

Investigating Negative Supplier Reviews

BY MICHELLE D. STEWARD, PH.D., JAMES A. NARUS, PH.D. AND MICHELLE L. ROEHM, PH.D.

A poor review prompts practitioners to learn what's behind the comments and whether their organizations would be impacted by working with the supplier.

With online review tools more prevalent, supply management practitioners can get a broader performance picture of suppliers. And they don't necessarily consider a negative review a reason to choose another supplier.

Nearly 85 percent of supply managers have purchased from a supplier who was negatively reviewed, according to our research into B2B behavior in the digital age. We wondered: How do supply managers react to negative reviews of a supplier, especially when faced with limited options for a product or service?

We found that supply managers, after reading a negative review, generally enter a learning mode to discover more about that supplier. Four motivations guide this learning process.

1) Does the problem “touch” us in any way? In today's transparent business world, practitioners understand the ripple effects of negative news and want to be prepared for any outcome. So, when reading a negative review, they want to know if the pertinent issues affect their organizations and supply chains, whether directly or indirectly. Specifically, they want to know if there is an association between the poorly reviewed supplier and their companies' supply chains or customers. And they want to determine if they're failing to consider relevant performance points

that might relate to current or new suppliers.

Practitioners also want to know:

- If the poor review might be an early indicator of financial or legal problems affecting the supplier or the industry
- What caused the review, so they can prevent the same type of problem from happening with any of their suppliers (even if there are no negative direct ramifications for the company)
- Whether the reason for the poor performance is people- or product-based
- Whether the review was the result of the buyer's processes being imposed on the supplier or unrealistic buyer expectations.
- If it's something the supply manager's company can work with or fix.

This information helps the supply manager understand if the supplier's poor performance may re-occur during their partnership.

2) Is the reviewer credible? In addition to learning about the supplier, supply managers want to know more about the review's author. A supply manager who participated in our research noted, "I don't like to make decisions based solely on my own experience. I believe that sets one up to be biased and judgmental. Conversely, I also don't like to make decisions based on others' experiences as well. There are two sides to every pancake."

Supply managers also are interested in whether the reviewer was forced to use a particular supplier, and so was unhappy from the beginning. They want to know if the negative opinion is (1) shared by others in the reviewer's company, (2) is simply a "heat of the moment" experience or (3) reflects a possible personality conflict.

3) Has the supplier improved since the review?

Supply managers recognize that suppliers can change their performance based on feedback. In fact, they consider it ideal that a supplier continually improve.

Also important: Determining if the supplier had a chance to address the problem with the procurement organization before the review appeared. A supply manager participating in our

research stated, "We are all people, and people purchase from people. While mistakes happen in everyday life, it's about how you deal with those situations that counts."

Another supply manager highlighted the importance of knowing how the supplier performed after the review: "(Since) it is not a perfect world and things do happen, it is more important to know that, in a crisis mode, does the supplier perform or leave you out to dry? Problem-solving and partnerships are important when things go wrong, and that is the time when the supplier will either shine or not."

4) Can we gain competitive intelligence from the review?

Supply managers constantly scan the marketplace, so they are highly attuned to anything that can create greater value and

enable their companies to gain competitive advantage. One supply manager described this as, "Supply management is highly analytical; we seek to understand (and) dissect the information, using what is relevant." Another manager commented, "It is a supply manager's responsibility to know anything and everything about every vendor in (the) supplier base — the good, the bad and the ugly."

Supply managers use negative reviews for a host of reasons as they explore causes of the comments about a supplier. In addition to determining the ramifications of the problem, they want to learn about the credibility of the reviewer, improvements made by the

supplier and competitive intelligence resulting from the review.

The learning process that supply managers are willing to undertake suggests that negatively reviewed suppliers are not dismissed, but rather present an opportunity to learn about an array of factors that may affect an organization. **ISM**

Michelle D. Steward, Ph.D., is an associate professor, **James A. Narus, Ph.D.**, is a professor of business marketing and **Michelle L. Roehm, Ph.D.**, is vice dean of faculty, Peter C. Brockway Chair of Strategic Management and professor of marketing, at Wake Forest University (wfu.edu) in Winston-Salem, North Carolina. This article is a follow-up to "A New Take on Customer Reviews," which appeared in the January/February 2018 edition of *Inside Supply Management*®.

IN TODAY'S TRANSPARENT
BUSINESS WORLD, PRACTITIONERS
UNDERSTAND THE RIPPLE EFFECTS
OF NEGATIVE NEWS AND WANT
TO BE PREPARED FOR ANY
OUTCOME. SO, WHEN READING A
NEGATIVE REVIEW, THEY WANT TO
KNOW IF THE PERTINENT ISSUES
AFFECT THEIR ORGANIZATIONS
AND SUPPLY CHAINS.