

Growing 2nd Tier to \$1 Billion

Key Metrics:
% Strategic Suppliers Reporting
2nd Tier \$ Spend per year

Which SPP thematic track does your case study align with?

People

Where does your case study sit within the procurement lifecycle?

Collaborate Externally – Shape Industry Norms - SRM

What was the core challenge you were facing, and what was the context?

As a complement to the work of finding new diverse suppliers for direct spend, we wanted to encourage our large, majority-owned Prime suppliers to spend with diverse suppliers.

Many corporations put a lot of effort launching their 2nd tier program and then shift attention to other priorities. Without intentionality many programs face flat spending year-over-year. We wanted to increase the priority level for our key suppliers and double 2nd tier spending.

What approach did you take to tackle the challenge?

We recommend a few key interventions to elevate this work. These are tactics our team successfully implemented at our respective companies to intentionally increase 2nd tier spending:

- Whether you use an external vendor to manage quarterly reporting of 2nd tier or have an in-house system, we highly recommend confirming the user interface is simple and the system is self-explanatory.
- 2nd tier spend should be part of the organization's quarterly scorecard shared by CPO.
- Conduct bi-annual reviews with each spend category including updates on 2nd tier spend, with action plans for top suppliers.
- Create 1-2 virtual webinars where prime suppliers could join and get coaching on managing a Supplier Diversity program.
- Invite key suppliers to Supplier Diversity events and facilitated introductions to diverse businesses during the conference.
- We connected with other Supplier Diversity leaders to increase our messaging with large, public suppliers and ensure Supplier Diversity was a priority through our joint convening power.

Who was involved and how did you build buy-in (or not)?

- The core supplier diversity team and spend pool liaisons should partner to develop strong, stretching action plans for prime suppliers.

- Get alignment from your Procurement leadership team.
- Supplier Relationship owners are key to engaging with Prime suppliers.

What was the outcome, and how did you measure the impact?

These types of interventions take months to see the results. Depending on where you started, you are likely to see a meaningful increase in spend within 3 years.

It is helpful to monitor in-process measures in addition to tracking quarterly 2nd tier spend. Some examples include:

- # of suppliers represented on webinars
- # of new/updated contacts registered in the system and ready to report
- # of connection facilitated between Prime suppliers and diverse-owned businesses

Every quarterly it is important to see an increase in the following metrics:

- # of suppliers reporting
- % of Procurement spend represented by the suppliers reporting 2nd tier
- And of course, total \$ 2nd tier spend reported

As 2nd tier is a common challenge among many companies, we, the team of the SPP Supplier Diversity Chapter created jointly this guide in a case study format – leveraging our individual experiences and successes to share with you.

Questions?

Visit our [Chapter LinkedIn page](#) and reach out to our team.



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What was the cost or investment required, and what have been the expected (or unexpected) business trade-offs or benefits?

There shouldn't be additional business cost to doing this work. This intervention is linked to strategic prioritization for the organization. So, it is an intentional choice to make 2nd tier a focus area for the team and Procurement function.

What were the key success factors?

Collaboration: Everyone doing a part of the action plan was critical in convincing all to participate.

80-for-20 principle: Don't get stuck on trying to work with ALL suppliers. It is often more impactful to surgically focus on the suppliers which are considered more strategic or critical to the company. That way you can leverage SRM plans, Quarterly Business Reviews and leadership engagement to communicate the priorities.

Measurable: All the work we did was measurable by engagement or spend.

What was the “ugly truth” you encountered & what would you do differently next time?

Not every business or person we encounter will support the work, internally or externally. Don't waste time on those because there will be positive energy to follow in other areas. Achieving early wins and communicating that broadly will increase momentum in the supply chain.

We recommend big companies start where there is the most opportunity with diverse suppliers and social enterprises already established, i.e. Facilities Management, Professional Services and IT services.

Watchout: Some suppliers 'oversell' what they were doing on Supplier Diversity, so it is important to informally audit 1-2 suppliers each quarter and ensure their submission is accurate.

How would you recommend those with fewer resources approach this?

Work with one spend category at a time. It is more important to have a proper message track, a high level of engagement and trustworthy data. If you have those pieces ready, you can add more spend categories as time allows.

- Some companies add 2nd tier as a requirement to RFPs so expectations are embedded from the start of the contract period.

For whom would you recommend this initiative?

Any company that has at least an Intermediate level Supplier Diversity program should start engaging with their suppliers to report 2nd tier. Corporates are in a unique position; they have convening power and the ability to share priorities with their supply chain partners. You can start small, and grow this important part of the program over time.

If your company is based in the US, there were many resources available to share with suppliers as they embarked on their journey. Please leverage SPP's Supplier Diversity Chapter to help you evaluate how you can start building a stronger 2nd tier program.