

YOUR No. 1 RELATIONSHIP

HOW TO BUILD STRONGER
BONDS WITH YOUR SUPPLIERS

CANADA'S BEST ENTREPRENEURS
SAY THEIR RELATIONSHIPS
WITH SUPPLIERS ARE THEIR
MOST IMPORTANT. HOW
CAN YOU MAKE THE MOST
OF YOURS?



Transporting prisoners to court used to be a huge, costly job in Ontario. Tens of thousands of inmates needed to be brought to court appearances every year, each accompanied by up to three security officers.

Jim Gragtmans and his partners are helping change all that. Their Toronto-based ET Group is installing videoconferencing and other audiovisual equipment in hundreds of courtrooms, police stations and jails as part of the province's Justice Video Network. The equipment is now used by over 100,000 prisoners annually to address courtrooms, saving enormous sums for taxpayers.

Bell Canada, which became the prime contractor for the project in 2010, hired ET Group as its lead subcontractor for providing audiovisual systems for the video network.

"It has been a game-changer for us," Gragtmans says of the project. "Because of the contract, we have invested in new departments and people, and a bigger space."

Much of the project's success, he says, is due to the close relationship ET Group and Bell have nurtured with key suppliers, including technology giant Cisco. Sales have quadrupled since 2008 when Gragtmans and his partners bought their technology integration company.

Supplier relationships are often overlooked by businesses, but not by ET Group. Gragtmans says his company looks upon suppliers as strategic partners. That pays huge dividends when ET Group needs their ideas and help in delivering complex jobs, such as outfitting courtrooms with a bewildering array of equipment from different companies.

"Those collaborations with suppliers and our partner are where our growth is coming from," he says. "Sometimes we're trying to do some very unique things, and we need their creative minds in addition to our own."

VITAL RELATIONSHIPS

Developing good connections with suppliers—sometimes called supplier relationship management—is critical to business success, says Ashay Gude, a BDC Business Consultant in Halton, Ontario, just outside Toronto.

"Businesses are increasingly relying on suppliers to help reduce costs, innovate, improve quality and reduce lead time," Gude says. "Good relationships with suppliers can provide a competitive advantage."

In fact, the most successful Canadian entrepreneurs rank relationships with suppliers as their most important business relationships, according to a recent BDC survey of 1,000 Canadian small and medium-sized businesses.

Nearly one-third of the most successful firms said supplier relationships were critical to their success, in contrast to less than one-quarter of less successful companies.

CONTINUOUS EFFORT NEEDED

First-rate supplier relations require continuous, long-term effort, Gude says. He recommends that you start by identifying the few vital suppliers that contribute to your company's advantage over your competitors. "You have a vested interest in their success. Focus on building and maintaining partnerships with them."

He divides the process into several steps.

- First, evaluate all suppliers. Make sure they are the best ones for your business and that their products meet your needs. "You want suppliers who are aligned with your strategy," Gude says.
- Second, integrate key suppliers into your business. Learn how they operate, and make sure your systems work seamlessly with theirs in areas such as invoicing and order fulfillment.
- Third, collaborate on quality improvement, problem-solving and product development. Also, work together to improve capabilities and adopt best practices on both sides.
- Finally, measure performance continually and have structured ongoing discussions with your key suppliers about how to improve.

Ultimately, the idea is to work together as partners so both sides prosper, Gude says. "Sometimes companies focus just on the short term and only demand cost reductions from suppliers, rather than thinking strategically. That doesn't help in the long run."



