



10 WAYS YOU CAN IMPROVE YOUR SUPPLIER RELATIONSHIPS

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Boosting supplier relationships is an intuitive win-win for everyone involved.

You benefit from top-tier service delivered by partners genuinely happy to service your needs and willing to go the extra mile. Likewise, suppliers secure an easy-to-work-with customer they can rely on for steady orders and positive interactions. Communication is effortless, expectations are understood, and operations are executed seamlessly.

How do you build relationships with suppliers? How can you create a stronger rapport with your current network to mirror the scenario above? Explore these top ten strategies to improving supplier relationships — then reap the profitable and interpersonal rewards.



How to Build Supplier Relations

Consider any of the following strategies to improve interactions with your third-party suppliers, whether they be wholesalers, manufacturers, import vendors, distributors – or any combination of the above.

1. MAKE YOUR EXPECTATIONS CLEAR

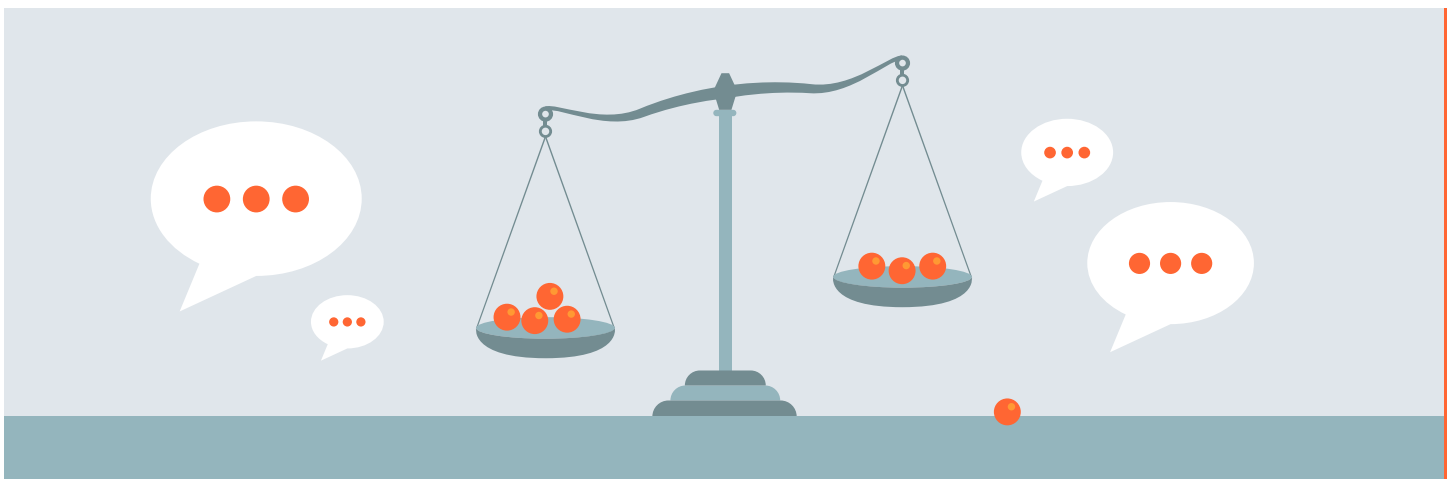
Strategic supplier relationship management (SRM) is an established framework that transitions businesses away from ad-hoc interactions with their suppliers – which usually take place only after a negative incident – into an ongoing set of well-structured and streamlined communications.

More specifically, strategic SRM defines contract objectives early and upfront. Communicate your expectations at every stage in the supplier relationship, including:

1. Initial Vetting	Organizations must have a definitive understanding of their own needs before approaching any potential suppliers. What's more, businesses should consider what ideal suppliers look like, such as a vendor's size, location, add-on services, customer support, pricing and more.
2. Contract Drafting and Agreeing	Present defined business needs in writing via a supplier relationship agreement. Prioritize your top vendor needs and characteristics, clearly communicating your expectations as you co-create a mutually beneficial servicing contract.
3. Contract Renewals	Use renewal periods to review supplier performance. Are they meeting your defined needs and parameters written in your service agreement? Do you need to outline new objectives? Are you living up to your end of expectations?
4. Future Business Goals	Keep lines of communication open with your vendors, periodically communicating your organization's strategic priorities and how those affect the nature of supply needs.

Compared to a traditional reactive style of supplier relationship management, a strategic approach ensures needs remain continually clear. Expectations never become stale from being tied only to past deliverables.

2. TAKE A BALANCED APPROACH



Understand your supplier doesn't exist solely to serve you. External vendors manage dozens, if not hundreds, of contracts, each with unique service clauses and deliverables. Keeping this at the forefront of interactions instills a balanced, healthier set of behaviors on both ends with appropriate responses when things are business as usual and when accidents strike.

