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Abstract

Supply base segmentation is an issue that has gained increasing attention in scientific field as well as in companies' sourcing departments. Adopted earlier for customer segmentation, models for segmenting supply base aim similarly to support valuing different supplier relationship and finally direct better resource allocation. The objective of this case study is to describe the adoption process of supplier segmentation model, analyze the problems and weaknesses of the segmentation model, finding solutions to them and examine its impact on resource allocation. The research approach of this qualitative study can be defined as action research as the emphasis was on practical problem solving and active participation. The empirical evidence was collected from a Finnish elevator company, KONE Corporation, during the period of 8 months in 2007-2008 through five semi-structured interviews of key informants, one e-mail interview and other informal discussions, the case company's formal documents and participant observations.

In addition to the previous research findings of supplier segmentation models, supplier relationship management and transaction cost theory provided the theoretical framework for the study. The supplier segmentation model of the case company is following the streamline of the segmentation practices taking circumstance-specific aspects into account. The adoption process was divided into five complementary steps: developing the segmentation model, problem and weakness analysis and solutions to them, technical implementation, establishing guidelines to manage segments and ensuring active use. The main themes in the problem analysis were complex supply base, lack of common guidelines and rigidity, lack of supplier perspective and load of manual work. The emerged problems in the case company were much congruent in respect to previous research. The established guidelines aim to rationalize resource allocation although the organizational communication was seen more beneficial in the short run at the adoption stage. The results of this study can be generalized to other contexts with certain limitations.

Key words	Supplier segmentation, supplier portfolio, supplier relationship management (SRM), resource allocation
Further information	

