

Why Partnering with Vendors Does Not Work

When engaging vendors to provide products or services to support some part of your business, it is critical that you understand the motives of your potential vendors. If your organization provides business-to-business services, you can evaluate the following article in terms of your own motivations as well.

From my twenty three years spent as a vendor, I have a clear idea of what motivates vendor companies as well as vendor salespeople. On top of the motivation list is increasing sales. In order to do that, a vendor must attract new customers, as well as increase the business they conduct with current clients.

Potential customers are attracted to vendor solutions that address business problems they know they have and/or solutions to problems that the vendor brings to their attention. The latter is most easily accomplished with customers that vendors already work with and therefore know something about.

Although a vendor provides solutions to your business problems, their primary focus is increasing their revenue. A second and very important motive for a vendor is increasing sales at the highest profit margin (probably, just like you).

Back in the 1990's, I began hearing prospective clients say that they wanted to find a vendor to "partner" with. It sounded good at the time, but with further examination, I believe it is a flawed request without the presence of a specific ingredient (more about that in a moment). As stated above, a vendor is ultimately most interested in growing their business at the highest profit margins possible. Many vendors at the time saw "partnering" as opportunity to secure more new business and turn those relationships into loyal and therefore long-term (and profitable) clients.

In speaking with prospective clients at that time, their motivation was described as wanting to attract a vendor that would provide superior value in exchange for the promise of a long term relationship.

On the surface, this "partnering relationship" appears like it should work. Upon closer examination, the challenge becomes apparent. The vendor's goals and your goals are opposed to each other! You want the best possible value, which is usually defined as the best service with the lowest price. The vendor wants to earn your business, long-term, at the highest profit margin possible. An important question not being answered is; as the customer, how do I know I am getting the best value possible by "partnering with my vendor?"

Comparative shopping is one answer to get a feel of what's available in the marketplace. In my experience as a vendor, comparative shopping, although a necessary step, will not reveal the answer to the question concerning the value you receive from your vendor? The reason is that vendors monitor other vendors' pricing and service offerings closely and provide quotes in a very similar manner. As a

potential customer, you can only choose the best value from the quotes evaluated and you will never know if the industry can offer more.

The only two ways I have observed that you can get an answer to the question; "Am I receiving the best value" is to either enter into a "true partnership" with a vendor, or hire a performance-based consultant to guide you. A "True Partnership" is defined as creating an agreement with your vendor where the vendor benefits financially by helping you to accomplish measureable results within your business. In this way your vendor partner now has a vested interest in helping you meet your organizations objectives, not just making a sale.

Engaging a performance-based consultant is similar to entering into a "true partnership" because this type of consultant is rewarded by helping you achieve a measureable result. A knowledgeable, performance-based consultant will know all the intricacies of their industry and will be able to assist you in setting up "partnering like" agreements with vendors without the need to share profits with the vendors. You and your cost reduction consultant are motivated by exactly the same goal, which is to reduce the Total Cost of Ownership (TCO) of your equipment and/or services while simultaneously improving vendor performance.

If vendor performance expectations are set up correctly, within the context of a properly designed Service Level Agreement, you will receive the exceptional value that you are seeking. Since all vendor performance criteria are identified up front, the vendor knows what is expected and focuses on delivering on those expectations. The vendor in-turn earns what they are seeking, which is a long term relationship that they can grow.

David Cantliffe is the President and Founder of BottomLine Advantage LLC located in Louisville, Colorado. BottomLine Advantage is a performance-based, client advocacy consulting group that specializes in reducing hard dollar costs for copy, print and fax expenses while simultaneously enhancing vendor service support levels.

David has over 18 years experience as a sales representative within the copier industry combined with 5 years experience as a dealership principal. You can download additional free articles containing cost reduction ideas at <http://www.bottomlineadv.com> inside the resources tab, send an e-mail with questions or contact David at 888.400.3600.