from firms in each of the three SIC codes (SIC35, SIC36, and SIC37). We used these in-depth interviews, in conjunction with previous published research to develop an initial draft of the questionnaire. The questionnaire was then administered to a sample of managers from 18 firms to verify the wording and response formats as well as the clarity of instructions. Inputs from this pilot test were then used to refine the questionnaire and generate the draft of the final survey instrument.

We purchased a list of names and addresses of purchasing managers/directors of manufacturing firms in these SIC codes from American List Council, a national list broker and drew a random sample of 1016 names from that list. The individuals were contacted by phone to qualify them as key informants. Multiple telephone calls (five calls on average) using a snowball technique were needed to qualify an informant at each firm. These informants were asked to pick a relationship with an independent supplier as follows. The component from the identified supplier was required to be an item that was physically incorporated into the OEM's most important line of end-product. They were required to identify a supplier who was financially independent of the OEM; viz. there were no equity holdings across the parties. Finally, they were required to choose a formal purchasing agreement that had been set-up in the past 12 months. The unit of analysis is the exchange between that OEM and its independent supplier for a single component or a set of closely related components procured under a single contract.

We offered to deliver a customized report to each firm that summarized the relationship profiles in the sample as well as compared their own relationship profile against the average profile in our sample. We also set up a web-based discussion forum where the participants were allowed to comment on the reports and interact with other participants.

Our qualification process and incentives yielded 521 informants who verbally agreed to participate in our survey and were sent the questionnaire along with a stamped, addressed envelope. The remaining names on the list were not valid because either the individual was no longer employed with the company or the company had moved its premises. Using reminder cards and follow-up phone calls, we received 207 completed questionnaires. Fifteen of these responses were eliminated either because of excessive missing data or because they described a purchasing agreement outside our specific scope (e.g., an OEM-distributor relationship or a supply arrangement with a non-independent supplier). This left us with 192 responses with a 37% response rate. An analysis of the response rates for other inter-organizational studies that used a similar key informant qualification process (e.g., 30% for Heide and John, 1990) reveals that our response rates are comparable.

To assess the quality of the key informant data, we used two items to measure informant knowledge and involvement: “How knowledgeable are you about your business unit’s dealings with this supplier?” and “How involved are you personally in your business unit’s dealings with this supplier?” Their responses on a seven–point Likert scale (1 = “Very low”, 7 = “Very high”) averaged 6.40 (s.d. = 0.68) and 6.37 (s.d. = 0.68) for knowledge and involvement respectively, indicating a high level of expertise in the understanding and functioning of this particular relationship. We dropped one observation for a response below 5 on one scale, yielding a final sample size of 191.

To assess non-response bias, we used the Armstrong and Overton approach by contrasting early responses against late responses. Late responses were categorized as those which took more than 5 weeks after the original questionnaire packet was mailed out. This categorization was based on the observed pattern of returned responses. We used MANOVA to compare early and late responses on key demographic characteristics like annual dollar volume of purchase, size of the buyer relative to the supplier, number of suppliers used for the focal component, and the proportion of purchase of the item from that particular supplier. Statistical tests (*Wilks’ Lambda* (Λ^*) = 0.97; $F(4,188) = 1.46$) indicate no significant differences between the two groups.

Table A1: FACTORS INFLUENCING AN OEM’S DECISION TO USE BRANDED COMPONENTS (BY INDUSTRY)

