Supplier Landscape Analysis: Structuring and strategically managing the supply base

The supplier landscape analysis is the systematic recording, evaluation and structuring of all suppliers and supply relationships of a company. It creates transparency about the number, utilisation, risks and strategic importance of the supply base and thus forms the foundation for sourcing decisions. For buyers, it is a prerequisite for identifying pooling levers, reducing dependencies and improving supply KPIs in a targeted manner.

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Key facts at a glance

01 The supplier landscape analysis documents all suppliers with volumes, categories, regions and risk factors.

02 It serves as the data foundation for sourcing strategies, single source management and category vision development.

03 Typical analysis dimensions are purchase volume, degree of criticality, supply risk and supplier performance.

04 The result is measures such as supplier consolidation, second sourcing or qualification of new providers.

05 The analysis should be updated regularly, in practice often annually or semi-annually.

06 It is closely interlinked with the supplier evaluation system, the category board and procurement risk management.

Definition: supplier landscape analysis

The supplier landscape analysis refers to the structured stocktaking and evaluation of all active and potential suppliers of a company. It answers the questions of who supplies what in what volume, how critical the individual relationships are and where consolidation or diversification potential lies. This distinguishes it from point-in-time supplier evaluation: the focus is not on the individual supplier, but on

the overall system of the supply base.

Distinguishing it from supplier evaluation

Supplier evaluation assesses individual providers against defined criteria such as quality, delivery reliability and price behaviour. The supplier landscape analysis, by contrast, takes a portfolio and structural perspective: it reveals concentrations, duplicate sourcing and gaps in the supply base. The two tools complement each other, because the analysis provides the overall picture from which priorities for in-depth evaluations can be derived.

Complemented by category management

In category management, the supplier landscape analysis is one of the first phase activities when developing a category vision and category charter. It reveals whether a category is shaped by a few providers or by a long tail of small suppliers. Only on this basis can meaningful pooling levers be determined and category strategies derived, which are bindingly recorded in the category board.

Objectives and benefits of the supplier landscape analysis

The primary benefit lies in decision quality: buyers make sourcing decisions based on data rather than habit. A well-organised supplier landscape reduces administrative effort, lowers risks and improves bargaining power. At the same time, it provides arguments to management, for example when investments in supplier development or diversification need to be justified.

Cost reduction through consolidation

In many industrial companies, the analysis shows a typical 80/20 distribution: a large share of volume is accounted for by a few suppliers, while numerous small providers generate low turnover. This fragmentation causes processing costs, framework agreement administration and checking effort with no return. Through targeted consolidation and pooling levers, price benefits and process cost reductions are frequently realised simultaneously in practice.

Risk mitigation and supply security

Contrary to consolidation, the analysis also aims at detecting dependencies. Single source management requires particularly careful management, as failures directly jeopardise the service level target per category. The analysis identifies critical single and dual sourcing situations and provides the basis for safeguarding strategies, such as second sources, safety stocks or contractual agreements on terms and conditions and traceability.

Transparency as a basis for negotiation

Those who know their own supplier landscape negotiate on a better-informed basis: volumes, spread and alternative suppliers are direct negotiation arguments. The analysis also reveals whether valid terms and conditions are applied consistently or whether historically grown terms diverge. This transparency strengthens the position in price negotiations and in enforcing uniform framework

agreements.

Methods and approach of a supplier landscape analysis

The methodological core follows a multi-stage approach: data collection, classification, evaluation and derivation of measures. In practice, an approach in clearly separated work steps has proven itself, taking between a few weeks and several months depending on company size. It is decisive that data sources such as ERP systems, order histories and quality data are prepared consistently.

Building the data foundation

The starting point is the extraction of all supplier master data and order histories from the ERP system, typically for the last two to three years. Cleansing of duplicates is important, as many companies keep multiple spellings or number ranges per supplier. In addition, master data such as locations, delivery areas, certificates and payment terms are recorded. Open items and credit information are also often included, as supplier financial health is increasingly used as an analysis dimension.

