Material Suppliers Are a Major Cost; Make Them a Major Contributor, Part II

As a result of a consultant’s health-check on our company, I sat down with my staff to brainstorm ways we could include my supplier as a member of our team. The major topic of discussion was, If our material supplier is a major cost, then why isn’t he also a major contributor to our business?

Last month I told you about new materials and how our supplier could provide us with a “heads up” when something new is available, and also about how our supplier can be used to provide us with leads for new work. This month we look at my team’s other ideas for including our supplier on our team.

Personnel

Suppliers know most of the people in our industry, What if our team member helped us find potential personnel for our company? We ask them for information anyway, but if they really were part of our team, couldn’t they help us more?

Entertainment and Promotions

Right now, our suppliers do entertain us, but we currently do not use them at all for entertaining our clients. Isn’t it a possibility that we could do a better, more effective job of using our entertainment budget by working with a supplier team member?

Knowing Our Competition

We do try to learn as much as we can about our competition—I’ve mentioned this before in a previous column. But we are always learning about things through the gossip mill. We get a variety of types of information from suppliers. For example, we learn that this estimator changed companies, and that this company does things this way or that way, or that this company needs work. What if it was the responsibility of our team member to keep us current on our competition? Couldn’t we learn more about which competitor got which project and who is doing work for whom? Wouldn’t we be able to keep our information on our competition more current and accurate?

Tracking and Planning Workload

In the past, I have gotten information from our supplier that our volume is “down this month,” or the opposite. This comment came long before our internal accounting system told me. Our rep knows how much money we spend with him on a monthly basis—he has to, he works on commissions. Why isn’t that information good for me to know as well? What if I told him the projections for next month and asked him to keep me current on the actual volume? Wouldn’t that information be beneficial to me and to my efforts to keep our volume at the level that is planned? Wouldn’t that data be beneficial to hi also, and for his planning? If he becomes better at his job, couldn’t he help me more in mine?

There are many other ideas that we had as a result of this exercise. And I am not yet sure how many of them I am going to try. As a standard rule, we use three suppliers regularly. We have one who gets the majority of our work, about 70 percent, and the other two split the rest. We currently bid out our projects, so our suppliers are always in a competitive situation. In order to try any of these ideas, I have to re-think our standard method of purchasing materials. But that is what ideas are supposed to do, right? They are supposed to force us to think about things differently and as a result, change for the better.

My plan is to take this article and sit down with our main supplier, make him read this, and see what we can work out. It will be different, and I have to admit that the consultant who didn’t know anything about construction did stumble onto something that forced me to re-think our business paradigm. Maybe the money wasn’t totally wasted after all.

Comments? Send your e-mails to porinchak@awci.org, or fax to (703) 534-8307.