Variable List	Coefficient Model 2 PROBIT	Coefficient Model 3 PROBIT with IV1
Core Model Variables		
Vendor’s Specific Investments *D35	0.56 ^{***} (0.16)	0.62 ^{***} (0.16)
Vendor’s Specific Investments *D36	0.46 ^{**} (0.17)	0.51 ^{***} (0.17)
Vendor’s Specific Investments *D37	0.32 ^{**} (0.16)	0.34 ^{**} (0.16)
Differentiation *D35	0.38 ^{**} (0.14)	
Differentiation *D36	0.23 (0.15)	
Differentiation *D37	0.29 ^{**} (0.14)	
Vendor Brand’s Ex ante Differentiation * D35		0.30 ^{**} (0.14)
Vendor Brand’s Ex ante Differentiation * D36		0.13 (0.15)
Vendor Brand’s Ex ante Differentiation * D37		0.23 [*] (0.14)
Control Variables		
OEM’s Specific Investments	-0.13 (0.12)	-0.17 (0.11)
Relative Size of OEM to Vendor	-0.34 ^{***} (0.10)	-0.28 ^{***} (0.08)
Number of Potential Vendors	-0.021 ^{**} (0.01)	-0.022 ^{**} (0.01)
Number of Potential OEMs	-0.02 (0.01)	-0.00 (0.01)
Importance of Component	-0.09 (0.09)	-0.10 (0.09)
Constant	-3.36 ^{***} (0.61)	-2.58 ^{***} (0.59)
Wald χ^2 (df)	41.43 (11) ^{***}	44.71 (11) ^{***}
Pseudo R ²	0.36	0.40
n	191	191

Note: Positive values indicate greater probability of branding the component.

*: p < 0.1; **:p < 0.05; ***: p < 0.01: two-tailed tests. Standard errors in parentheses.

COMPLETE SURVEY INSTRUMENT

UNIVERSITY OF MINNESOTA – TWIN CITIES

INDUSTRIAL PURCHASING BENCHMARKING STUDY

We sincerely appreciate your willingness to participate in this study undertaken by the Department of Marketing of the Carlson School of Management at the University of Minnesota. As mentioned in our earlier letter, our goal is to benchmark the best practices in the area of purchasing arrangements with component and sub-system suppliers. We would like to reiterate that this study is not sponsored by any commercial interests. As such, we can guarantee objective analysis and reporting of the data. No individual responses will ever be identifiable in any report. As a token of appreciation for participating in this study, we will send you a *customized report* which describes the profiles of successful buyer-supplier relationships and compares your company's profile with the patterns uncovered in the study and set-up an on-line forum WWW internet site to exchange reactions to the reports and capture valuable experiences from other participants.

General Instructions

In responding to this questionnaire, please consider **one** specific supplier who meets the following criteria:

- Your business unit should be **buying from this supplier** an item (component or sub-assembly or processed material) or a series of related items that is/are physically incorporated in your **most important end-product(s) line**.
- Your business unit should have **no equity interest** in this supplier.
- The **supplier should be the manufacturer** of the item(s) in question and not a distributor.
- A formal purchasing contract/agreement that goes beyond **individual purchase orders** should exist between you and the supplier.
- This formal purchase contract/agreement should have been set-up in the **past 12 months**.

Except for the general questions about your own company, please answer all questions with regard to your **relationship with that one vendor/supplier for the said item(s)**, even if this is not mentioned explicitly in each question. Also, for the general questions, unless otherwise specified, **use the last fiscal year as your time frame**. If your company consists of multiple divisions, subsidiaries, or locations, please consider "business unit" as referring to your particular location or division.

If you are not sure of the answer to a particular question, please give us your best estimate. It is very important not to leave out any question.

We hope that you will participate in this study. If you have any questions, please call:

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Please provide your address and phone number so that we can send your customized report of the study to you.

Name: _____
Company: _____
Address: _____

Phone: (____) _____

Section A: Item(s) Features and Applications

1: Briefly describe the item(component, sub-assembly, or processed material) or the set of related items you purchase from this supplier. This item(s) should comprise the focus of your relationship with this supplier.

2: Including this particular supplier, from how many different suppliers does your business unit buy this item(s)? _____ suppliers.

3: What is the total number of potential vendors for this item(s)? _____ vendors.

4: What percentage of your total annual requirement for the identified item(s) do you obtain from this supplier (0-100%)? We buy _____% of our total annual requirements from this supplier.

5: What percentage of your annual requirement of the identified item(s) do you produce in-house (0-100%)? _____ % produced in-house.