PHOTOS: DANIEL ALEXANDER

JIM GRAGTMANS
PRINCIPAL / ET GROUP

WORKING TOGETHER

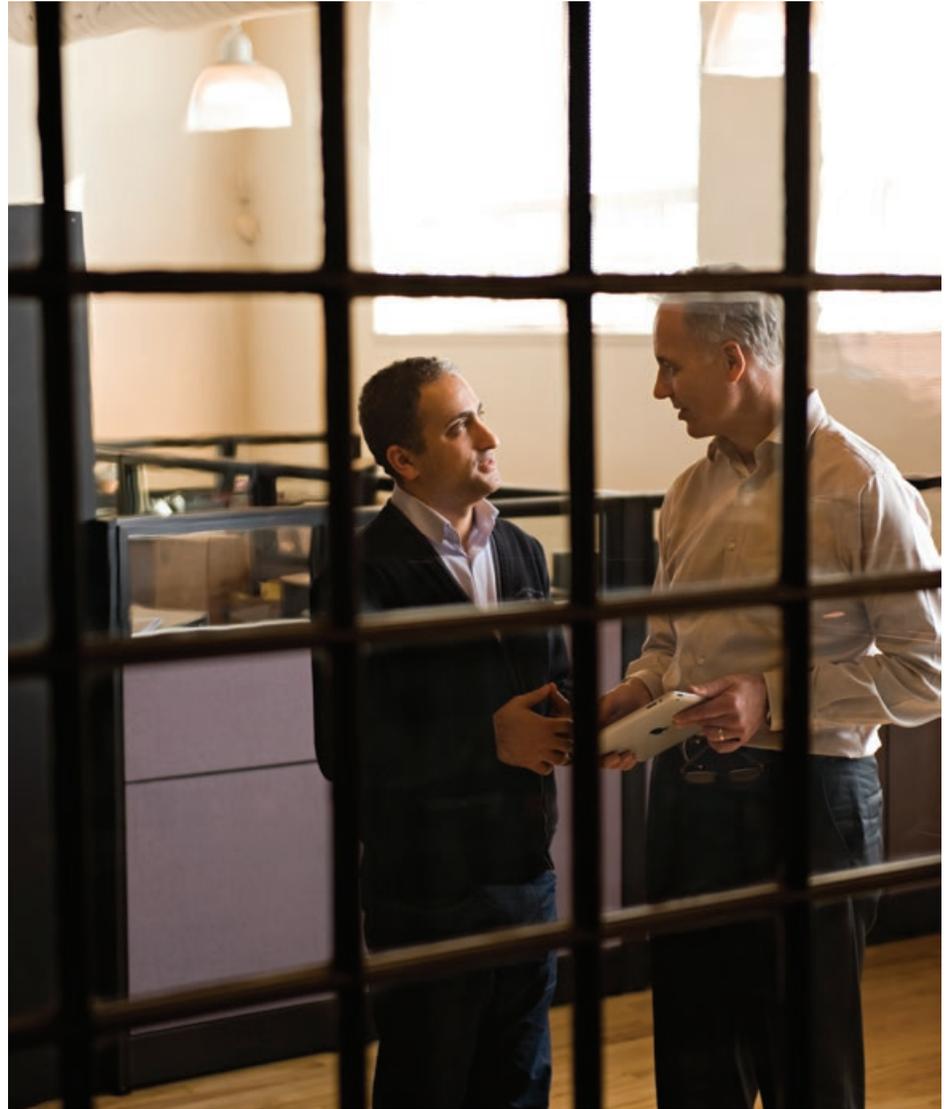
In Langley, B.C., Franco Aquila is a strong proponent of this approach. Aquila is CEO of Iplayco, a company that makes and installs play structures—everything from playgrounds to mini-golf courses and laser tag arenas.

Aquila tells an anecdote to illuminate his collaborative approach to relationships with Iplayco's more than 200 suppliers. The company was in the process of delivering a play structure in Sweden when one of its suppliers realized the slides they'd made were the wrong size. The supplier agreed to work around the clock to redo the product and ship it by air freight in time for the playground opening.

Far from cutting the supplier loose over the error, as some businesses might have done, Aquila helped cover the extra shipping costs and kept working with the company. "We don't want to create hardship for our suppliers," he says. "Everyone can make a mistake."

Aquila never makes a promise to a customer without first consulting key suppliers and regularly tells suppliers what his firm is planning down the road. "They appreciate being fully aware of what to expect from us."

Being kept in the loop about upcoming business means his suppliers don't have to be constantly on the lookout for new contracts. In return, they provide preferential pricing.



“
THANKS TO OUR SUPPLIER
RELATIONSHIPS, WE'RE ABLE TO OFFER
THESE HIGHER VALUE SOLUTIONS.
”

HIGHER VALUE SOLUTIONS

At ET Group, Jim Gragtmans follows a similar philosophy. His company works with about 100 suppliers in all, but it focuses extra attention on a handful of the most important. Both sides benefit.

ET Group, a BDC client, is now building on its close supplier connections to offer digital services to universities. In one project, the company is outfitting classrooms with video equipment to film lectures and creating a secure network to share them with students.

"Thanks to our supplier relationships, we don't just sell boxes of equipment any more. We're able to offer these higher value solutions," Gragtmans says. "We look for areas where our interests overlap with suppliers, and we really focus in on those areas. We share what our customer challenges and opportunities are, and how we might address those together. We're partners." \$

