

9 1/2 ways

Beat the Drum

How to turn your vendors into valuable business partners



GETTY IMAGES

BY JOE MULLICH

If you still view your vendors as little more than sellers of products and services, you're behind the times. The catchphrase of the 2000s is "business partner" or "customer." Companies that develop cooperative, rather than competitive, relationships with their vendors, experts say, realize the best results — and the highest profits. Here's how to turn your vendors into strategic business partners:

1 Be open and honest. Early in the relationship, openly express to your vendors that you seek a partnership. "Make clear that you plan to do business with them long term," says David Newman, founder and president of Unconsulting, a Philadelphia-based seminar and consulting company. "Ask what they typically do for their best customers, as you plan to be one right from the start."

2 Don't negotiate just on price. Rather than snatch every last dollar on the table, Newman says that details like the following can lead to a win-win relationship: volume discounts; terms and conditions; access to expertise; referrals to each other's customers; co-marketing opportunities; joint ventures; exclusivity; and getting free products with a service, or free service with a product.

3 Pay quickly. "Even though we could wait until the terms are fully run to pay our vendors, we always try to pay them early," notes Seth Hishmeh, cofounder of USAS Technologies, a New York-based consulting firm. "This separates us from the customers of theirs that never pay them on time or sometimes don't ever pay them. Paying early scores a lot of points and helps build more of a partnership."

4 Discover passions. Ramon Vela, president and CEO of Vela Alegria, a Los Angeles-based marketing consulting firm, schedules regular meetings with vendors to talk about *their* goals. If, say, a freelance Web designer mentions an interest in viral videos, Vela stores that information away, knowing he can later tap into the vendor's passion for the benefit of both parties.

5 Look ahead. Mary Adams, a principal with Trek Consulting, LLC, in Winchester, Mass., focuses on her vendors' long-range plans: Where do they see the market and their business going in the next five to 10 years? How do they plan to adapt to these changes? Will it impact their partnership? In a similar way, Adams continually talks to vendors strategically about her business.

6 Use your brains. To better meet the needs of your clients and create joint intellectual capital, Adams suggests brainstorming with your vendors. For example, what are the problems in your shared value chain that aren't being addressed? How can you work with clients to help them keep up-to-date with the latest techniques for connecting and creating communities with Web 2.0?

7 Watch the paperwork. Refrain from having your vendors fill out too much paperwork or jump through too many hoops to tap into co-marketing funds. Experts say millions of dollars go unspent because not enough time is put into educating partners about how these funds work or measuring the success of their efforts.

8 Appoint vendor stewards. FedEx Ground appoints a relationship steward to work with each of its more than 1,000 technology vendors, according to *CIO* magazine. This provides a single point of contact for the vendor, eliminating confusion and delays. FedEx also holds monthly internal meetings where stewards discuss practices for working effectively with those vendors.

9 Share critical information. The Hackett Group, a benchmarking and consulting firm based in Atlanta, advances a strategy called "collaborative working capital optimization" for improving supply management. To achieve the best results, the firm says companies must be willing and able to share forecasts, stock levels, purchase and sales orders and other critical information with customers and suppliers. In addition, they must openly discuss topics such as inventory conditions and production constraints. Remember, you cannot expect vendors to be frank with you unless you are frank with them, the Hackett Group notes.

1/2 Have a party. Celebrate successes together with dinners or lunches, reinforcing the notion that your business relationship is a true partnership. Experts also recommend that you take turns picking up the tab. ●