6: What is the total number of potential OEM buyers for this item(s)? _____ buyers.

7: With respect to this supplier's total annual sales of this item(s), what is your estimate of the percentage bought by your business unit (0-100%)? We buy _____ % of supplier's total annual sales of this item(s).

8: During the last fiscal year, what was the total dollar purchase of the identified item(s) from this supplier? **(Please check one)**

Less than	\$100,000-	\$250,000-	\$500,000-	\$1000,000-	\$2,500,000-	\$5,000,000
\$100,000	\$249,999	\$499,999	\$999,999	\$2,499,999	\$4,999,999	or more

9: How would you describe your business unit's manufacturing operation in which the identified item(s) is used as an input? **(Please check one)**

- a. _____ Special/Custom production to customer orders
- b. _____ Small batch production
- c. _____ Large batch production
- d. _____ Assembly-line or batch production
- e. _____ Continuous process production

10: How long has your business unit had a business relationship with this supplier, in general? _____ years.

11: With respect to your last year's sales volume (over all products), how large is your firm relative to this supplier? **(Please check one)**

- a. _____ Approximately equal.
- b. _____ We are _____ times larger than this supplier.
- c. _____ This supplier is _____ times larger than our firm.

12: Please rate this item(s) on the following characteristics by circling the most appropriate number on the scale.

- a. Item completely conforms to industry standards. 1 2 3 4 5 6 7 Item completely customized to our needs.

- | | | | | | | | | |
|--|---|---|---|---|---|---|---|--|
| b. Item has a simple interface with other components in the end-product. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Item has a complex interface with other components in the end-product. |
| c. Item is a very unimportant element of the end-product. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Item is a very important element of the end-product. |
| d. Item specs and quality have little impact on end-product performance. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Item specs and quality have high impact on end-product performance. |
| e. Technological developments related to this item are very predictable. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Technological development related to this item are very unpredictable. |

13: Please rate the following aspects of the supply market for this item(s) on the degree of predictability by circling the most appropriate number on the scale.

	Predictable					Unpredictable	
Your firm's requirements for the item.	1	2	3	4	5	6	7
The fluctuations in your volume requirements for the identified item(s).	1	2	3	4	5	6	7
General availability of the identified item(s).	1	2	3	4	5	6	7

Section B Your End-product(s) in which the Item(s) is used

In this section, we would like to know about your end-product(s)/product lines in which the item(s) identified above is used as an input.

1: Please describe the end-product(s)/product lines in which the item(s) from this supplier is used.

2: Which of the end-product(s)/product line identified above in (1) is the most important/largest?

3: Please rate the end-product(s)/product line **identified in (2)** on the following characteristics by circling the most appropriate number on the scale.

- | | | | | | | | | |
|---|---|---|---|---|---|---|---|--|
| a. Non technical end-product. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Technical end-product. |
| b. Widely accepted industry standard for end-product design specs exist. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | No industry standard for end-product design and specs exist. and |
| c. Industry standards for this item's performance specs are very predictable. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Industry standards for this item's performance specs are very unpredictable. |

- | | | | | | | | | | |
|----|--|---|---|---|---|---|---|---|---|
| d. | Competitors' end-products are similar to our end-product | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Competitors' end-products are very different from our end-product. |
| e. | This end-product is not for us. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | This end-product is very profitable for us. |
| f. | Customers are not willing to pay a premium for our end-product. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Customers are very willing to pay a large premium for our end-product. |
| g. | Our end-product has lower market share than our competition. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Our end-product has higher market share than our competition. |
| h. | We earn lower margins on our than our competition. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | We earn higher margins end-product on our end-product than our competition. |
| i. | Customers value our end-product less than competing products. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Customers value our end-product more than competing products. |
| j. | We suffer a number of competitive disadvantages in our end-product market. | 1 | 2 | 3 | 4 | 5 | 6 | 7 | We enjoy a number of competitive advantages in our end-product market. |

4: What was the total sales volume for this end-product/product line last year? \$ _____

5: What market share for these type of end-product(s) is accounted for by your end-product line?
 _____% market share held by our end-product(s).

