Vendor Vetting Policies

Intended for advanced compliance programs

An integral component of vendor management is having an established policy that outlines how your company will vet (locate, research, interview, determine and review) the vendors with which it intends to conduct a business relationship.

Effective vendor management includes:

1. Requirements for what is required for a vendor to be approved within your organization. This could include qualifications, factory audits, proof of compliance documents, proof of product liability insurance and raw material verification, to name a few.
2. Protocols for how your organization will engage with your approved vendors. These are based on the order type, order sensitivity, regulatory concerns, client needs, etc. For example, will you work with only select vendors? Are you prepared to decline an order if the vendor cannot meet the regulations and requirements? How will you handle children’s products and/or products intended for distribution to children? How will you address tracking labels? These are questions that need to be addressed, documented and implemented.
3. Detailed written contracts for your primary vendors. These contracts will serve as the basis for the relationship. Make sure to outline expectations of both parties and leave no room for misinterpretation. Include measurable targets. Align objectives.
4. Review schedules and criteria. It is recommended that scorecards be used to track vendor performance and then reviewed together on an annual basis.

When developing your policies, it is important to keep in mind the goals you wish to achieve:

1. Improve effectiveness and efficiency throughout your operations
2. Mitigate risks
3. Protect your brand, your customer’s brand and possibly their customer’s brand
4. Establish mutual understanding between the organizations
5. Establish a foundation for open communication built on trust
6. Combine resources through partnerships to create value propositions for your customers

Criteria to consider when determining which suppliers to have in your preferred category:

1. Current relationship and dependency on the vendor
   a. Strategic – Collaborative – Custom - Commodity
2. The current level of spend with the vendor
3. The potential for future spend with the vendor
4. The type and breadth of products and/or services offered by the vendor
5. The strategic value provided by the vendor
6. Proof of compliance where applicable