

BUILD A GOOD RELATIONSHIP WITH SUPPLIERS



Your approach to suppliers needs to be part of your strategic plan since almost every company, whether product- or service-oriented, is dependent on suppliers. Many business owners seem to get this supplier issue backwards. They think that because they write the order, they're in the dominant position and can exploit it with unreasonable demands, including personal perks.

Let's get this right . . . you need good and reliable suppliers. When you find them, treat them like gold. Work as hard on building a good supplier relationship as you do building a good relationship with your customers.

And be loyal to your good suppliers. They are essential to your business's good health and growth.

Let's briefly look at all the ways suppliers can impact your company.

- **Quality:** Supplier components can positively or negatively affect the quality of your product. Higher quality increases customer satisfaction and decreases returns, which adds cash to your bottom line.
- **Timeliness:** Their timely deliveries are crucial to how customers view your reliability. A quick turnaround can become the key to minimizing your inventory, which in turn translates to less risk of inventory obsolescence and lower cash needs.
- **Competitiveness:** They can give you the one-up on your competition based on their pricing, quality, reliability, technological breakthroughs and knowledge of industry trends.
- **Innovation:** Suppliers can make major contributions to your new product development. Remember, they live their product more than you do; they're working to be on the cutting edge of innovation for their product. The good ones will understand your company, its industry and needs, and can help you tweak your new idea.
- **Finance:** If you've proven to be a considerate, loyal and paying customer, you may be able to tap into your suppliers for additional financing once you hit growth mode--or if you run into a cash crunch. That financing may take the form of postponed debt, extended terms on new purchases, a loan, or an investment in your company.

All of these improve your cash position.

IT IS OK TO BE A DEMANDING CUSTOMER

Having said how valuable and important a supplier can be to you, I'll now say that you should not be a patsy. You can be

a demanding customer—just be fair. State your quality and time needs clearly. Hold your suppliers to their agreements. Make sure they stay competitive. Tell them you never expect to pay higher prices than other purchasers.

There are times you need to replace a supplier because you have outgrown them and they can't perform to your new expectations. Before dropping them, however, you might try to help them change to keep up with you.

Also, it's not prudent to rely on one supplier. If that supplier has a strike or a fire, you don't want to be in a position where you'd be shut down too. So keep a backup or multiple suppliers on hand--and don't be embarrassed to tell your key supplier that you're doing so. They will appreciate your honesty.

HOW TO BE A VALUED CUSTOMER

These ideas assume, of course, that you are a customer that somebody out there wants. In order to be a valued customer to your suppliers, here are a few things you should do:

1. **Always pay on time.** For the sake of emphasis, I'll repeat this one: Pay your bills on time! You can negotiate for favorable payment terms before you place an order, but once the order is placed, don't renege or attempt to change the rules. If you can't, call up your suppliers and tell them why and when you will pay. Don't play games with suppliers' cash. You'll be absolutely amazed at the goodwill and benefits you will earn by observing this simple rule.
2. **Provide adequate lead times.** Try to give suppliers as much lead time as possible on your orders. Unless there's a compelling, competitive reason not to, share with them an honest projection of your needs and keep them abreast of any significant changes in that estimation. When developing your lead times, it helps to be knowledgeable about your suppliers' production methods and needs.
3. **Personalize the relationship.** Visit suppliers' offices. While you're at it, include them in some of your strategy meetings. Invite them to break bread and invite them to your office parties and picnics.
4. **Share information.** Keep the good suppliers aware of what's going on in your company. Tell them about changes in key personnel, new products, special promotions and so on. Many times, you'll find that good suppliers can help you find new customers.

Developing good relationships with suppliers is not a complicated process. Be communicative, treat them fairly, be demanding (coupled with loyalty) and pay them on time. It's that easy.

Source: Bob Reiss, Entrepreneur.com