Section C Your Formal Contract with this Supplier

In this section, we would like to assess the formal features of your contract with this supplier/vendor. Please circle your most appropriate response.

1. Do you have a formal contract with this supplier that goes beyond a standard purchase order or individual bill of sale? **(Please check one)**
 - a. Yes. (Please answer the rest of the questions in this section)
 - b. No. (Please skip to Section D)

- 2: Which of the following labels best describes the formal contract you have with this supplier? **(Please check one)**
 - a. Preferred vendor agreement
 - b. Just-In-Time arrangement
 - c. Blanket or systems contract
 - d. Other (Please specify: _____)

- 3: How would you describe the pricing arrangement for the item(s) under this contract? **(Please check one)**
- a. Fixed prices over the length of the contract.
 - b. Specified prices but with adjustment formulas (e.g. inflation, producer price index etc.).
 - c. Specified prices but with negotiated adjustments.
 - d. Prices not specified ahead of time of shipment.
- 4: How would you describe the volume arrangements for the item(s) under this contract? **(Please check one)**
- a. Volume commitment fixed for some contract period.
 - b. Volume commitment but with adjustment formulas.
 - c. Specified volume but with negotiated adjustments.
 - d. No volume commitment in the contract.
- 5: Purchasing contracts may specify the design features of the item(s) such as the type of materials to be used. How would you describe the arrangements for design specifications for the item(s) under this contract? (Choose One)
- i. No changes in design specs permitted.
 - ii. Mutually approved changes in design specs permitted.
 - iii. Unilateral changes in design specs are possible.
 - iv. Contract does not specify the design features of this item(s).
- 6: Purchasing contracts may specify the functional performance specifications of the item(s) such as power or speed. How would you describe the arrangements for performance specifications for the item(s) under this contract? (Choose One)
- i. No changes in performance specs permitted.
 - ii. Mutually approved changes in performance specs permitted.
 - iii. Unilateral changes in performance specs are possible.
 - iv. Contract does not specify the performance specifications of this item(s).
- 7: What is the length of your contract with this supplier? **(Please check one)**
- a. Fixed period of ____ years, with no renewals specified.
 - b. Initial period of ____ years, with option to renew.
 - c. Initial period of ____ years, but open-ended after that.
 - d. Open-ended with no specific expiration date.
- 8: Does this formal contract with the vendor specify the use of this vendor's brand name in joint promotions or displays on your end-product (or sales brochures) so that it is easily visible to the customers? **(Please check one)**
- a. Yes.
 - b. No.
- 9: Which of the following penalty clauses are explicitly mentioned in your contract with this buyer? **(Please check all that apply)**
- a. Cancellation of purchasing agreement with no other penalty terms specified
 - b. Return of all or part of purchase price
 - c. Make up difference due to resourcing from another supplier
 - d. Reimbursement for investment made to facilitate use of item(s)
 - e. Reimbursement of costs for downtime
 - f. Reimbursement of labor costs
 - g. Reimbursement of other material costs
 - h. Reimbursement of disposal costs

- i. _____ Reimbursement of lost profit by your business unit
- j. _____ Other (Please specify: _____)

10: Please indicate your response to the following statements by circling your most appropriate response.

	Completely Inaccurate Description							Completely Accurate Description
a.	The terms of our formal contract can be readily enforced in court, if necessary.	1	2	3	4	5	6	7
b.	The terms of our formal contract are most important part of our relationship with this buyer.	1	2	3	4	5	6	7
c.	Technical aspects of this item(s) will make it difficult to establish non-performance in court.	1	2	3	4	5	6	7
d.	The contract penalty terms are not very useful for the buyer in getting us to perform as intended.	1	2	3	4	5	6	7

Section D Your Relationship with this Supplier

In this section, we would like to assess both formal and informal understandings you have with this supplier for the identified item(s). Please circle your most appropriate response.