Classification and portfolio analysis

The classic method is the Kraljic portfolio, which classifies suppliers by purchase volume and supply risk into four categories: strategic suppliers, leverage items, non-critical products and bottleneck items. In addition, an ABC analysis by turnover combined with an XYZ analysis by reliability is useful. In practice, it has proven effective to combine at least two dimensions, since volume alone says nothing about criticality. A small supplier of a safety component can be more significant in risk terms than a large provider of standard material.

Deriving measures

Different courses of action result from the portfolio classification: for strategic suppliers, the focus is on partnership and development, for leverage items on competition, for example via a reverse auction or classic tenders. For non-critical items, catalogue management with standardised procurement is recommended in order to reduce approval and processing effort. For bottleneck items, second sources are sought or inventory strategies adjusted, supported by rough cut capacity planning (RCCP) at the supplier.

Key KPIs of the supplier landscape

KPIs make the supplier landscape manageable and show development over time. Essential KPIs describe the concentration, performance and risk profile of the supply base. They should be weighted differently by category, as the requirements vary greatly between C-parts and strategic components.

Concentration and structural KPIs

Typical KPIs are the number of active suppliers per category, the top 10 share of purchase volume and the share of single source items. Also relevant is the share of suppliers from whom less than a certain

minimum volume is ordered annually, often an indicator of consolidation potential. The distribution by regions and countries also belongs here, especially when geopolitical risks or supply chain obligations play a role.

Performance and risk KPIs

At performance level, delivery reliability, service level per category, complaint rates and the purchase price inflation rate over defined periods have proven effective. In day-to-day operations, deadline monitoring and missing parts management complement the evaluation, as this is where supply failures become visible. For critical suppliers, financial stability is also increasingly recorded as a KPI in order to detect insolvency risks early and initiate countermeasures.

Risks, limitations and controls

The supplier landscape analysis is only as good as its data foundation and its consistent implementation. Typical sources of error are outdated master data, lack of coordination between sites and an analysis that remains a one-off exercise. There is also the danger of over-consolidation if short-term cost benefits create long-term dependencies.

Data quality and currency

A frequent problem is the discrepancy between system data and reality: deleted suppliers, duplicates or missing category assignments distort the picture. A data owner in procurement and defined maintenance processes are therefore indispensable. The analysis should not be organised as a one-off project, but as a rolling process with fixed update cycles.

Avoiding over-consolidation

Consolidation lowers costs but increases dependency. Those who maximise pooling levers can quickly create single source situations again, which are costly in the event of a disruption. In practice, it has proven effective to define a minimum level of supply alternatives as a management objective for critical categories and to counterbalance consolidation with risk KPIs. Terminated suppliers should also remain documented for win-back scenarios.

Supplier financial controls

An often neglected aspect is the financial health of existing suppliers. Payment behaviour, account management and information exchange in the ordering process can provide indications of difficulties; simple controls such as IBAN checks when bank details change protect against misuse and fraud here. For payment services such as reverse factoring or forfaiting in the context of supplier financing management, additional legal review is required on a case-by-case basis.

Current developments: analysing the supplier landscape digitally and sustainably

The requirements for supplier landscapes are changing: resilience, sustainability and regulatory reporting obligations are extending the classic analysis questions. At the same time, digital tools enable a far more granular and up-to-date analysis than just a few years ago.

Regulatory and sustainability requirements

Supply chain due diligence requirements and evidence obligations are shifting topics such as traceability and labour standards more strongly into procurement. The supplier landscape analysis is thus extended by dimensions such as risk countries, certification status and CO2 data. Anyone who already records this information in a structured manner in the supply base significantly reduces the effort involved in audits and reporting obligations.

Digital analysis tools and data automation

Modern procurement platforms and spend analysis tools automate data extraction and visualise the supplier landscape dynamically. AI-supported approaches help to integrate risk signals from news and credit data. However, professional interpretation remains practically important: algorithms classify, but strategic evaluation and communication with suppliers remain the buyer's task.

