Your Suppliers Can Have More Affect on Profits Than Customers

By Drew Tonsmeire

Suppliers can control operating details such as the price paid for products, when payments are due, how products will be distributed, and even selection of products or service offerings. As such, the affect on profit margins generated through purchasing activities can be more than sales efforts.

Small businesses generally have some sort of plan to market to customers. Most plans, however, do not include distinctive methods for building relationships with suppliers. Therefore, concerted efforts by a small business directed toward their resources can enhance the overall efficiency and profitability of the organization. Often described as relationship building, “resource marketing” involves efforts with product suppliers and other contractors to create and maintain strategic alliances.

Communication remains the critical ingredient in building positive relationships. Sharing ideas in merchandising, sales presentations, or alternative product uses exemplify common tactics. Including vendors on press releases, both in content and distribution, increases the vitality of the relationship.

Providing exclusive links into the internal web site or intranet can position vendors as partners and resources for the continued success of the small business. Many companies today provide “extranet” portals. These exclusive gateways into the small business’s web site strengthen the ties with suppliers, ultimately transforming the relationships into partnerships.

Most small business owners keep profitability statistics very private. Sharing income statements and balance sheets is more often considered a bank requirement than a source of communication with vendors. Yet, many vendors may feel privileged to be included as part of the key advisor group and may have suggestions for improved performance.

Outside the cursory communication, small business owners may need to examine these relationships from a strategic basis. What would be the impact if the vendor no longer supplied their resources? Has the vendor relationship been built with key individuals; what affect would their leaving or promotion out of their current area of responsibility have on the business?

Beyond the sales force, building relationships (with people) in support areas such as accounts receivable or other administrative departments enhances opportunities for the small business to be noticed and positively received by the supply organization. Most people appreciate receiving “a pat on the back” for good performance, and correspondence to their superiors provides a tangible outlet of recognition.

Utility companies, landlords, and maintenance and professional service providers are other components small business owners should not overlook in a resource marketing campaign. Just as important as the direct product vendors, these vital resources can account for a substantial amount of investment on the part of the small business.

In today’s competitive environment, small business owners should seek distinctive strategies for improving profitability. Marketing to customers remains one of the most important activities in which businesses engage. Small businesses should capitalize on their versatility and ability to react to the marketplace through non-traditional applications. Including resource development strategies creates a dynamic, 360-degree approach to marketing which forms strategic allegiances around the business. As many other businesses have realized, suppliers can often do more for the bottom line than customers can.

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