	Completely Inaccurate Description							Completely Accurate Description
Flexibility								
	Both parties are expected to be flexible in response to requests made by the other.	1	2	3	4	5	6	7
	It is expected that parties will make adjustments in the ongoing relationship to cope with changing circumstances.	1	2	3	4	5	6	7
	When an unexpected situation arises, parties would rather work out a new deal than holding each other to the original terms.	1	2	3	4	5	6	7
	The parties are open to the idea of making changes, even after having made an agreement.	1	2	3	4	5	6	7
	Parties are expected to make adjustments in their manufacturing processes to deal with unforeseen events.	1	2	3	4	5	6	7
	Changes in the terms of the contract are not ruled out, if considered necessary.	1	2	3	4	5	6	7

Partnering

Problems that arise in this relationship are expected to be resolved jointly. 1 2 3 4 5 6 7

Both parties are expected to make effort towards improvement that benefit the relationship as a whole rather than the individual party. 1 2 3 4 5 6 7

Parties are expected to undertake extensive joint effort in activities like component testing and prototyping, forecasting demand, and long-term planning. 1 2 3 4 5 6 7

Information Sharing

It is expected that parties will provide proprietary information if it can help the other party. 1 2 3 4 5 6 7

Parties are expected to provide advance notice of events like design/specification changes being planned. 1 2 3 4 5 6 7

It is expected that parties will share information frequently and informally and not only according to the pre-specified agreement. 1 2 3 4 5 6 7

Long-run Relationship

The parties expect this relationship to last a long time. 1 2 3 4 5 6 7

It is assumed that the renewal of the relationship will generally occur. 1 2 3 4 5 6 7

The parties are expected to make plans not only for the terms of individual purchases, but also for the continuation of the relationship. 1 2 3 4 5 6 7

Parties are expected to focus on long-term goals in this relationship. 1 2 3 4 5 6 7

Bargaining and Negotiation

It is expected that parties will not use any proprietary information to the other party's disadvantage. 1 2 3 4 5 6 7

The parties expect the more powerful party to restrain the use of it's power to extract concessions. 1 2 3 4 5 6 7

It is expected that the parties will take advantage of any short-term opportunity to obtain better terms. 1 2 3 4 5 6 7

Section E Your Dedicated Investments

1. The following statements deal with your investments dedicated to the relationship with this supplier for the identified item(s), such as physical plant and equipment, the development of procedures and software, and training of your own or this supplier’s staff . Circle the most appropriate number on the scale.

	Strongly disagree							Strongly agree
	1	2	3	4	5	6	7	
We have made significant investment in tools and equipment dedicated to the relationship with this supplier.	1	2	3	4	5	6	7	
We have spent significant resources designing specifications for this item(s) to ensure that it fits well with the supplier’s production capabilities.	1	2	3	4	5	6	7	
The procedures and routines we have developed to obtain this item(s) are tailored to the particular situation of this supplier.	1	2	3	4	5	6	7	
This supplier has some unusual technological norms and standards which have required extensive adaptation on our part.	1	2	3	4	5	6	7	
Most of the training that our people have undertaken related to this supplier’s item(s) would be of little value in dealing with another supplier.	1	2	3	4	5	6	7	
Training this supplier’s people has involved substantial commitment of time and money.	1	2	3	4	5	6	7	

2: Please estimate the total dollar value (over all fiscal periods) of your business unit’s expenditure for equipment, training, and related areas dedicated to facilitating your procurement of the identified item(s) from this supplier. **(Please check one)**

<u>Less than</u> \$10,000	<u>\$10,000 -</u> \$24,999	<u>\$25,000-</u> \$99,999	<u>\$100,000-</u> \$499,999	<u>\$500,000</u> \$999,999	<u>\$1,000,000-</u> \$2,499,999	<u>\$2,500,000</u> or more
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Section F Dedicated Investments of the Supplier

1. The following statements deal with the supplier’s investments dedicated to the relationship for the identified item(s), such as physical plant and equipment, the development of procedures and software, and training of your own or this supplier’s staff . Circle the most appropriate number on the scale.