Resilience instead of pure cost optimisation

The experience of supply shortages in recent years has shifted the perspective: alongside cost benefits, supply security is gaining weight. Supplier landscape analyses are increasingly supplemented by resilience scenarios, for example simulations of supplier failures and their impact on production and service level targets per category. Regionally diversified supplier landscapes are designed more deliberately, even if this can mean higher prices.

Typical metrics

Metric	Typical value
Delivery reliability	> 95% *In practice, values above 98% are often targeted for A-parts.*
Share of single source items	< 10% *Benchmark per critical category; more acceptable for C-parts.*
Top 10 supplier share	40–70% *Strong concentration increases bargaining power, but also dependency.*
Service level per category	> 98% *Target value depends heavily on the criticality of the category.*

Practical example

A mid-sized mechanical engineering company with around 1,400 active suppliers carried out a supplier landscape analysis after repeated missing parts and price discussions were burdening the procurement department. The evaluation showed that over 60 per cent of suppliers generated annual turnover in the low five-figure range, while around 70 per cent of volume was concentrated among 45 suppliers. The analysis yielded concrete fields of action, which were prioritised in a category board and implemented over two years.

- Consolidation of fragmentation in C-parts procurement by introducing catalogue management, replacing around 220 suppliers.
- Establishment of second sources for 18 single source items in critical turned and milled parts, supported by RCCP discussions with the new suppliers.
- Standardisation of terms and conditions and introduction of uniform payment terms including an early payment discount of 2/10 net with suitable suppliers.
- Establishment of a six-monthly review with the KPIs delivery reliability, service level per category and purchase price inflation rate.

Conclusion

The supplier landscape analysis is not an end in itself, but the strategic management tool for an efficient and robust supply base. It combines data from ERP, quality and financial systems into an overall picture from which consolidation, diversification and development potential can be derived. Its value only unfolds through regular updating and consistent implementation of the derived measures. Those who anchor it as a rolling process and interlink it with category management gain bargaining power, reduce risks and make procurement measurably more capable.

Frequently asked questions

? What is a supplier landscape analysis?

A supplier landscape analysis is the systematic recording and evaluation of all of a company's suppliers by volume, risk profile and performance. It reveals concentrations, duplicate sourcing and weak points in the supply base. On this basis, sourcing strategies, consolidation measures and risk mitigation can be specifically derived.

? How do you create a supplier landscape analysis?

Typically there are four steps: extract and cleanse supplier and order data from the ERP, classify suppliers by volume and risk, for example in the Kraljic portfolio, and derive measures such as consolidation or second sourcing from this. The analysis should be updated at intervals of six to twelve months depending on category relevance.

? Which KPIs belong in a supplier landscape analysis?

Key KPIs are the number of active suppliers per category, the top 10 volume share, the share of single source items as well as delivery reliability and service level per category. In addition, complaint rates, purchase price inflation rates and financial KPIs of critical suppliers are used. Weighting should be done by category.

? What is the difference between supplier landscape analysis and supplier evaluation?

Supplier evaluation assesses individual providers against defined criteria such as quality and delivery reliability. The supplier landscape analysis looks at the entire supply base and its structure, i.e. concentrations, dependencies and consolidation potential. The two tools complement each other: the analysis provides priorities, which the evaluation then explores in depth for the most relevant relationships.

? How often should a supplier landscape analysis be updated?

In practice, a cycle of six to twelve months has proven effective, supplemented by event-based updates in the event of major sourcing decisions or supplier changes. Critical categories should be reviewed more frequently than standard items. It is important that master data and assignments are continuously maintained.

? Why is the supplier landscape analysis important for procurement?

It creates the data foundation for well-founded sourcing decisions, strengthens the negotiating position and makes risks such as single source dependencies visible. Without this overall picture, pooling potential remains unused and supply risks undetected. It also provides the evidence base for procurement initiatives vis-à-vis senior management.

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