Five Steps to Rethinking Your Supply Chain Relationships

With so many pressures on the supply chain — the lingering effects of the COVID-19 pandemic, surging fuel costs, spiraling costs of labor and raw materials, the impact of the war in Ukraine and economic recession coupled with the threat of stagflation — maintaining positive relationships with trading partners isn't easy. Manufacturers and distributors are both struggling with decreased trust.

So what can you do about it? How can you overcome the damage being done to your trading relationships every day?

We'll be the first to admit it: this is a complex topic with multiple different answers. This checklist exists to help you start thinking and get organized around some of those potential answers. Let's dive in.

☐ 1. Recenter your thinking around the demand chain

The key here is realizing how you can work together with your partners instead of – from their perspective, at least – working against them. Your ultimate goal is to get your goods into the hands of consumers.

So, what do you need to do to get there?

Start by thinking about how to deliver your products to your customers. What do they need? When do they need it? Being customer-oriented – that is, focusing on a demand chain – allows you and your customers to align your goals and data, gaining visibility into demand and inventory.

☐ 2. Communicate business goals and plans to customers

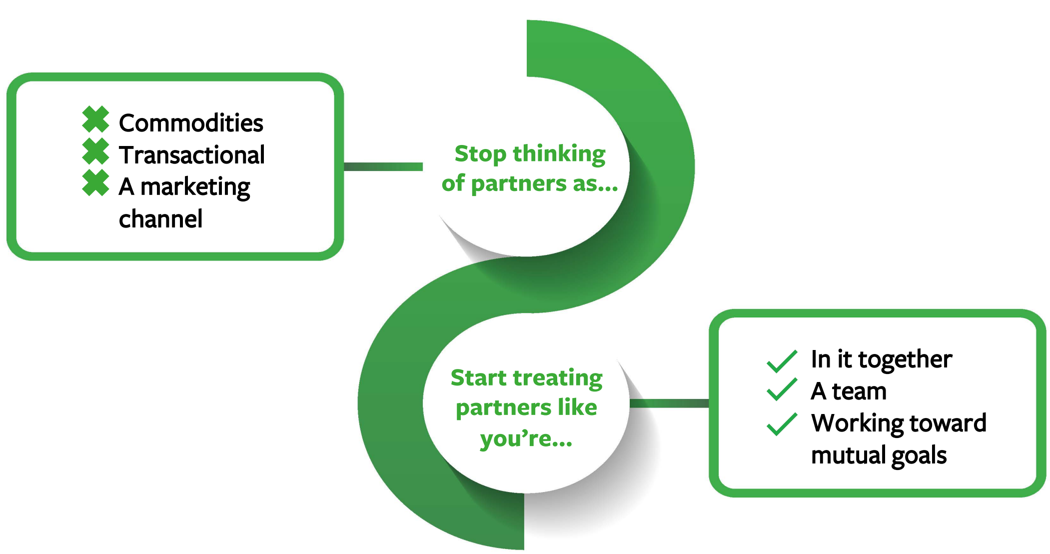
Now that you're thinking about your customers, it's time to talk about goals – both yours and theirs. Imagine one of your vendors wants to increase its focus on swimming pool supply, and you want to grow your construction-industry business in Florida. In theory, there's some great synergy here. Together, you could work out a joint business plan to position your supplier's swimming pool products to your property developer prospects in Florida.

But if neither of you communicated this goal, you would miss a tremendous business opportunity. In the absolute worst-case scenario, because you didn't support each other, your partner might shut down one product line to focus on another.

Figure out your business goals and then hop on a call with your trading partners. Have frank conversations with them about their goals and yours, and look for those opportunities for synergy.

☐ 3. Treat partners like partners

Manufacturers and distributors can have hundreds of trading partners, leading businesses to think of each other as an undifferentiated mass of vendors who want to sell you stuff at the highest price they can get. This isn't a great mindset to have when it comes to your partners.



When your partners know they can work with you and are valued, both of you can get much more out of your trading relationship.

☐ 4. Make sure you're providing value — price will follow

You might be saying, "Wait a minute! Price is everything!" but we're here to suggest that might not be true.

As you likely know, price and value aren't the same thing, and smart companies align their supply chains around value. This means that instead of haggling suppliers to get a penny off the price of a particular good, a distributor instead spends time trying to find better ways of solving problems their end customers face. Sure, prices may increase, but that will be reflected in value-based pricing to the end customer.

So take some time to think about the products your company sells and the value they provide. You might not be in a position to make pricing decisions, but you can influence leaders to align pricing more toward value and ultimately improve your business relationships.

☐ 5. Maintain trust and loyalty with rebate and incentive programs

When you're dealing with a volatile supply chain where you can't control costs of labor or supply, rebates make a great tool for managing alignment with customers. Make sure you take time to regularly assess your rebate programs.

Why? Because rebates allow partners to set price strategies and deliver competitive quotes in line with customer demand,while allowing them to course-correct when projections aren't aligned with reality.

Rebates are especially important in the current crisis, as manufacturers increasingly regionalize their supply chains and try to secure contracts that will minimize risk and help them manage exploding costs for products and raw materials.

So take time to ensure your rebate programs are driving the kinds of behaviors you want to see. Volume rebate programs are a great driver of additional purchases, while rebates that incentive product mixes can help you move supply.

Ultimately, your rebate strategy not only increases your margins but helps you to maintain positive relationships with your trading partners at every level.

"It only takes a small handful of mistakes with some of your best customers to lose faith and trust in the company. We want to make sure we are paying every single dollar that they've earned along the way that they've trusted us to supply them with."
– Bob Gay, Customer Profitability Manager, AAP

Bringing it all together

Maintaining positive relationships with your trading partners has never been more important than it is in today's supply chain environment. As consolidation forces decisions to a corporate level and wild fluctuations drive mistrust between partners, there are paths out of the darkness.

Start by focusing on a demand chain, not a supply chain. Look for places where your goals align with your customers — and then find synergy wherever possible. Pay more attention to value than pricing, because pricing will follow behind value, and better value drives loyalty while demanding higher prices. And last: use your rebate and incentive programs to increase revenue and loyalty simultaneously.

If you're ready to start using rebates today, reach out to us. Enable's cloud-based rebate management is helping businesses of all kinds to weather the current storms and be prepared for the future.

Visit www.enable.com or get in touch with us at hello@enable.com.