	Strongly disagree							Strongly agree
	1	2	3	4	5	6	7	
This supplier has made significant investments in tools and equipment dedicated to the relationship with us.	1	2	3	4	5	6	7	
The procedures and routines developed by the supplier for their item(s) are tailored to our particular situation.	1	2	3	4	5	6	7	
This supplier has spent significant resources designing the specifications for this item(s) to ensure that it fits well with our production capabilities.	1	2	3	4	5	6	7	

We have some unusual technological norms and standards which have required extensive adaptation on the part of this supplier.	1	2	3	4	5	6	7
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Most of the training that the supplier's people have undertaken related to our requirement for this item(s) cannot be easily adapted for use with another customer.	1	2	3	4	5	6	7
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Training our personnel has involved substantial commitment of time and money on the part of this supplier.	1	2	3	4	5	6	7
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2: Please estimate the total dollar value (over all fiscal periods) of this supplier's expenditure for equipment, training, etc. dedicated to facilitating your procurement of the identified item(s). **(Please check one)**

Less than \$10,000	\$10,000 - \$24,999	\$25,000- \$99,999	\$100,000- \$499,999	\$500,000 \$999,999	\$1,000,000- \$2,499,999	\$2,500,000 or more
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Section G Benefits from this Relationship

In this section we would like to know more about the overall benefits generated from this relationship for the identified item(s) with this supplier. In all cases, compare the benefits to a traditional arms-length buying arrangement. Please circle the most appropriate number on the scale.

	Strongly disagree						Strongly agree
Cost Reduction							
This relationship has favorably reduced our end-product manufacturing costs.	1	2	3	4	5	6	7
This relationship allows us to respond to fluctuations in market conditions more efficiently.	1	2	3	4	5	6	7
Our business processes and procedures have become more efficient due to this relationship.	1	2	3	4	5	6	7
Coordination of activities between the two parties are more efficient in this relationship.	1	2	3	4	5	6	7
This relationship has enabled us to iron out the inefficiencies (wastage/defects etc.) in our production system.	1	2	3	4	5	6	7
We have been able to adopt best manufacturing practices like "lean" production in this relationship.	1	2	3	4	5	6	7
In this relationship we have been able to realize cost savings because of efficient practices.	1	2	3	4	5	6	7

Economic Value-added

Our end-product has gained a competitive advantage due to the relationship with this vendor for this item.	1	2	3	4	5	6	7
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This relationship has allowed us to better capture design and engineering synergies between their item(s) and our end-product.	1	2	3	4	5	6	7
The relationship with this vendor for this item has helped boost the sales of our end-product.	1	2	3	4	5	6	7
This item procured under the relationship with this vendor has enhanced customer perceptions of our end-product performance.	1	2	3	4	5	6	7
The image of our end-product in our customer's eyes has received a boost due to the item supplied in this relationship.	1	2	3	4	5	6	7
The relationship with this vendor for this item has enabled us to differentiate our end-product vis-à-vis our competitors'.	1	2	3	4	5	6	7

Section H Supplier Qualification

Often buyers undertake supplier qualification efforts. Please indicate the extent to which such efforts are/were undertaken with respect to this supplier for the identified item(s) in the areas listed below.

	No Qualification of Supplier								Minimal Qualification of Supplier								Extensive Qualification of Supplier
a. Product quality (e.g., consistent ability to meet customer specs etc.)	_____								1	2	3	4	5	6	7		
b. Technical capability (e.g., technical expertise, research facilities, etc.)	_____								1	2	3	4	5	6	7		
c. Manufacturing capability (e.g., volume capability, quality control systems etc.)	_____								1	2	3	4	5	6	7		
d. Financial strength	_____								1	2	3	4	5	6	7		
e. Customer service provided	_____								1	2	3	4	5	6	7		
f. Personnel/management resources	_____								1	2	3	4	5	6	7		
g. Price Competitiveness	_____								1	2	3	4	5	6	7		
h. Delivery Capabilities	_____								1	2	3	4	5	6	7		
i. Compatibility with your company's production and logistics processes	_____								1	2	3	4	5	6	7		
j. Supplier's willingness to support your procurement activities.	_____								1	2	3	4	5	6	7		

Section I Monitoring of Supplier

Buyers often undertake various efforts to monitor their suppliers efforts and outcomes. Please indicate the extent of these efforts undertaken by your firm with respect to this supplier for the procurement of the identified item(s).

