



Elevate Your Business Through Strong Supply Chain



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How to Pick the Right Supplier / Vendor

Executive Summary:

Developing a strategic and consistent process to evaluate and therefore acquire suppliers before you need them is vital to our ability in growing our company. When we utilize a systematic process we eliminate bias and emotion from the decision making process which allows us to make decisions which are capabilities and needs based rather than emotions. Your 'minimum expectations' list serves as a road map for decision making and comparison shopping as you engage with each supplier.

Developing A Supplier Selection Process

The supplier selection process is an important and vital step for any size company. Making the wrong decision leads to countless hours of wasted time and of course money down the drain. A successful supplier selection process is even more important for small and startup based business where financial considerations are at the top of the pecking order.

When looking for a new supplier follow these steps to best position yourself and company for success:

Know What You Need Before You Need It

Two reasons this is important: 1st – if you don't know what you need how will you be able to explain it to a supplier? When we know what we need and want we are better prepared to explain those needs accordingly while setting expectations for what a successful partnership and outcome looks like. This minimizes miscommunication and opportunity for expectations falling through. 2nd - Waiting till the last minute to find suppliers can lead hasty decision making which may get you

out of a jam in the moment but lead to larger problems down the road. For this reason it's vital you are proactive in establishing relationships with vendors and suppliers so they're there when you need them.

Establish Minimum Expectations for Vetting Suppliers

Establishing minimum expectations means that you will vet all potential suppliers with the same list of needs and expectations. This will help to create an even playing field when vetting suppliers and their capabilities. Similar to #1, when you know what you want and have created a way to gather information which allows you to do equal comparisons your chance of making the right decision increases dramatically. Create an SOP or checklist to hold yourself accountable to collect the right information.

Be Strategic

Once you know what you need from a supplier it is important to think about other associated or cross functional activities which need to be done that could be accomplished by said supplier(s). The ideal situation is you find a supplier that can do more than just one component of your needs, therefore providing more value in the long run. This also saves you time because you have less suppliers and vendors to managed increasing your efficiency and effectiveness.

Supplier Identification

Referrals, referrals, referrals. Once you know what you need the best approach to finding the right supplier is by reaching out to others in



your industry, or industry associations, to learn who they use, and just as important who they don't use. Take the time to read reviews, gather intel from people you trust before you start calling potential suppliers. While sites like Thomas.net and Google can provide this information, it is likely you will quickly find yourself overwhelmed with information. In the end the most useful data is those which are unbiased or comes from experience -this is best collected from a trusted resource.

Outreach and Selection

When speaking for the first time with a potential new supplier try to connect with the people you will actually be working with, not just the company's sales person. This is important because once the relationship is established the majority of your time won't be spent with their sales people rather those delivering the service or product. What is their communication like? Do they respond quickly and address mistakes immediately? What is their customer retention rate?

Find out how long their employees have been with the company too. If the company suffers from consistent turnover that should be a big red flag as you will likely have to be much more involved with this supplier helping coach and direct new employees to ensure the work is done properly. Also, where are you in the pecking order of the level of importance to the supplier? Don't be fooled not all clients are treated equal, even if

they tell you otherwise. When you know where you stand it is easier to build a relationship based on realistic expectations.

When all things are equal supplier selection should come down to four primary factors, in ranked order:

1. Performance
2. Relationship
3. Price
4. Location or logistics

Key Takeaway

At the end of the day it doesn't matter how affordable or cost effective a supplier is, or how nice they are as people. If they can't perform, and do so consistently, the other two don't matter. I've also found that paying a bit more for the right service and relationship often times is worth the investment it in the long run.