



Synchrony Connect



CHANGING WHAT'S POSSIBLE™

## HOW TO MANAGE SMALL BUSINESS







# VENDOR RELATIONSHIPS

Vendors can be helpful business partners who provide the products and services you need to successfully run your business. Great vendors can improve the quality, convenience, and price of what you offer your customers, and help drive your company's efficiency and profitability. Creating and maintaining strong relationships with your vendors can be an important part of the success of your small business, whether you have 5 suppliers or 50. Here are some tips for how to choose the best suppliers for you, and more successfully manage these relationships.

## Choosing the Right Vendor for your Business

A great vendor relationship starts with choosing the right vendor. This process can take some time and effort, but the investment can really pay off. Instead of going with the first vendor you find, do your research and search for the best match for your needs.

### WHAT TO LOOK FOR IN A VENDOR

-  **PRICE.** It's always beneficial to get the most value for the lowest cost. Shop around and compare vendor prices. Make sure the estimates outline all the costs, and watch for hidden fees and extra charges.
-  **QUALITY.** Price doesn't matter if the product or service is poor quality. Ask to see samples. Find out what quality control measures are in place to ensure consistency. Ultimately, you want your vendor's products and/or services to make you look good and enhance your reputation.
-  **CONVENIENCE.** Since you'll be working with the vendor regularly, you'll want to make sure they're easy to work with and have smooth and efficient processes. Accessibility, convenience, and responsiveness are also important. A vendor should make your life easier, not harder.
-  **REPUTATION.** You need to rely on your vendors and trust that they'll deliver on their promises. To find reputable vendors, find out what their other clients are saying. The ideal vendor should have excellent reviews, references, a proven track record, and a reputation for quality work.

