

Single sourcing: a strategy with one supplier per part

Single sourcing refers to the procurement strategy in which a company deliberately uses only one supplier for a product or service – even though several would be available in the market. The strategy aims at economies of scale, deep supplier integration and stable quality. It must be clearly distinguished from the predicament of having only one available supplier (sole sourcing). Whether single sourcing pays off depends largely on the criticality of the material, market concentration and the company's risk appetite.

Key facts

- Single sourcing bundles the volume for a part or service with exactly one supplier, even though alternative suppliers exist.
- Typical advantages are higher rebate tiers, lower qualification and administration costs, and closer technological collaboration.
- The main dependency risks are volume exploitation by the supplier, price drift and failure risk in the event of production or supplier problems.
- The strategy is particularly suitable for strategic components with a high degree of specialisation and a reliable supplier relationship.
- Critical parts require additional controls in single sourcing, such as safety stock calculations, contractual safeguards or a documented step-in right.
- The choice between single, dual and multi sourcing should be made on the basis of a structured requirements analysis and spend analysis.

Definition: single sourcing

Single sourcing is a sourcing strategy in which a company deliberately awards the entire procurement volume for a specific product, part or service to a single supplier – although several suppliers would be qualified. The term originates in procurement logistics and is used synonymously with “one-supplier strategy” in German-speaking countries.

Distinction from sole sourcing

In sole sourcing there is de facto only one supplier, for example due to patents, exclusive distribution rights or highly specific technology – the buyer has no choice. In single sourcing, by contrast, the buyer actively decides against multiple sourcing, usually because of cost advantages or the closer partnership. This distinction is important for risk assessment: sole sourcing is structurally forced, whereas single sourcing is a controllable decision with alternative options in the market.

Distinction from dual and multi sourcing

Dual sourcing distributes the volume between two suppliers, multi sourcing between several. These variants increase security of supply and negotiating power, but typically cause higher qualification,

tooling and administration costs. In practice, hybrid forms are common: critical A-parts are sourced from two or more suppliers, while C-parts are bundled in single sourcing. A portfolio analysis within the requirements analysis provides the right choice.

Position within the sourcing strategy

Single sourcing is a building block of a company's overarching sourcing strategy. It is usually defined per item group according to criticality and market complexity, often along the classic supplier portfolio matrix. A consistent procurement policy defines how strongly the company focuses on supplier partnerships versus competitive pressure.

Opportunities and advantages of single sourcing

The deliberate renunciation of supplier competition for a part must be economically justified. In practice, the advantages prevail above all for high-volume items with learning curve effects and for technology-intensive components, where development partnerships are decisive.

Cost advantages through volume bundling

Anyone bundling their total volume with one supplier typically achieves better purchasing prices, more favourable tooling cost shares and fewer small-lot surcharges. Fixed costs such as injection moulding tools, test equipment or first article inspections are spread across larger quantities. Transport costs also fall, because consolidated shipments and consolidated routes become possible – and corresponding Incoterms such as CPT or DDP can be agreed more clearly.

Quality and process stability

A single supplier produces a part in higher quantities on the same equipment with the same personnel – this reduces variation and error risks. Complaint processes, certificates of conformity and approval processes run more streamlined with one partner than with several. Long-term collaboration also enables continuous improvement and joint innovation management in procurement.

Lower complexity and administrative effort

Fewer suppliers mean fewer supplier audits, fewer EDI connections, fewer framework agreements and less coordination effort. Procurement departments can concentrate scarce resources on strategic topics instead of supplier onboarding. Combined with forecast management and annual call-offs, planning is simplified to a reliable supply relationship.

Risks and control measures

The flip side of single sourcing is a high dependency risk. If the supplier fails, the company's own production comes to a standstill – risks must therefore be identified systematically and safeguarded both contractually and operationally.

Supplier failure and supply risk

Fire, insolvency, raw material shortages or quality problems at the sole supplier can bring the company's own value creation to a standstill. Countermeasures include safety stocks, sized through a sound safety stock calculation, as well as a documented contingency plan with qualified second sources on paper ("sleeping second source"). Regular supplier ratings reveal early warning indicators.

Price and negotiation risks

Without competitive pressure, the purchase price often drifts upward over the years. What matters are contractual price adjustment mechanisms with traceable indices, regular open-book discussions and an ongoing spend analysis that makes cost developments and benchmarks visible. The threat of re-sourcing is only credible if a switch has realistically been prepared.

Contractual safeguards

Key instruments are framework agreements with a term and termination rights, an agreed step-in right to tools, formulas, software or production documentation, as well as clear rules on order cancellation and call-off obligations in the annual call-off. For cross-border procurement, payment against documents (CAD) or consistent Incoterms such as CIF or DDP should cover transport and payment risk. Legal details must always be examined on a case-by-case basis.

Methods and approach for introducing single sourcing

The transition to single sourcing should be structured – from analysis through supplier selection to contractual and operational implementation. Hasty bundling without validated supplier qualification is the most common source of error.

Analysis and selection

The starting point is a requirements analysis and spend analysis: which item groups are suitable for bundling, and how high are the volumes and switching costs? This is followed by a structured supplier selection via tender or project procurement, including audits, reference visits and capacity checks. Complete documentation of the award file ensures traceability and provides protection in the event of later audit questions.

Qualification and integration

Before the ramp-up phase, first articles, process capability studies and logistics concepts are agreed. Electronic connection via EDI for orders, call-off notifications and delivery notes reduces interface errors. For catalogue-based C-parts, catalogue compliance should be agreed at an early stage to ensure data quality and process automation.