It's **more than reasonable** to expect the following from all your suppliers:

- On-time orders and deliveries
- Properly met shipment frequencies
- Transparent and clear payment terms
- Secure and straightforward invoicing
- Compliance with industry standards and government regulations
- Sensible response times to communications
- Quality assurance on contracted deliverables
- Accountability if accidents, mishaps, or mistakes occasionally occur

However, it's **not reasonable** to expect:

- Instantaneous responses to every email, phone call, message, or meeting request
- Immediate scalability to meet new production demands or seasonal variability
- Fee or penalty waivers on invoice late-payments due to AP inefficiencies
- Integration with your enterprise resource management, document management, and communication suites
- Deliverables outside their scope
- Complete catering to your every business question or need

3. IDENTIFY AND MONITOR INTERNAL RISKS

The best vendor relationships start by taking a good look internally. Consider the current tools and processes you maintain which will support your entire supplier ecosystem. Generally, satisfying internal resources fall into three categories: technology, personnel, and processes.

1. Technology

Do you have the software in place to nimbly manage end-to-end supplier communications and documents? This includes sending, receiving, uploading, organizing, and accessing everything from invoices to account statements. A vendor-ready technological suite will also simplify timely payments — one of the most important elements of a good supplier relationship.

2. Personnel

Can you appoint a dedicated supplier relationship manager or sensibly work that responsibility into a current employee's role? For larger enterprises, it may be more pertinent to dedicate a whole team or micro-department to managing vendor, supplier, and distributor operations to ensure end-to-end visibility and minimize silos.

3. Processes

Have you created a clear vendor management workflow, then communicated that workflow to relevant employees? Organizations have several tactics at their disposal to do so. For example, you can draft a standard operating procedure (SOP) flowchart outlining every step in the typical administration of supplier proceedings. Organizations can work that flowchart into team project management systems, giving relevant personnel a clear structure to map their work, trace their duties, then pass documents and approvals off to the next individual in the workflow.

4. TREAT SUPPLIERS LIKE PARTNERS, NOT VENDORS

Suppliers aren't abstract entities. They're dynamic organizations made up of real people performing real work, day in and day out.

Treat them as such! Put in the effort to make supplier interactions personal and human, be it on the phone, email, or face-to-face. Go the extra mile by sending:

- Personalized birthday cards
- Holiday greetings
- Anniversary cards
- Small tokens of thanks and appreciation, such as gift cards or lunch

Treating suppliers like dignified partners goes beyond even these transactional touchpoints. The best vendor relationships continually keep your vendors, manufacturers, and distributors in the loop on upcoming business developments, such as the release of a new product. Ask specific questions and hear their concerns regarding your business evolution, ensuring both parties' needs will continue to be met.

Doing all this builds trust and keeps communication open and fluid, plus shows a level of commitment as if the supplier was part of your business itself.

5. ADDRESS ANY ROADBLOCKS IMMEDIATELY



The most common hurdles businesses experience with new third-party vendors include:

- Incompatible software
- Poor communication
- Inaccurate inventory estimates
- Slow or delayed payments
- Slow or delayed deliveries
- Poor customer service
- Missing documents or critical communications
- Routine data entry and document data errors
- Poor overall data management and security

Both parties can experience these challenges, not just your end. Improving supplier relations involves minimizing these service incidents by understanding their root causes, taking prompt accountability, then investing in an appropriate remedy.

Even more important is for your business to be open and honest about any impending changes that may impact your vendor. For example, communicate an expected delayed payment as soon as possible if you're having spend control issues this quarter.

While tackling these issues is uncomfortable, preemptive communication allows your vendor to adapt accordingly while appreciating your transparency. Likewise, being forthright about operational or service issues you're experience allows you to find an amicable solution before souring the entire relationship.

6. PARTICIPATE IN PERFORMANCE MANAGEMENT

Include key performance indicators (KPIs) in your supplier relationship agreements. Doing so sets an objective way to review all supplier relationships, providing short and long-term criteria for those third-parties to meet.

It also reduces the risk of misunderstandings when it comes to service issues or concerns, providing language to review the source of the issue in an unbiased, predetermined way.

Popular KPIs to include in your supplier relationship agreements include:

- Order fulfillment averages
- Delivery or supply defect rates
- Invoice exceptions
- Purchase order accuracy
- Purchase order cycle times

Ensure to communicate how often you'll be appraising these performance metrics, whether annually, quarterly, or in more defined increments. As an act of collaboration and reciprocity, encourage all your vendors to similarly review you.