	No Monitoring Performed	Minimal Monitoring of Supplier						Extensive Monitoring of Supplier
a. Product Quality	_____	1	2	3	4	5	6	7
b. Financial/cost accounting records	_____	1	2	3	4	5	6	7
c. Delivery Timeliness	_____	1	2	3	4	5	6	7
d. Price Competitiveness	_____	1	2	3	4	5	6	7
e. Item(s) specifications	_____	1	2	3	4	5	6	7
f. Supplier's inventory levels	_____	1	2	3	4	5	6	7
g. Supplier's manufacturing procedures	_____	1	2	3	4	5	6	7
h. Supplier's cost accounting practices	_____	1	2	3	4	5	6	7
i. Supplier's storage and handling practices	_____	1	2	3	4	5	6	7
j. Supplier's use of quality control	_____	1	2	3	4	5	6	7 procedures.

Section J Control of Relationship

The questions in this section pertain the relative influence of your business unit versus this supplier. Please circle the appropriate number on the scale.

	Entirely decided by our firm					Entirely decided by this supplier	
Delivery schedule of item(s)	1	2	3	4	5	6	7
Order quantities of item(s)	1	2	3	4	5	6	7
Pricing arrangement used with this item(s) (e.g., price determination, adjustment mechanisms, etc.)	1	2	3	4	5	6	7
Ongoing design and engineering changes	1	2	3	4	5	6	7
Supplier's production processes and manufacturing technology.	1	2	3	4	5	6	7
Supplier's level of inventory (raw materials, semi-finished, and finished items)	1	2	3	4	5	6	7
Selection of supplier's sub-suppliers	1	2	3	4	5	6	7
Supplier's quality control procedures	1	2	3	4	5	6	7

Section K Evaluating Supplier Performance

This section relates to your company's ability to accurately assess the activities and performance of this supplier as it relates to the procurement of the identified item(s). Please indicate your ability to gauge the performance of the supplier by circling the appropriate number on the scale.

	Strongly disagree						Strongly agree
It is difficult to determine whether agreed upon quality standards and specifications are adhered to by this supplier.	2	3	4	5	6	7	
It is inadequate to evaluate this supplier based only on item(s) price.	1	2	3	4	5	6	7
Evaluating the supplier's performance is a highly complex process.	1	2	3	4	5	6	7
It is difficult to verify whether this supplier is performing all of its contractual obligations under this agreement.	1	2	3	4	5	6	7
There would be significant costs associated with on-site monitoring of the supplier.	1	2	3	4	5	6	7
Precise standards to assess this supplier's performance are not readily available.	1	2	3	4	5	6	7

Section L Your Company's Ability to Replace Supplier

1: The questions in this section pertain to the extent to which this particular supplier for the identified item(s) is "replaceable". Please circle the most appropriate number on the scale.

	Strongly disagree						Strongly agree
If we decided to stop purchasing from this supplier, we can easily replace their volume with purchases from another supplier.	1	2	3	4	5	6	7
It would be relatively easy to find another supplier for this items(s).	1	2	3	4	5	6	7
There are many competitive suppliers for this item(s).	1	2	3	4	5	6	7
Switching suppliers would have a negative impact on item(s) quality and performance in the short run.	1	2	3	4	5	6	7
It would hurt our business unit's operations if we terminated our relationship with this supplier.	1	2	3	4	5	6	7
Dealing with a new supplier would require serious redesign and development effort on our part.	1	2	3	4	5	6	7

2: Suppose your firm were to **switch** suppliers and start purchasing the item(s) from a new supplier. How much time would the switch-over take? (Consider the time required to locate, qualify, and train the new source, retrain your employees, make necessary investments, conduct testing, etc.) **(Please check one)**

Less than 1 month	1 to 3 months	4 to 6 months	7 to 9 months	10 to 12 months	13 to 24 months	Over 24 months
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....until a new supplier arrangement could be satisfactorily developed for similar item(s).