Ongoing management

Even in single sourcing, operational control is needed: regular supplier evaluations, joint KPI reviews, capacity alignment through forecast management and defined escalation paths. International suppliers also require correct HS classification of goods for customs clearance. Supplier development thus becomes an ongoing process rather than a one-off project.

Key KPIs for single sourcing

To keep the strategy measurable, procurement defines KPIs that capture costs, quality, delivery performance and dependency risk. These KPIs belong in regular supplier reviews and support the internal justification of the strategy.

Delivery and quality performance

Core metrics are on-time delivery (OTD), supplier quality measured as the ppm complaint rate, and response times for complaints. These values feed into the supplier rating and form the basis for the

annual contract review. If performance deteriorates permanently, the switch to the dual sourcing option is prepared.

Cost and dependency metrics

In addition to purchase price and price development index, metrics such as the supplier's capacity utilisation, the share of the company's own volume in supplier revenue, and switching costs per item show the level of dependency. High switching costs are the central argument for contractual safeguard instruments. A regular spend analysis reveals whether promised bundling advantages have actually been realised.

Current developments and practical trends

Supply chain disruptions of recent years have changed the assessment of single sourcing in many places. Procurement organisations are rebalancing efficiency and resilience – without completely giving up the cost advantages of bundling.

Resilience instead of pure cost optimisation

Many companies today are introducing risk-based tiered models: single sourcing remains the standard for non-critical, low-volume items, while critical components receive at least a qualified second source or increased safety stock. Regional diversification and localisation of production play a growing role here, as do sustainability and compliance requirements along the supply chain.

Digitalisation of supplier management

Digital supplier portals, automated EDI processes and data-based early warning systems make it easier to monitor dependency risk continuously. Forecasts are shared in real time, and inventory and capacity data are exchanged. This significantly improves collaboration in single sourcing and reduces response times in the event of disruptions.

Typical metrics

On-time delivery (OTD): > 98%

Typical target value for strategic suppliers in single sourcing

Complaint rate: < 500 ppm

Common guideline for series parts; may vary by industry

Supplier capacity utilisation: < 85%

Higher utilisation indicates bottleneck and failure risk

Volume share of supplier revenue: < 30%

Very high shares increase mutual dependency and require particular monitoring

Practical example

A mid-sized mechanical engineering company previously sourced die-cast aluminium components from three foundries in small lot sizes. As part of its sourcing strategy, the company bundled the total volume with one supplier, qualified through audit and first article approval, following a structured requirements analysis and spend analysis. With the framework agreement, the buyer secured a step-in right to the casting tools, agreed an EDI-based annual call-off process, and maintained a four-week safety stock for

the critical variants through a safety stock calculation.

- Consolidation of volume with one audited supplier, achieving a significant price reduction and tooling costs absorbed by the supplier
- Contractual protection through step-in rights, defined notice periods and documented second-source options
- EDI connection for call-offs and delivery notes, as well as joint forecast management with quarterly capacity reviews
- Quarterly supplier rating covering on-time delivery and quality as an early warning indicator

Conclusion

Single sourcing is a powerful procurement strategy that achieves cost advantages, quality and process stability through volume bundling and close supplier partnership. However, it requires that the dependency be actively managed: with contractual safeguards such as step-in rights, safety stocks, supplier-side early warning indicators and a prepared switching option. The decision for or against single sourcing should never be made blanket, but item-specific, based on criticality, market situation and switching costs. Companies that master this balance combine the efficiency of the single-source strategy with sufficient supply resilience.

Frequently asked questions

What is the difference between single sourcing and sole sourcing?

In single sourcing, the buyer actively chooses one supplier even though several suppliers would be available. In sole sourcing, there is de facto only one supplier, for example due to patents or exclusive rights. Single sourcing is therefore a deliberate strategy, whereas sole sourcing is a forced market situation.

What advantages does single sourcing offer companies?

Typical advantages are better purchasing prices through volume bundling, lower qualification and administration costs, and more stable quality thanks to consistent production processes. In addition, closer technological collaboration accelerates innovation projects. The lower complexity noticeably relieves the procurement organisation.

What risks are associated with single sourcing?

The greatest risk is the failure of the sole supplier, which can bring the company's own production to a standstill. Added to this are price drift without competitive pressure, capacity bottlenecks at the supplier and high switching costs. These risks can be reduced through safety stock, step-in rights, contractual price mechanisms and documented second sources.

When is single sourcing advisable and when is it not?

Single sourcing is suitable for items with high bundling potential, low criticality, or a highly specialised supplier, for example technology-intensive components with a development partnership. For highly critical, readily available parts with low switching costs, dual sourcing is often the better choice. The decision should be made on the basis of a portfolio and risk analysis for each item group.

How do you switch from single sourcing to dual sourcing?

First, a second source of supply is qualified: tender, audit, first article inspection and pilot series. The

volume is then split gradually, often in a 70/30 or 60/40 ratio, to keep both sources economically viable. In parallel, tooling, drawings and EDI interfaces must be set up for the second source.

How can you protect yourself contractually in single sourcing?

Key instruments are framework agreements with a clear term and termination rights, step-in rights to tooling and production documentation, agreed price adjustment mechanisms, and clear rules on call-offs and cancellations. In addition, safety stock and a documented contingency plan are recommended. Legal details should always be reviewed on a case-by-case basis.