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## Finding the Right Supplier

**Creating and maintaining a good relationship with a supplier takes some can help your business grow.**

*By Dennis McCafferty*

If your contracting shop has grown to the point where you need a supplier or two, you should give yourself a pat on the back, because that's a sure sign of success. But be careful too: A bad supplier can make or break your business.

Here's a classic mistake to avoid, experts say: Hiring your brother-in-law or high school buddy as your prime supplier. It's not that a move like this will result in failure 100 percent of the time, but if you make a choice without thorough due diligence, you're only setting your business up for a potential nightmare.

In fact, choosing a key supplier is so critical to your businesses future that you may want to consider hiring a professional background-research service before making a decision. One such business, Experian, an information service company located in Costa Mesa, Calif., can pinpoint whether potential suppliers are experiencing a sudden, sharp decline in their credit scores - which would raise flags. "The last thing you need is a supplier who goes out of business on you with little or no warning," says Dan Meder, vice president of business information services for Experian. "A credit report is another data point that can help evaluate character."

Other tips about starting and maintaining a productive supplier relationship include:

**Cut your own deal.** When hiring a supplier, you're essentially playing the market with respect to what a partner will or won't do for you. So do some research, and find out from other non-competing contractors what they've been able to negotiate. Find out whether you can get a supplier to offer you great credit terms in exchange for bulk sales, for example, or learn about the different kinds of refunds or discounts that may be available. In this sense, a supplier can provide a key role in cost-reductions and cash-flow increases. "You need to come up with an A list and B list of suppliers," says George Cloutier, founder of American Management Systems, an Orlando, Fla.-based profit-improvement consultancy for small- and medium-sized businesses. "Your A list suppliers get top priority. They'll work hand in hand with you to extend liberal credit. They'll sometimes even partner with you on contracts to land business for you. They're not afraid of problems - they have deep pockets so they don't panic when the economy softens. Your B list suppliers may do some of these things, but not at that level."

**Be savvy when screening.** A face-to-face interview provides the best way to get to the core of your prospective suppliers' business culture. Ask about how your suppliers perceive their role in your business, but also develop situation-specific interview questions to get at real-life scenarios and solutions. "Ask them when the last time they had an unhappy client, and what they did about it," says Lisa Nirell, CEO of EnergizeGrowth, a Sunriver, Ore.-based growth consultancy for contractors and other small business owners. "Then, make sure you verify their version with that client. Through this process, you get a sense of whether your potential suppliers' values and execution align with yours."

**Find your own references.** A reference supplied by a supplier is fine, but through online searches and word-of-mouth through your local community, you can find a contractor who can offer a more objective assessment. "The most dangerous thing is to never go to references at all," says Joyce L. Gioia, a certified management consultant and author of *How to Become an Employer of Choice*.

**Make sure they get the big picture.** You probably have a vision of what your company is supposed to be, so when you connect with supplier have a conversation to underscore your vision, to make sure your supplier is on board. %Sharing this vision with your suppliers allows you to get their feedback on how to get there,+says Nirell, who is author of the upcoming book, *EnergizeGrowth NOW: The Marketing Guide to a Wealthy Company*.

**If you like it, promote it.** A supplier who's making your business a better one deserves to be rewarded. While repeat business is a reward in itself, new sources of customers for your supplier is a gesture that could strengthen your relationship.%Celebrate the success you've had with your supplier openly and publicly,+Nirell says. %The best kind of supplier relationship is one in which you help each othersqbusinesses grow.+

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### Chart

A poll of independent business owners indicates that many introduce new services and products based upon supplier recommendations. The Washington-based National Federation of Independent Business asked its members whether they agree with the statement, %We usually introduce new products and services based on the recommendations of our suppliers.+More than half say they do:

Strongly agree: 18 percent

Agree: 33 percent

Neither agree nor disagree: 10 percent

Disagree: 16 percent

Strongly disagree: 22 percent

SOURCE: National Federation of Independent Business