

The Internet age of the new industrial buying group

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For decades, independent industrial distributors have collaborated to create buying groups, which allow them to negotiate better prices, set up training programs, improve their bottom lines, grow, and manage supply chains. With the onset of the Internet, the process becomes even more simplified, more efficient, and more robust.

Historically in the industrial world, independent distributors and suppliers have worked together (generally with the help of trade associations) to manage supply chains more efficiently and more affordably than they could individually.

These collaborative groups allow distributors to connect and place larger orders with suppliers — allowing them to get better deals, expand their supply chain, and save time. Some of these collaborative groups exist within associations and other trade organizations to help distributors unload unused or unsold inventory. With more members, better deals are struck while relationships are cultivated—even among competitors.

Through the decades, many of these groups have expanded well beyond a single product group or industry. However, as with everything else in our world, the Internet is changing the landscape of buying groups.

Thanks to the Internet of Things (IoT), these groups have become much more sophisticated. The online community environment was a natural fit for buying groups, aggregating the products and services of many specialized companies to act as one. Leveraging online marketplaces, buying groups have become more convenient consolidators of product verticals. New innovations in the buying group model continue to

develop — combining products and services from various providers into a seamless supply chain solution.

So, what happens when you combine the Internet with buying groups and sprinkle in an onsite inventory management service for industrial consumers? Many call this Frankenstein Platform Cloud Sourcing. Like any good monster, this was developed one piece at a time, starting with the customer experience feedback from inventory management.

Replacing the mind-numbing task of inventory management with a magical user experience was step one. When it comes to supply chain management, there are many benefits of collaboration among distributors and suppliers. Perhaps the biggest benefit for facility managers and operators alike is expanding your network of suppliers around a central platform, optimizing the bottom line.

A cloud-based automated solution offers a collaborative approach to B2B supply chain management with an omni-channel approach that accommodates both the physical (inventory — logistics, storage, tracking consumption, organizing, etc) and the digital (data — analytics, forecasts, replenishment metrics, etc) aspects of complex supply chains.

Intelligent inventory management software tracks the consumption of multiple product verticals from multiple niche suppliers—all delivering to one facility through their supply chain with their own support and their own engineering.

The third-party company uses a collaborative software platform with RFID technology to work with any supplier, any distributor, in any product vertical — ensuring that products stay on the shelf at the consumer's facility.

CloudSourcing is a new approach to something that's been around a long time—suppliers collaborating with other suppliers in a positive way. Fears and reservations are set aside about openly discussing business topics with other suppliers to bring value to existing groups. There is tremendous value in having a network or referrals with companies in which relationships have been established and built.

Suppliers and distributors can discuss which markets have traction and send each other referrals to a wide variety of untapped industries and consumers.

While associations and trade organizations continue to build collaborative buying groups, the one negative aspect is that they are generally limited to specific product verticals and industries. That creates more conflict and restricts opportunities. For example, seal manufacturers can benefit greatly from relationships with bearing manufacturers. That same seal manufacturer would have interest in a multitude of industrial industries, as well.

The collective group of collaborators can be diverse while also complementing each other. It lays the perfect foundation and ecosystem for professional referrals, allowing several suppliers to work together with the same consumer.

In addition, automated supply chain management ensures that collaboration can be autonomous and even anonymous, if necessary. The benefits of collaboration exist without the threat of sharing trade secrets with competitors.

Key Takeaways

1. Supplier buying groups are poised to evolve, leveraging the Internet to connect in new digital offerings.
2. Keep an eye out for innovative buying group services that help reduce your facility overhead.
3. Encourage suppliers to collaborate with parallel product verticals. Collaboration is key!