



Building An Effective Vendor Partnership

Now more than ever, it is a critical success factor for corporations to develop and build powerful relationships with vendors. In tough times, there lays opportunity to develop relationships, tap into knowledge and expertise and costs and explore new frontiers.

Building:

As we seek to build anything, it is imperative to “begin with the end in mind”. It is not easy to build a structure, for example, unless you know what it is supposed to look like. We apply this concept routinely throughout our daily lives. This seems very basic but, in reality, is vital to accomplishing pretty much everything that we do.

Effective Vendor Partnership:

Isn't the phrase “Effective Vendor Partnerships” redundant? After all, how can one have a “partnership” which is not effective or how can a relationship be effective unless there is an element of partnering?

To Build an Effective Vendor Partnership, we need to begin with the end in mind and focus on the Partnership. Here are some key components of a partnership:

Mutual Benefit – The basic reason for entering into a partnership is mutual benefit. In tough times, vendors may be in difficulty and it is very possible that awarding business may create substantial loyalty and there may be an opportunity to renegotiate pricing or services to keep both parties profitable. The vendor must deliver a service to the client which is valuable (combination of pricing and service level) and must be able to do so while generating an acceptable profit level.

Clear Understanding – In any partnership, all parties need to be clear on their roles and responsibilities. This is clearly sometimes taken for granted or overlooked entirely but can result in smooth long-term working relationships.

Flexibility – In these tough times, all parties must understand that things can change.... quickly. Because of this, all parties need to be flexible to adapt to those changes. For example, auto parts manufacturers are building manufacturing plants within close proximity of assembly plants for efficiency reasons. Those supplier firms who show best an ability to modify traditional methods of doing business in order to satisfy their customers' needs are demonstrating not only a commitment to their existing partnerships, but a commitment for prospective partners as well.

Communication – Open, honest and frank communication between partners is key to making a successful partnership. This may be a good time to explore new frontiers and other opportunities together. It is through communication that trust is built. It is how customers understand their vendors' capabilities and limitations. It is through communication that the “rules of engagement” for any relationship are formed and enhanced. Now that we understand the components of a partnership, we need to look towards the building of such a partnership:



Select the Right Partner - This can be best accomplished with an RFI/RFP process and, due to the specificities of individual industries, the RFI/RFP is likely necessary. Beyond the dizzying array of questions and statistics which are part of any RFP, it is instructive to pay keen attention to the subtleties of each prospective vendor.

- Does the prospective vendor present their capabilities in a clear, easy to understand fashion? If not, it may be a sign that the vendor is seeking to obfuscate their capabilities.
- Does the prospective vendor ask questions and follow-up questions which lead to root causes and then listen to responses in their entirety?
- Does the prospective vendor look to provide solutions catered to your needs or does every solution seem to be their “bread and butter” offerings. Looking at things in this fashion is quite instructive when determining which prospective vendor wants to work with you versus when a prospective vendor wants to sell to you.

Often times, the selection of a vendor from an RFP process results in the customer exercising carte blanche in telling the vendor precisely what the customer wants, effectively saying “I hired you now do what I say”. Obviously, that is well outside what one normally thinks of when thinking of partnership. Asking “Here is what we need to happen, how can we best do it?” is an infinitely better approach. Vendors are generally hired because they are experts in their industry.

Another caveat is to lose sight of the mutual benefit component and direct the vendor “You win, now cut your quoted pricing by 15%”. This would likely eliminate the vendors' profit margin which will result in the vendor scaling down their service offering in order to re-coup their profit margin or the vendor looking at the customer as a money loser and offering little, if any, pro-active effort which would benefit the customer.

This undermines the trust and the relationship. It is also important to establish the “rules of engagement” or, in business terms, KPIs which are designed to be both attainable and representative of the customer's needs. Like other aspects of the relationship, these need to be mutually agreed upon by both parties. While this may be seen as a confrontational part of a relationship, it need not be. If both parties enter into KPI-related discussions in an open, honest and communicative fashion, then the chances of a robust yet effective set of KPIs being developed is quite good.

Finally...vendor partnerships are an investment that can provide substantial returns on investment. Current trends indicate that partnering can uncover new opportunities and perhaps new businesses. Seeking to embrace the components of partnership throughout the relationship will afford the best chance of an effective vendor relationship.



**By Liam Brennan, Managing Director
Paragon Relocation
www.paragonrelocation.com**