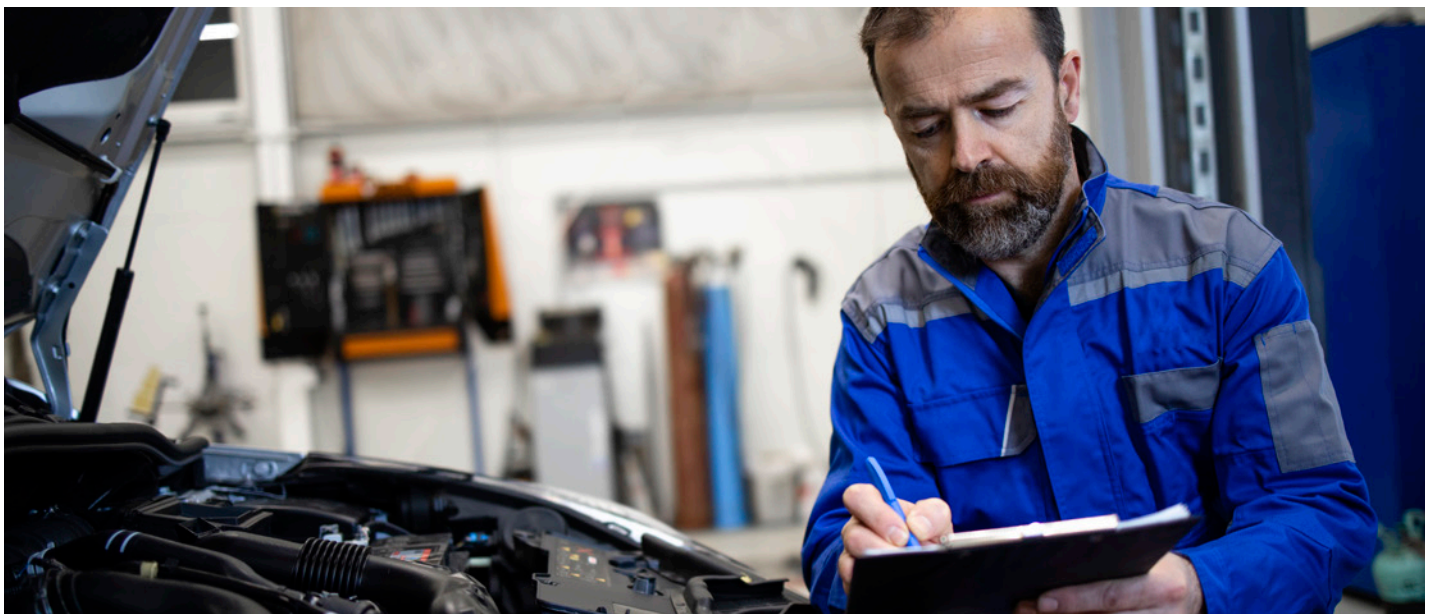


## Steps for choosing a vendor

Choosing the right vendor(s) could feel overwhelming. But when you break the process down into smaller steps, the process can become a lot more manageable.

### STEPS FOR CHOOSING A VENDOR

- 1 DEFINE YOUR NEEDS.** Before starting your search, know what you're looking for, and what's important to you. Think about quality, price, selection, diversity, innovation, or any other aspects that are key to you and your business.
- 2 RESEARCH POTENTIAL VENDORS AND COMPILE YOUR LIST.** Do your research and explore a wide range of options. Leverage trade organizations, your local Chamber of Commerce, your peers, and even Yelp or other review sites. Read reviews to learn about the strengths and weaknesses of different suppliers.
- 3 GATHER MORE DATA AND NARROW YOUR LIST.** Dig deeper into the vendors with the most potential. Contact them to get information on selection, pricing, delivery, turnaround times, and other aspects that are important to you. Ask for samples (if applicable) and references. Narrow your list to your top choices.
- 4 MEET WITH YOUR TOP CHOICES.** Face-to-face meetings are a good idea for your top choices. While a vendor may look great on paper, chemistry is important, too. Find out who your vendor contact/representative would be, and meet with them. Tour the facility (if applicable). Ask as many questions as you can think of. And be sure to contact the references provided.
- 5 CHOOSE YOUR VENDOR AND NEGOTIATE THE TERMS.** You've found the right vendor for you. Now what? It's time to work out all the details. Identify and share your objectives and expectations in terms of deliverables, timeframes, costs, payment terms, etc. Work with your vendor representative to make sure everything is addressed, clearly, and is in writing.
- 6 MAKE IT OFFICIAL.** The last step is the contract. Ensure all pricing and terms are clearly written out and understood by both you and your vendor. Before signing a contract, always read the fine print. If it's a complex contract, it can help to have your attorney review it before you sign on the dotted line.





## Where to find potential vendors

While you might know *what* you're looking for in a supplier, knowing *where* to find them can be challenging. Sure, you can always consult online search engines, like Google. But there are many other resources out there. Below are some other ways to track down vendors who could be just right for your business.



**Focus on being authentic, constructive, and understanding. This could be the start of a great new business relationship.**

### Ask your network

Word of mouth can be a great resource. Let people in your network know you're looking for a vendor. If you're friendly with any of your competitors, consider asking them for suggestions. Your network could also include your social media contacts and local business groups. Personal recommendations are always valuable.

### Join industry groups

Industry trade associations can provide a wealth of information. If you're already a member, take advantage of the available resources and vendor lists. If not, consider joining an industry group or other professional networking organizations such as your local Chamber of Commerce.

### Read trade journals and magazines

Sign up for magazines, emails, and newsletters from industry insiders. Look for articles that feature suppliers and what they offer. You could also scan the publications for vendors' ads as a starting point for further research.

### Attend trade shows

Industry trade shows are a perfect place to learn about and meet with potential vendors and suppliers. While there, you could check out sample products, ask questions, and sometimes even take advantage of special event pricing.

## How to negotiate with a vendor

In most cases, prices and terms are rarely set in stone. Negotiating is common practice. Of course, negotiation can take some confidence and skill. But with a simple understanding of the process, you can go a long way toward achieving a positive outcome for everyone involved. Below are some tips:

### Understand what matters to you

First, be clear on what you want and why. Of course, you'd like the best price possible. But it's also important to know what's realistic. Have specific numbers in mind. Besides price, consider other things that might also matter to your small business, like selection, convenience, and even marketing support. Since negotiating requires compromise, knowing what matters to you can help you focus your efforts in the right place.

