

PSDA PANEL DISCUSSIONS - 3/31/15

Topic: STRATEGIC PARTNERSHIPS



Between Suppliers and Distributors (customer relationship + technical expertise = More profit)

Between Distributors and Customers (Long term relationships based on achieving shared goals)

Between Distributors (Bridge geographic and market limitations to secure a national presence)

A. What are the characteristics of a Strategic Relationship?

1. The parties understand each other's culture and goals, and agree on common goals.
2. The parties are committed to collaborate in many ways to achieve common goals.
3. Each party understands the need for a win / win result.
4. There is a personal relationship between senior management of the parties.
5. The people involved at all levels trust each other.
6. The parties are willing to exchange sensitive information in order to better work together.
7. The parties conduct strategic planning together.
8. Far less emphasis on buying decisions made on the basis of individual product costs.

B. What are the expected benefits of having a Strategic Partnership?

1. Collaborate on process and design improvements to gain a competitive advantage.
2. Reduced process costs producing better margins for both parties.
3. Preferred handling of special pricing, service, or quality situations to defeat competitors.
4. Shared education, leads, advertising, and marketing expenses to increase sales.
5. Engage supplier directly with customer to strengthen the relationship with clients.
6. Electronic ordering, shipping, billing, and other connectivity that improves productivity.
7. Share innovations and ideas to create new opportunities.
8. Supplier proactively provides technical expertise when appropriate to improve results.
9. Collaborate to add new products for key customers to increase sales.
10. Resolve any possible channel conflict before it becomes a problem.
11. Dedicated customer service relationships to make doing business easier for both parties.
12. A continuous improvement process in place to reduce friction and improve results.

C. How do we start the process of developing a Strategic Relationship?

1. Educate my own team on the importance of Strategic Relationships.
2. Review top suppliers / customers and set a plan to meet with 1 or 2 that might qualify.
3. Define who in my company should lead this initiative.
4. Contact senior management at the candidate company to determine their interest.
5. Using the items listed above, together define a plan to start building the relationship.
6. A signed Letter of Understanding and frequent follow up meetings to discuss progress.

D. Conclusion. (Suggested by O'B)

The importance of building Strategic Relationships is made more starkly obvious if we look at long term trends, which I predict will continue during the next 5 - 10 years.

1. The number of print manufacturers is decreasing, and many of those that remain will increasingly be a part of larger organizations. This will raise the value of strategic relationships from the distributor perspective.
2. The number of distributors will shrink as the current distributors retire and the majors disappear, raising the value of strategic relationships for manufacturers.
3. Innerworking, Safeguard, Proforma and ASB are continuing to grow and are building their own version of Strategic Relationships, causing the independent distributor to become more isolated. Smaller distributors will be seen and handled as lower priority transactional business.