
Tips For Improving Supplier Relationships

by GLEN BALZER

Relationships between manufacturers' representatives and their suppliers are rarely static. Those relationships proceed through a life cycle. They are born, often during a period of euphoria. They grow and develop. They later peak and then begin to decline. Ultimately, the relationships deteriorate and expire. A prudent rep is always keenly aware of what stage its relationship is in with each of its suppliers. Implementing proven techniques can help reps grow and optimize relationships with suppliers, reverse decline, and convert the relationship to one of growing sales and profits. Those techniques, although simple, demand attention and energy. Routine implementation of these techniques helps to improve the success and health of a rep.

Measure Value

A practice recommended for manufacturers' representatives is to develop criteria for measuring the value of each supplier on the line card. It is important for the long-term health of a rep to ensure that the management attention and resources applied to suppliers are proportional to the suppliers' relative value. A rep must always look for the opportunity to apply resources to suppliers where its return on investment is greatest. All suppliers can be scored on each of the criteria. The total value for



a supplier is the sum of the scores on each of the criteria. A rep may choose to apply different weights to the criteria. The suppliers can then be rank ordered, from most important to least important. The next step is to measure the resources applied to each supplier. Ideally, the most valuable supplier receives the greatest level of resources; the second most valuable supplier receives the second greatest level of resources, etc. If there is not a strong correlation between the value of a supplier and the resources that are applied, the rep must take corrective action in order to avoid misallocation of scarce resources. Without routinely measuring the relative value of all suppliers, misallocation of resources is unavoidable.



Clean House

Establishing criteria with which to measure the relative value of suppliers and rank ordering those suppliers are only the first two steps toward improving supplier relationships. After suppliers are rank ordered in terms of value and corrective action has been planned in terms of the resources applied to each supplier in the future, a rep must recognize that one or two suppliers at the bottom of the list are not too

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valuable. Best practice calls for the termination of the least valuable supplier. Once the line card is purged of the least valuable supplier, management time is now available to interview new suppliers. The most successful reps perform the exercise of ranking suppliers, reallocating resources, and considering the removal of the least valuable supplier at least once every year.

Search for New Suppliers

Study the line card and note its strengths and weaknesses.

- Are there product sectors that are underserved?
- Are customers actively promoting the addition of a new supplier to the line card?
- Are there suppliers not on the line card with better brand recognition?
 - Or higher quality?
 - Or broader product offerings?
 - Or greater market share?
 - Or better customer service?
- Are there non-competing, complementary product lines that would add value to the line card?

If so, now is the time to develop a list of suppliers to be interviewed in the months ahead. When drafting a list of suppliers to interview, candidates should rate among the top third of those on the current rank ordered list. New suppliers are not identified, interviewed, and added to the line card quickly. However, the probability of adding a new supplier to the line card is proportional to the number of lines interviewed and number of months or years those interviews have been going on. Why spend management time constantly interviewing prospective suppliers? A manufacturer's representative rarely maintains and never improves its value to customers without searching for, interviewing and adding new suppliers to its

portfolio. Product line cards are perishable, just like tomatoes. Some suppliers on today's line card will not survive. Some will perish. Competing suppliers with previously established direct sales teams or manufacturers' representatives will acquire others. If a rep is to grow, or even just survive, it must constantly interview prospective suppliers.

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Show the Flag



Few reps avoid hard work. However, hard work is never sufficient to perform well in the eyes of suppliers. In addition to all of the work a rep does for its suppliers and customers, it must constantly tell its suppliers what it has been doing in the past, what it is doing in the present, and what it will be doing for its suppliers in the future. This communication must be frequent and may take multiple forms: e-mails; meetings; phone calls; weekly, monthly, and quarterly reviews; memos and faxes. If ever in doubt, over-communicate.

Why is rigorous self-promotion by the rep so necessary? Suppliers, just like reps, are always very busy. Without frequently communicating to the supplier, the efforts of some reps may not register with the supplier. The objective here is to ensure that the supplier appreciates resources allocated to the promotion of that supplier. An easy trap for a rep to fall into is expending energy toward a supplier that is not appreciated or that does not directly aid generation of sales and profits. If one rep fails to communicate its efforts to the supplier, messages from reps in other territories will register theirs and those efforts may well be remembered.

Seek Guidance

In order to ensure that a rep's efforts are in line with a supplier's needs, it is important to ask the supplier constantly what more it wants done: "Mr. Supplier, in addition to booking more orders, what else

do you want us to do for you?" The answer from each supplier will be different. As a result, a rep must have a different program for satisfying each supplier. One supplier may want more seminars, while a second supplier may demand more engineering support, while a third supplier may insist upon more frequent customer or territory reports. The only way to ensure that a rep's efforts are parallel with a supplier's needs is to ask, "What do you want us to do?"

When asking the supplier what it wants the rep to do, be sure to have one or two requests of the supplier completely prepared and well-rehearsed. After a supplier explains to the rep what it would like done differently, the supplier will likely ask, "What may I do for you, the rep?" Always be prepared with a well-planned request. Since the question is not asked often, do not throw away the opportunity by being ill-prepared.

Benchmark

A competent rep strives to be the highest-valued partner in a supplier's rep network. A supplier always maintains a rank-ordered list of its reps. The top rep rarely fears being replaced, while the bottom rep is only a few meetings away from receiving a disappointing letter. In order for a rep to improve its ranking among other reps, it is important for the rep to focus its team on the tasks that the supplier values most. The most straightforward method for a rep to understand a supplier's priorities is to ask two questions of the supplier: First, "What rep in the region, country, or world is doing the best job?" Second, "What activities of that rep do you feel are most important?" Upon identifying the one, two, or three best performing reps and their most-highly valued activities, a rep can then begin a program to improve its performance in the eyes of the supplier. By focusing on the highest priorities of a supplier, a rep can efficiently improve its perceived value to the supplier.

Meeting Protocol

Suppliers are easily influenced by a simple meeting protocol. Start all supplier meetings by telling them what you have done for them during the past 30, 60, and 90 days. End all meetings by telling them what you plan to do for them in the next 30, 60, and 90 days.

Using this protocol requires discipline. It may be difficult at first. The protocol is merely one more tech-

nique to align the rep's efforts with the supplier's needs. As alignment between rep and supplier improves, the perceived value of the rep in the mind of the supplier improves, too. The perceived value of the rep in the mind of the supplier, and not the perceived value of the rep by the rep, is most important.

Conclusion

Relationships between suppliers and manufacturers' representatives are always evolving. Competitors and changing market conditions are among the external forces of change. A rep planning for industry-leading growth and long-term success must actively plan course corrections to the relationship it has with each supplier on the line card. Reps that strive to improve their value to key suppliers outperform their competition over the long-term.

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ABOUT THE AUTHOR:

Glen Balzer is a consultant and expert witness involved with domestic and international marketing and sales. He advises parties involved with contracts between suppliers, manufacturers' representatives, global customers and industrial distributors. He promotes conflict resolution between parties involved in representative and distribution agreements. He has significant experience with integration and rationalization of merged and acquired companies. During the past 28 years, he has been involved in all aspects of establishing and managing marketing and sales organizations throughout North America, Europe and Asia.