### Understand what matters to your vendor

Knowing what drives your suppliers can help you develop a successful negotiation strategy. Do a little research and try to get familiar with their pressure points, if possible. Maybe you can give something they want (like referrals or a faster payment window) in exchange for something you want (like better pricing). Understanding their needs can give you more leverage.

### Build credibility and trust

Negotiating could be an emotional exercise, especially if you are new at it. It helps to start with a positive mindset. Focus on being authentic, constructive, and understanding. This could be the start of a great new business relationship. Being upfront and honest now can help set a positive tone for the future.

### Try for a win-win situation

Win-win negotiations don't necessarily mean everyone gets *exactly* what they want. Often, it's about making compromises. So, consider what sacrifices you're willing to make. Try to end up with a comfortable agreement that balances everyone's most important needs.

## Developing positive vendor relationships

Instead of being a mere supplier, the ideal vendor can be a partner that supports your small business in many ways – from providing you with quality products, to increasing your efficiency, to helping you out when you're in a jam, to offering ideas and opportunities to grow and expand.

Finding the right vendor is the first step. But maintaining a successful ongoing relationship is perhaps even more important. Here are some things that can help keep the relationship strong:



### **Set clear expectations (in writing)**

From the outset, you and your vendor should know what each other wants and expects. Communicate your needs and put them in writing so there are no misunderstandings.

### **Keep the lines of communication open**

Good communication is key to any relationship. Set up a schedule for regular updates and keep each other in the loop. Communicating early and often makes it easier to adjust to changes and find solutions if necessary. Giving and receiving feedback is another good way to improve the relationship and help ensure both parties are getting their needs met.

### **Take responsibility for the relationship**

A positive relationship works two ways. Try to be a customer that vendors like working with. Do your part and be responsible for what you can control. These are things like: paying invoices on time, providing reasonable lead times on orders, treating your vendors with respect, and being transparent about any issues before they turn into bigger problems.

## Handling difficult supplier conversations

Occasional problems can arise even in the best of business relationships. Whether your vendor hasn't lived up to their promises, or their service quality has declined, it's sometimes necessary to deal with a tough situation. While conflict can be difficult, putting it off can make things worse. Here are some tips for how to handle a difficult conversation:

### Establish the purpose of the conversation

Before you raise an issue with your vendor, be prepared. Have a specific objective and be sure you can explain the problem clearly. This can help frame the discussion and make sure things don't get too heated or off track. Prepare your talking points in advance and gather any appropriate documentation beforehand.

### Have a solutions-oriented mindset

The goal of your conversation should be to find a workable solution. If you can, brainstorm some ideas in advance. Or work with your vendor to come up with a solution together. Either way, it helps to enter the conversation with a positive, constructive mindset.

### Be willing to listen

During the conversation, state your concerns simply and then listen to what your supplier has to say. Give them a chance to explain their side. Keep the discussion productive by remaining calm, polite, and empathetic. By listening carefully, you can also make sure your issues are being heard.

### Follow up

Follow up with your vendor after the conversation to ensure they feel comfortable about the outcome. Then check in periodically to see that any necessary changes are being made.

## Evaluate the relationship on an ongoing basis

Just as your small business is continually evolving, so are your supplier partnerships. Part of managing these relationships means periodically stepping back and evaluating them to make sure you're still a good match. Hold vendors accountable to your evaluation metrics and adjust if necessary.



### Additional Resources

For more information on partnering with vendors, check out these helpful articles.

#### Harvard Business Review

[Rethink Your Relationship with Your Vendors](#)

#### Intuit Quickbooks

[10 tips to effectively manage vendors and suppliers](#)

#### Inc.

[13 Tips for Negotiating With Suppliers](#)

#### The Black Swan Group

[The Dos and Don'ts of Negotiating with Vendors](#)

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For more information or to connect with an expert, contact us at [synchronyconnect@synchrony.com](mailto:synchronyconnect@synchrony.com).

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