The benefits of performance reviewing your third-party suppliers — and them reviewing you — include:

- Solidifying a mutually beneficial ongoing relationship
- Fostering transparent lines of communication
- Addressing repeat misunderstandings or mishaps
- Providing objective feedback
- Encouraging a growth mindset for both operations



7. BE MINDFUL OF COMPANY DIFFERENCES

The ways companies operate varies based on dozens of factors, including:



Geographic Location



Size and Scale



Country or Regional Culture



Organizational Structure



Country-Specific Regulations & Laws



Leadership Styles



Specialties or Niches



Overall Work Environment

Every supplier, manufacturer, and distributor you work with will have its own company culture derived from these variables and more. Their culture affects everything from the nature of their workflows to the employees they attract to company incentives for performance outputs.

Get to know the true nature of your suppliers. Ask questions related to leadership, values, organizational structure, employee expectations, work environments and more. In particular, note any cultural differences based on your supplier and manufacturer locations. Those differences play a major role in how to navigate across time zones, as well as business communication norms and rituals, important holidays to keep in mind, healthy expectations surrounding service urgency and more.



Working with international third-party vendors also means understanding details like currency exchanges, customs, VAT rates, and additional financial details.

All these elements of cross-cultural competency in business — whether interpersonal or technical — go a long way in building great supplier relations.

8. UNDERSTAND YOUR SUPPLIER'S BUSINESS

Organizations stand for more than the goods or services they produce. When strategizing how to build better relationships with suppliers, you must take into account the full nature of what makes your vendor tick. That includes but isn't limited to:

1. Company Mission and Value Statement	Consider the who, what, where, when, and why behind a company's existence — their mission is likely a good indicator of that vendor's culture.
2. Social Media Presence	Look at the platforms they use as well as their profile popularity, posting frequency, shared content, and audience engagement.
3. Philanthropic Work	See what charities or causes your suppliers consistently support.
4. Industry Reputation	Find out what the vendor's reputation is with current and past clients similar to your organization.
5. Origin Story	Learn how the third-party supplier came to be what they are today.
6. Future Goals and Priorities	Ask about their organizational growth goals, target markets, new products or services, customer support offerings, partnerships, market forecasting and more.



Several of these business elements can be discovered without doing business with a third party. For example, a supplier's industry reputation can be gleaned from online reviews, customer testimonials, and industry publications, as well as asking relevant leaders in your business network what impressions they have of a potential vendor.

9. SPEND TIME WITH YOUR SUPPLIERS



Meet your suppliers in-person.
Even today, there's no substitute
for in-person communication.

Face-to-face interactions provide the most organic set up to get to know your suppliers, build rapport, and better understand the people instrumental in your supply chain.

While it's likely possible to conduct most of your business from a distance, make a point to meet up in person from time to time to build a stronger relationship. For vendors or manufacturers located further away, consider utilizing video conferencing or scheduling virtual lunch meetings to better interact with them.

Those meetings provide the prime setting to review the essentials of your vendor-client relationship, notably:

1. Organizational Culture	Assess firsthand if this is a suitable vendor to do business with.
2. Go-to Contacts	Meet your main touchpoints with the vendor or supplier, as well as other relevant employees in the organization.
3. Facility Compliance	Review whether a third-party vendor's facilities, equipment, and machinery stand up to industry regulations. Are they clearly following regulatory compliance for the sourcing, fabrication, and handling of goods as well as operational safety best practices? Are working conditions safe and ethical?
4. IT Security	Evaluate a vendor's complete IT and cybersecurity ecosystem, ensuring policies like data back-ups, recovery plans, server redundancy, and frequent security audits exist. You may also consider asking which employees have access to your enterprise data and if they've been thoroughly vetted, temperature-checking yet another critical cybersecurity element.

10. USE TECHNOLOGY TO YOUR ADVANTAGE

Vendors are businesses themselves. They appreciate friendly, obliging, and communicative clients and, even more sensibly, those who pay on-time.

The right enterprise resource planning (ERP) tools assist in payment processes and related communications and documents, automating a great deal of vendor payment functions such as:

- Integrated accounts payable and accounts receivable tools
- Automated invoice or PO routing
- Intuitive document storage, organization, and retrieval
- OCR-fueled document data extraction and comparison
- Early payment discount notices
- Mobile accessibility, so employees who work offsite have evergreen access to the ERP system
- Reduced rates of misplaced, miscategorized, or all-out lost documents
- Smoother communications between steps in approval workflows
- And more features

DEMO ERP AUTOMATION SOFTWARE AND IMPROVE YOUR SRM

The right technology makes it easier to manage healthy, ideal supplier relationships.

The best software management system can eliminate manual paper processing previously relied on for vendor communications and payments. What's more, that same ERP provides harmonized workflow models to manage and monitor third-party business transactions, store relevant documents, categorize data, and — ultimately — simplify your entire network of third-party vendors.

If you want to simplify the work involved in supplier operations and boost your relationships at the same time, get in touch with one of our reps here at MHC AP to **request a free demo** of our comprehensive ERP and AP automation suite.



