SourceOne
Intelligent Inventory Management

Which Integrated Supply Model is Best for Your Company?

It has been well-established that there are three business models of integrated supply:

1. Integrator
2. Buying Consortium
3. Strategic Supplier Alliance

Each form has its benefits—and drawbacks. Regardless of the form it takes, the impact on supply chain management is significant. But, in a well-executed program for indirect (MRO) and/or direct (OEM) material, the benefits are measurable and very real. The question is not "Should we work with a form of integrated supply?" but, "When should we and which form suits us best?"

The table below summaries the chief benefits of each model. What is the best model? That depends on the desired outcomes and objectives. It is safe to say that many manufacturers would like to extend the benefits of supply integration to the direct (OEM) side of the business. If that is the case, then special attention to technical and application support is required.

BENEFITS	Integrator	Buying Consortium	Supplier Alliance
Reduced number of transactions	Y	Y	Y
Reduced number of suppliers	Y	Y	Y
Lead-time reduction	Y	Y	Y
Inventory reduction	Y	Y	Y
Suitable for indirect (MRO)	Y	Y	Y
Suitable for direct (OEM)	Not usually	Not usually	Y
Consolidated invoicing	Y	Y	Y
Technical and application support from supplier	Not usually	Not usually	Y
Price mark-up (tiering)	Y (often)	Y	Not usually

Table highlighting major differences between three forms of supply integration models.

Source One is an alliance of industrial suppliers providing an integrated supply solution that reduces the number purchasing transactions and improves inventory performance for manufacturing and institutional customers.