

# How large buyers manage their suppliers in China?

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# How do great firms manage their Chinese suppliers?

- I. The Big Picture
- II. Total cost of ownership and performance measurement
  - 1. Performance measurement practices
- III. Other practices
  - 2. Performance monitoring practices
  - 3. Cost management practices
    - A. **Specialist purchasing managers – cost down**
    - B. **Cost leadership measure**
    - C. **Many Suppliers → Benchmarking**
    - D. **Supplier Location**
- I. Summary

# I. The Big Picture

# The Big Picture - Summary

- **Risks** – Deep pockets – How do suppliers respond to pressures from large international buyers? Do suppliers consider the network effect on their decision? Is there a closed loop?
- **Hold up problem** with strategic suppliers – must develop relationship - How buyers deal with misfit and hold-up costs?
- **Performance measurement System (PMS)** – Purpose - Do suppliers consider how customers make decisions? (Communication strategy)
- **PMS - Total cost of ownership** (TCO) – consider strategic and inventory factors - relationship
- **PMS - Communication** of PMS to supplier
- **Monitoring** – How do suppliers deal with the buyers approach to management? (eg. Monitoring, selection).
- **Forecasts** – product roadmap - relationship