

Vendor Relationships  
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As with any relationship, the interaction between originators and equipment vendors evolve through many different stages. It is important for an originator to understand which stage of the relationship he/she is currently involved in and to present himself/herself appropriately based upon the stage. It is equally as important to realize there are opportunities (applications) to be realized at each stage. However, the opportunities increase in numbers and quality as an originator/vendor relationship progresses through each stage. (Note: Just because an originator has received a transaction from a vendor it doesn't constitute a strong established relationship.)

**Stage 1: *Introduction*** The first stage of any relationship is getting to know one another. The process is a two way street. The vendor needs to know who the originator is (his/her capabilities) and conversely, the originator should be investigating the vendor. The introduction stage starts from the very first call. The introduction stage can occur over just a few calls, multiple meetings/calls, or even several transactions being processed and funded (timing between a few days to a few months). This is an investigative process whereby both parties are trying to determine whether or not the relationship is a match.

Unfortunately, most relationships get stuck in this stage. The originator and vendor have many conversations; however, there is little if any business development, and eventually the contact wanes or just stops. The relationship doesn't get off the ground for several reasons: 1) There isn't a match of needs and solutions, 2) The originator has not successfully made his/her case that there is a match, or 3) The vendor is unwilling to establish a relationship at this time.

In order to have success in Stage 1 the originator must be proactive and an investigator. Questions must be probing and the originator should listen intently to the answers to sincerely determine whether or not there is a match. It is appropriate to vocalize your intent to better understand the vendor's needs and to suggest meaningful solutions during this stage. Setting expectations and reacting to both positive and negative situations is part of the introduction stage.

**Stage 2: *Delivery*** The second stage of the relationship is the first real test of compatibility. During this stage transactions start to flow (meaning several transactions over a relatively short period). The vendor and originator both want results (approvals and fundings). The originator is looking for quality and strong transactions which meet the credit criteria and are win-able within the originator's structure and pricing capabilities. The vendor is looking for superior and quality service, competitive programs and prompt funding capabilities.

This is the stage where both parties are testing the others capabilities in comparison to what was claimed during stage 1. Can each DELIVER what was claimed during the introduction stage. Stage 2 is when trust is either enhanced or quickly diminished.

The originator must have great customer service skills during this stage and the ability to concisely communicate both positive and negative information. The statement: "A vendor is only as loyal as the last turn down" is an example of stage 2 falling apart. If the originator properly sets the expectations and delivers what was promised then a single turn down should not damage a relationship, but confirm the originator's capabilities. If applications are matching properly then the approval and funding ratio will be appropriately higher. The originator should never get frustrated through this stage, but rather embrace

the process as a opportunity to reveal his/her real value and to determine whether or not the vendor is, or could be, a preferred business partner.

Stage 3: **Commitment** After much hard work and diligent efforts on the part of the vendor and the originator a real commitment develops and trust is confirmed between both parties. The vendor and the originator are working as a team, to support and enhance both parties' ability to increase sales and bottom line profits. There is a free flow of information between the originator and the vendor. The vendor wants to provide appropriate information to protect the risk of the originator and the originator offers superior service, pricing and structures which allow the vendor to be most competitive in the market. In order to reach a commitment stage both parties must truly understand the other's business and are invested in the success of the total relationship. The originator is a primary stakeholder in the vendor's supply chain and conversely is treated as such.

Historically, in the small ticket commercial equipment leasing/financing industry, the commitment stage has not been typically characterized by formal contracts or agreements. However, it is possible and at times, formal agreements are appropriate in various forms. Recently formal commitments have re-emerged in the form of: invoice discounting agreements, recourse agreements, buy back agreements, residual participation and residual guarantees, joint marketing efforts, private label programs and even vendor/lesser partnerships. However, the best form of commitment (with or without agreements) comes from the consistent submission of all transactions by the vendor and the consistent delivery of superior service by the originator and his firm.

The third stage of a vendor relationship is a win-win proposition for all parties. It is at this stage of development when an originator can claim he/she has a meaningful vendor relationship. The vendor and the originator are jointly pursuing the success of the relationship.

Stage 4: **Sustainability** Often times the most difficult stage of any relationship is the long-term sustainability. Because of constant changes within the relationship and by outside forces which are out of both parties influences, vendor relationships are often hard to maintain. It takes work and constant communication. The strongest originator/vendor relationships are sustained because of extra and consistent efforts. Constant communication of upcoming changes, needs, wants, opportunities, challenges and solutions is needed.

The originator mustn't ever take a committed vendor relationship for granted. It is an ongoing process to maintain and to grow an existing vendor relationship. As with any relationship, there will be stumbles along the way. A strong and committed originator will embrace the challenges as opportunities to redefine his/her value - by navigating through the challenges the originator will enhance the entire relationship.

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12/2010