



Procurement & Supply Chain

N-Tier Supplier FAQs: How to Identify Risk & Opportunity Beyond Tier 1.

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From global car paint shortages to the COVID-induced toilet paper crisis, there have been countless [supply chain disasters](#) that were a result of poor n-tier analysis.

Unfortunately, a [lack of reliable supplier intelligence](#) has left procurement professionals [scrambling to piece together](#) meaningful insights on

suppliers' networks, usually to no avail. And when efforts yield too few results, supply chain leaders understandably abandon n-tier analysis altogether.

But between [increases in ransomware attacks](#) and [new supply chain legislation](#), companies are increasingly on the hook for not only their own suppliers but their suppliers' value chains as well. Check out some FAQs such as [how to re-visit n-tier initiatives](#), [common challenges with doing so](#) and [more](#).

What are n-tier suppliers?

N-tier suppliers are suppliers that exist beyond your tier 1 (contracted) suppliers and form the network of companies that provide your tier 1 supplier with the goods or services they need to deliver their own goods or service to you, the ultimate buyer. Because sub-tier organizations can be represented across many levels and oftentimes very little is known about them, risk exposure can be incredibly high. In the same way that the ultimate buyer often has little visibility into their sub-tiers, your Tier 1 suppliers may also often have little or no robust visibility. This demonstrates the interconnectedness of the supply chain and how vulnerable it can be.

Why is n-tier analysis useful?

N-tier analysis helps organizations understand who exists in their entire value chain, and most critically, it pinpoints vulnerabilities in your supply chain. For example, auto companies failed to realize that a certain specialty pigment for car paints was only produced by one manufacturer in the world. When the 2011 earthquake hit the Japanese region where the plant was located, car shoppers around the world were limited in their color selection for up to several months in some locations.

An investigation into sub-tiers can go all the way down to the 15th tier and beyond, but after a certain point this may become an overwhelming task with diminishing value. Therefore, begin evaluating tier 2 suppliers (aka the tier 1 suppliers of *your* tier 1 suppliers), and then move on to tier 3 suppliers.

Why is it difficult to understand my n-tier supply chain network?



The information about this is scarce and where available, it's disparate. That is why it's critical to have robust yet streamlined supplier onboarding processes that gather necessary information at the beginning of each relationship, and regular communication will ensure that this data is continuously updated. Making sure that your supplier network understands how they will also benefit from your n-tier insights will make the process easier as well.

But while first party data is useful, third party data sources fill other critical gaps. Be sure that your supplier intelligence platform uses a combination of premium data sources, advanced AI/ML technology and human intelligence to aggregate information for actionable insights.

How can I use n-tier analysis to make my supply chain more resilient?

Supplier concentration: Use supplier intelligence that can help you identify risk concentrations & rank suppliers by their importance to a client's supply chain. Category managers are used to tracking hundreds or thousands of suppliers, so it's hard to know where to focus. Identifying risk concentrations is a good way of triaging scarce resources.

Additional insights: Those risk concentrations can also drive other insights. For example, Taiwan Semiconductor Manufacturing Company (TSMC) surfaces frequently within hardware supply chains. Understanding this means that price fluctuations with this one supplier could have ripple effects down the chain.

Manufacturing locations: This opens you up for a lot more valuable insight. Querying the supply chain for "*Is my supply chain exposed to Ukraine?*" or "*Is there exposure to Xinjiang?*" can yield noteworthy results. It can also easily be dovetailed with external data to help identify issues like modern slavery risk, corruption risk, natural disaster risk, and more.

Supplier profiles: Matching n-tier organizations with supplier profiles within your intelligence platform can unlock other insights that companies need, such as event alerts or cyber risk.



Can I use n-tier analysis to understand who customers are?

Yes, absolutely. One of the benefits of implementing a solid data foundation for n-tier analysis is that it's typically replicable, and can prove useful not only for procurement but for other departments in developing a knowledge graph where customers can be identified.

Why is customer mapping useful?

There are several reasons why mapping customers can be a useful exercise:

A problem with a supplier has been identified: You may want to collaborate with other customers of that client to incentivise the incumbent to embrace innovation or new engagement models.

Anticipating demand: Preparing ahead can be one of the most strategic responsibilities of an SRM manager because when things go wrong the consequences can be devastating and lead to financial loss. Unfortunately, this has become quite commonplace in the automotive industry over the last year, as semiconductor and inventory shortages are particularly squeezed.

Supplier prospecting or validation: You can also think of this as the ability to answer an important strategic question, *Does my respected competitor use this supplier?*

Understanding industry structure: COVID-19 underscored the need for n-tier, customer mapping and industry analysis. Supermarkets were particularly strained at the start of the pandemic, and it turned out that many were using the same suppliers for a handful of key goods. The infamous toilet paper shortage was a clear demonstration of not just questionable consumer demands, but how concentrated supplier networks can be.

Understanding what other industries you are exposed to: Aerospace was another industry hit hard by the pandemic. When the commercial airline industry ground to a halt, aerospace companies who were not in the commercial sector suddenly became exposed to the financial losses that their supplier networks had suffered. Similarly, manufacturing companies can quickly become exposed to geopolitical conflicts or shortages within industries and locations in which they are not particularly active.

N-tier and customer mapping not only prevent and mitigate risk across numerous domains, but they also identify key opportunities. As procurement functions become more demanding, it's imperative to use [supplier intelligence](#) tools and features that can aggregate first and third party data for a comprehensive view of risk.

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