Vendor Selection Strategies for Sustainable Success

Whitepaper
DWM Facilities Maintenance is a leading facilities maintenance company providing break-fix, emergency, and remodel/rollout services for national portfolio clients. In business since 1997, DWM has learned quite a bit about choosing the right vendors to meet the needs of the company and their clients. In an industry where vendor turnover is unusually high, DWM Facilities Maintenance’s vendors have been working with the company upwards of 7 years.

Executive Summary:

A systematic approach to vendor selection is crucial to attaining sustainable success in business. This whitepaper delves into the vendor selection process and provides readers with a basic framework for creating a successful vendor selection strategy to facilitate strong vendor relations that result enduring business success.
Many companies rely on vendors to achieve their strategic goals and provide exceptional products and services to their customers. In addition to providing a good or a service, vendors can be an extremely valuable resource to a company in terms of strategy and systematic decision making. As a result, vendor selection is a critical part of any business strategy, making it important to have a sub-strategy of your organization’s business model dedicated to vendor selection and retention.

The vendor selection process is slightly different depending on the scope of work, timeline, and your organizational goals and culture, but the overall strategy of vendor selection should remain the same: retain long-term, mutually beneficial partnerships.

Some may argue that price is the biggest player when it comes to selecting a vendor, but the long-term benefit of an unwavering partner should not be overlooked.

The vendor onboarding process takes time, money, and resources that could be better spent in facets of your organization’s business:

While the “cheaper is better” mentality may achieve short-term cost-savings, the constant retraining, multiple sourcing cycles, perpetual store-level confusion associated with this approach will cost your organization more in the long-run.

Price is not the end all be all of vendor selection.

Strong vendor relationships will promote sustainable cost-savings through communication, economies of scale, and efficiencies by ending the cycle of vendor turnover. When looking for this long-term partner, there are a six areas that should be investigated to ensure that your organization chooses the right vendor.
Vendor Selection and the RFP Process

Most organizations approach vendor selection through a request for proposal process to gather information from potential vendors. In this process, requirements are defined and the vendors are asked to respond through an RFP where they are then evaluated against a checklist of requirements by each evaluator and sheets listing requirement verification are produced.

While this process enables organizations to gather and organize information about multiple vendors in a relatively organized and methodical fashion, the RFP process leaves a lot to be desired. By only comparing vendors on paper, evaluators may have skewed opinions of vendors, and base weigh their decisions more heavily on price than they would if they actually had the opportunity to speak with the vendor. The communication between an organization and a vendor is critical from the start; saving even 50% on hourly rates or a fixed bid rarely make up for a poorly selected vendor.

The RFP process is an efficient mechanism to be introduced to a large number of vendors in a relatively short time period. Additionally, the process tends to match organizations with great short-term partners. For the RFP process to be a viable and effective tool for long-term vendor selection, it should not focus on the project, rather, it should focus on the people who will be supporting the project. By focusing of the support team and culture behind the vendors in the RFP process, organizations will be able to garner a better understand of who the vendors are, and how they do what they do, rather than just learning what trades the potential vendors cover.

By tweaking the RFP process to focus on the vendors and their cultures, organizations will be more likely to reap the benefits of a long-term vendor partnership. Just a small change in an organization's RFP process can turn new vendors into long-term partners, helping organizations realize sustainable cost-savings, improved customer experiences, and collaborative input that can lead to long-term business success.

Once you have the right vendor, it is important to nurture the relationship to ensure it can create long-term business success for both your organization and theirs. Vendor management is not negotiating the lowest price possible, it is constantly working with your vendors to come to agreements that result in long-term success for both parties.

7 Strategies to Strengthen Vendor Relations

1. Share Information and Priorities

The most important success factor of vendor management is the communication of information and priorities. Provide the necessary information at the right time to allow a vendor to better meet your needs. This may include limited forecast information, changes in design and expansion or relocation changes, just to name a few.

2. Balance Commitment and Competition

One of the goals in vendor management is to gain the commitment of your vendors to assist and support the operations of your business. On the same token, vendors expect similar levels of commitment from you. However, seeking competitive bids is not taboo and sometimes terms may need to be revisited.
3. Allow Key Vendors to Help You Strategize

Companies hire vendors to support their business mission in ways that either the company cannot do—or cannot do efficiently. Most times, the vendors are the experts in that particular area and can be utilized to expand your expertise in your industry and garner a greater competitive advantage.

4. Build Partnerships for the Long Term

Vendor management seeks long term relationships over short term gains and marginal cost savings. The cost of vendor turnover can be upwards of 3% of the annual maintenance budget. Trust, preferential treatment and access to insider or expert knowledge are other factors attributed to strong vendor relations.

5. Seek to Understand Your Vendor’s Business Too

Remember, your vendor is also in business to make money. If you are constantly leaning on them to cut costs, either quality will suffer or they will go out of business. Part of vendor management is to contribute knowledge or resources that may help the vendor better serve you. Asking questions of your vendors will help you understand their side of the business and build a better relationship between the two of you.

6. Negotiate to a Win-Win Agreement

Good vendor management dictates that negotiations are completed in good faith. Look for negotiation points that can help both sides accomplish their goals. A strong-arm negotiation tactic will only work for so long before one party walks away from the deal.

7. Come Together on Value

Vendor management is more than getting the lowest price. Most often the lowest price also brings the lowest quality. Vendor management will focus value. You should be willing to pay more in order to receive better quality. If the vendor is serious about the quality they deliver, they won’t have a problem specifying the quality details in the contract.

What if your vendor is not making the cut?

If it is a long-term relationship, do not sever the ties immediately, chances are it is as simple as miscommunication. If your organization begins having issues with a vendor’s performance, it is important to address them immediately to avoid escalation to a larger problem. If you do not find success with your first contact, work your way up the chain of command to ensure the voice of your organization is heard.

If you are not satisfied with contract terms, be sure to address the dissatisfaction to ensure the situation is recognized when it comes time to renew the contract. Your organization is just as important to your vendor’s business success as they are yours, consequently a great vendor should be willing to compromise to ensure the relationship remains mutually beneficial.
Founded in 1997, DWM Facilities Maintenance is a leading provider of facilities maintenance services for some of the world’s best brands, including L.L. Bean, Barnes & Noble, Dollar Tree, and Regal Entertainment Group.

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