Section M Supplier's Ability to Replace You

1: The questions in this section pertain to the extent to which this particular supplier can "replace" you for the identified item(s). Please circle the most appropriate number on the scale.

	Strongly disagree							Strongly agree
	1	2	3	4	5	6	7	
If we stopped buying from this supplier, they could easily replace our volume with sales to another buyer.	1	2	3	4	5	6	7	
It would be relatively easy for this supplier to find another buyer for this item(s).	1	2	3	4	5	6	7	
From this supplier's perspective, there exist many potential buyers for this item(s).	1	2	3	4	5	6	7	
Finding new buyers would have a negative impact on the price this supplier can charge in the short run.	1	2	3	4	5	6	7	
It would hurt this supplier's operations if their relationship with our company were terminated.	1	2	3	4	5	6	7	
Dealing with a new buyer would only require serious redesign and development effort on this supplier's part.	1	2	3	4	5	6	7	

2: Suppose this supplier were to switch and start supplying the item(s) to a new buyer. How much time would the switch-over take? (Consider the time required to reformulate the item(s), make new investments or modify plants/equipment, qualify and train the new buyer's and own employees, etc.) **(Please check one)**

Less than 1 month	1 to 3 months	4 to 6 months	7 to 9 months	10 to 12 months	13 to 24 months	Over 24 months
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....until a new buyer arrangement could be satisfactorily developed for similar item(s) by this supplier.

Section N Supplier's behavior in this relationship

The questions in this section pertain to the behavior of this supplier in its relationship with your business unit regarding the supply of this identified item(s). Please indicate your assessment of the supplier's behavior by circling the appropriate number on the scale.

	Strongly disagree							Strongly agree
This supplier has sometimes altered facts slightly in order to get what it wanted.	1	2	3	4	5	6	7	
This supplier always carries out its duties without any supervision on our part.	1	2	3	4	5	6	7	
Sometimes the supplier has presented us facts in such a way that has made them look good.	1	2	3	4	5	6	7	
This supplier has sometimes promised to do things without actually doing them later.	1	2	3	4	5	6	7	
This supplier feels it is OK to do anything within its means that will help further its own interests.	1	2	3	4	5	6	7	
On occasion, the supplier has lied about certain things in order to protect its own interests.	1	2	3	4	5	6	7	

Section O Summary Evaluations

1: From the perspective of your company, how profitable is your relationship with this supplier, relative to what you might have obtained from some other supplier? **(Please check one)**

Relatively Unprofitable							Relatively Profitable
1	2	3	4	5	6	7	

2: How satisfied are you in general with this supplier? **(Please check one)**

Very Dissatisfied							Very Satisfied
1	2	3	4	5	6	7	

3: In general, which party benefits more from this relationship? **(Please check one)**

Your Company							This Supplier
1	2	3	4	5	6	7	

4: We would like to ask you questions about your role in your business unit's relationship with this supplier. Please check the most appropriate number on the scale.

	Minimally Involved						Highly Involved
a. How involved are you personally in your business unit's dealings with this supplier?	1	2	3	4	5	6	7
b. How knowledgeable are you in general about your firm's dealings with this supplier?	1	2	3	4	5	6	7

5: Your Job Title: _____

Section P General Comments

Please provide any additional comments or experiences you had in this relationship with this buyer that you might want us to know about.

Please fold the questionnaire and return it in the pre-addressed, pre-stamped envelope.

Thank you for your participation.