

L&P CORPORATE PURCHASING

Supplier Relationship Management

Supplier Relationship Management (SRM) is a process for identifying critical suppliers, measuring their performances, managing risk, and driving continuous improvement and collaboration. Selection to participate in the SRM process is a prestigious position and the result of intensive supplier segmentation to identify the critical few suppliers whose performance have the biggest impact on our operations.

SRM Benefits to the Supplier

- The ultimate goal of our SRM process is focused on growth and value creation for both parties in a win-win culture, resulting in a collaborative relationship
- Partner with Leggett & Platt's resources to improve performance, grow, and develop a collaborative and innovative relationship
- Speed to market on new innovations. Share in growth and profit of new products and markets
- Increased volume and sales opportunities
- Voice of Supplier: Opportunity to evaluate Leggett & Platt's relationship with the supplier and identify opportunities for improvement
- Leggett & Platt wants to be your customer of choice

A Framework for Supplier Relationship Management

STEP I ► SUPPLIER SEGMENTATION

OBJECTIVES:

Develop vision and create a prioritized road map for supplier relationship engagement.

ACTIVITIES:

- Develop supplier tiers and priorities
- Employ filtering tools to segment the supply base
- Choose suppliers for active management

STEP II ► PERFORMANCE MEASUREMENT

OBJECTIVES:

Deploy scorecards to measure performance for a select group of suppliers.

ACTIVITIES:

- Create standardized process for measuring performance
- Develop and administer scorecard, collect responses, and analyze results
- Develop supplier review meeting materials

STEP III ► CONTINUOUS IMPROVEMENT

OBJECTIVES:

Drive continuous improvement through supplier review meetings and action plans.

ACTIVITIES:

- Communicate performance expectations and progress to suppliers
- Voice of the supplier, become customer of choice
- Identify and execute improvement opportunities for both suppliers and Leggett & Platt

STEP IV ► COLLABORATION & INNOVATION

OBJECTIVES

Become a customer of choice and tap into valuable supplier innovation ideas.

ACTIVITIES:

- Access to scarce capacity
- Cost savings and productivity gains
- Product innovation and engineering
- Manage cross-functional innovation initiatives

SRM Expected Results

- Filter suppliers down to those that have the biggest impact on Leggett & Platt.
- Provides an objective view of supplier risk and performance
- Measures areas in need of improvement
- Continuous improvement of supplier and Leggett & Platt
- High-performing suppliers move into a collaboration relationship

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Performance Improvement

Improved supplier on-time performance

- Reduce staff expediting time
- Reduce overtime reacting to late material deliveries

Improved supplier quality

- Reduce staff time investigating defective materials
 - Corrective Action Requests (CARs)
 - Supplier charge backs, collection of rework and scrap data
- Reduce rework costs due to defective materials
- Reduce scrap due to defective materials
- Reduce incoming inspection time with high quality-performing suppliers
- Reduce interruption of production schedules and downtime due to quality issues

Collaborative Relationship

Collaboration with key suppliers

- Productivity improvement
 - Supplier attention for identifying and implementing cost-savings ideas
- Supplier innovation
 - New product development
 - New process ideas and technologies resulting in revenue and margin enhancements
 - Collaborative engineering/design
- Gain top customer priority in tight-capacity situations
- Uninterrupted continuity of operations
- Achieve customer of choice with key suppliers