

Basics of Business

Suppliers and Distributors

Suppliers and Distributors could be very important to your business, so maintaining a good relationship with them is important.

What Is the difference Between a supplier vs a distributor? A supplier supplies a product or service to another entity, often a distributor, who will sell it to a wholesaler or retailer. A supplier can also be the manufacturer of the product and the distributor of the product. More often they cannot take on the additional workload of distribution so they outsource this activity to another company. A distributor sources products from suppliers and sells them to a wholesaler or retailer at a slightly higher price to make a profit. The main difference between these two, the supplier works more closely with the manufacturer and the distributor works more closely with the retailer.

What Is a Supplier? A person or business providing a product or service to another entity. The role of a supplier is to provide high-quality products from a manufacturer at a good price to a distributor or retailer for resale. A supplier is someone who acts as an intermediary between the manufacturer and retailer, ensuring that communication is forthcoming and stock is of sufficient quality.

The Importance of a Supplier in the Product Lifecycle Suppliers serve a very important role at each stage of the product lifecycle. From finding necessary options to source raw materials to helping ramp up production, companies need to work closely with their suppliers to smooth the delivery chain of their products.

Examples of the Role of a Supplier

The role of a supplier can be a demanding one, as retailers expect a certain level of promptness and quality. Suppliers must be flexible and understand how to manage relationships. Other important elements of a supplier's role include:

- Compliance with local laws: all relevant laws and standards, including human rights protection and child labor.
- Equitable transactions with all retailers, providing equal opportunities for all retailers to do business with them. A retailer should not be rejected due to their location, or any other reason.
- Best price possible: They must guarantee the best price and quality to retailers to maintain their trust, helping ensure repeat business in the future.

- No conflict of interest: should not do business family members, friends, and new or old colleagues, decreasing the likelihood of unfair treatment among other customers.

What Is Supplier Relationship Management? The process of planning and managing all relationships with vendors that supply any products or services to a business. This may involve raw material suppliers, utility suppliers or cleaning services suppliers.

Creating and maintaining the process, explicitly outlining the route to manage a supplier is important, so a company can choose the right suppliers, suiting the business needs. The process goes further than just choosing the right vendor, it outlines the process of building trust with suppliers and improving on the services provided by them.

The Benefits of Supplier Relationship Management Managing relationships is an important function of any department, but more so for suppliers, as these are entities not internal to the company. Suppliers exist outside of the business, so the company needs be careful with information it provides the supplier. Suppliers need to feel the business values them before providing excellent service seamlessly and going above and beyond the normal activities to impress the business.

- **Reduced Costs:** Managing supplier relationships means suppliers stay with the company and churn is kept to a minimum. Working with one or two suppliers who can provide many different materials is better than having many different suppliers. This means a company can work on improving the supplier services and reducing costs.

- **Foster Innovation:** When a business works closely with a supplier, they can work together to lead innovation. Through this, both parties can improve their offerings exponentially.

- **Collaboration:** As companies build strong relationships with their suppliers, feedback and open communication become easier. Collaboration becomes seamless in this way. The company can provide observations to their suppliers about how to improve service to them and vice versa.

- **Process Improvements:** As feedback becomes commonplace, the business and suppliers begin to understand the inner working of their relationship. The supplier will know what products the business might be interested in, and the business will understand the right time to order from their supplier so they receive goods promptly.

Supplier Relationship Management Best Practices

- **Lasting Relationships:** If a company intends to use a vendor more than once it should strive to build a lasting relationship whereby they can pick up the phone and easily talk to their supplier. This relationship will ensure they will understand the full capabilities of their

suppliers, so the business knows when they are asking too much. Building a strong relationship ensures their supplier looks after the business's needs in the future before others.

- **Invest in Technology:** Software is everything today, it's easy to find the right supplier management software tailored to the company's explicit needs. With this Technology, companies can track suppliers, create a dashboard snapshot of how everything is doing, and quickly discover pain points through simple to read data.
- **Pay Suppliers On-Time:** A great way to maintain a good supplier relationship.
- **Streamlined Supplier Agreements (SSA)** mean all suppliers receive the same treatment regardless of what service they provide. When onboarding new suppliers, the process is a lot quicker as the agreement will be the same for all suppliers. Minor edits can be made of course, but these can be signed off in a fraction of the time it takes to get sign off on a 10+ page document. This makes it easier to manage relationships as everyone in the department will know what the agreement says.
- **Evaluate Risk:** Companies should research suppliers before they do business with them to make sure they are financially stable. Businesses should always seek supplier references to inquire about particular concerns the business may have. Asking references how the supplier deals with increased capacity, how consistent with delivery times and quality, is the supplier forthcoming with important information, the level of after-sales service, etc. is hugely important for risk management. Evaluating risk before onboarding a supplier can mitigate uncertainties later.

A quick, final note about Supply Chains The supply chain is the journey products take from where they're mined, grown, or otherwise made, all the way to their eventual destinations in the hands of consumers. Supply chains are made up of so-called "nodes" and "links." Nodes are stops a material or product makes along the way, at a factory, port, warehouse, or retail store. A link, on the other hand, is the time a material or product spends in transit between nodes—usually on a cargo ship, train, freight aircraft, or semi-truck. An entire industry exists around managing supply chains and securing an efficient route for products along various links and nodes.

Here are the steps to manage your supply chain.

- Plan and manage all resources required to meet customer demand for a company's product or service. When the supply chain is established, determine metrics to measure whether the supply chain is efficient, effective, delivers value to customers and meets company goals.
- Choose suppliers to provide the goods and services needed to create the product. Then, establish processes to monitor and manage supplier

relationships. Key processes include: ordering, receiving, managing inventory and authorizing supplier payments.

- Organize the activities required to accept raw materials, manufacture the product, test for quality, package for shipping and schedule for delivery.
- Coordinate customer orders, schedule deliveries, dispatch loads, invoice customers and receive payments.
- Create a network or process to take back defective, excess or unwanted products.

Note: Portions of this document were excerpted from an article "What Is a Supplier" <https://www.oberlo.com/ecommerce-wiki/supplier>