WORKING WITH SUPPLIERS AND VENDORS

Finding reliable suppliers, negotiating better terms, and protecting your business if one lets you down.

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AT A GLANCE

- Good suppliers help you deliver quality on time. Bad ones can stop your business.
- Negotiate more than price: **payment terms, minimum orders, delivery times and quality**.
- Always have a **backup supplier** for anything critical.

Why it matters

Supplier costs are often your biggest expense, and supplier problems become your customers' problems. Better terms improve your margins and cash flow. See **M-06 Cash Flow: Why Profitable Businesses Still Run Out of Money**.

Finding suppliers

- Trade shows and industry associations
- Wholesale marketplaces and directories
- Other business owners in your industry (who don't compete with you)
- Local manufacturers and distributors
- Your community: many immigrant founders have valuable supplier connections at home or abroad

What to compare

Factor	Questions to ask
Price	What's the unit price at different order sizes?
Minimum order	What's the smallest order they accept?
Payment terms	Can I pay in 30 days (net 30)? Is there a discount for paying early?
Lead time	How long from order to delivery?
Quality	Can I get samples? What happens with defective items?
Reliability	Do they deliver on time? Ask other customers.
Communication	Are they easy to reach when something goes wrong?
Location and shipping	What are the shipping costs and risks?

Negotiating

1. **Get quotes from at least three suppliers.**
2. **Start small**, then ask for better terms as your orders grow.
3. **Ask for payment terms** once you've built a track record.
4. **Combine orders** to reach price breaks.
5. **Pay on time.** It's your best negotiating tool.
6. **Put terms in writing.** See **B-09 Contracts Every New Business Needs**.

> EXAMPLE
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> **Lina** bought flour and butter from one distributor, paying on delivery. After six months of on-time payments, she asked for net-30 terms and a price break for ordering every two weeks instead of weekly. She got both, which saved about 4% on ingredients and freed up about $3,000 in cash each month. She also set up a second supplier for butter after a shortage.

Protecting yourself

- **Backup suppliers** for critical items
- **Written agreements** with prices, delivery, quality and what happens if they fail
- **Check deliveries** on arrival
- **Watch for price changes** and compare yearly
- **Importing?** Learn about customs, duties and shipping times before you order.

Common mistakes

- **One supplier for everything critical.**
- **Choosing on price alone.**

- **Never asking for better terms.**
- **No written agreement.**

Your checklist

- ☐ List your top 5 suppliers and what you spend with each
- ☐ Get quotes from two alternatives for your biggest item
- ☐ Ask your top supplier about payment terms or volume pricing
- ☐ Set up a backup for critical items
- ☐ Put key supplier terms in writing

Where to go next

- **O-09 Inventory Management**
- **M-06 Cash Flow: Why Profitable Businesses Still Run Out of Money**
- **B-09 Contracts Every New Business Needs**

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