

Communication is Key in Successful Vendor Management Programs.

Your organization's performance hinges on your ability to build strong, mutually-satisfying relationships with vendors. By using these best practices in vendor management, you can reduce costs, improve your service and create a loyal following of motivated vendors.

Set Clear Expectations

A good vendor management program begins with setting clear expectations, in writing. Work with vendors to define the service being provided and determine how success will be measured. Set reasonable timeframes for delivery that are based on averages from past vendors. In this way, both you and the vendor have a solid foundation on which to improve performance and service over time.

Communicating expectations is essential. Set up meetings with all appropriate personnel, in person if possible, to discuss how the vendor can contribute to your success. From the beginning, keep in mind that your goal is to establish a high level of trust through a win-win partnership.

Monitor Performance, Measure Results

Once performance targets are set, you need an objective way to measure and track performance. Vendor objectives should reflect your critical business requirements. A scoring system is important so that you can rank vendors and measure improvement. Each vendor needs to understand your methodology. Solicit feedback, listen to their concerns and work to understand their business.

Communicate, Communicate

Many vendor management programs fail to live up to their potential due to a lack of ongoing communication. Weekly meetings or phone calls will ensure a relationship of mutual trust that includes both positive and constructive feedback.

Frequent communication also helps identify problems in a proactive, rather than reactive, manner. With constant contact, vendors will not only perform better, they will become proactive in letting you know about potential issues that may affect their performance.

Reward Success

The real value of measuring vendor performance is that it allows you to rank vendor performance, reward your top performers and motivate the rest. Monthly and quarterly performance reviews let vendors see how they are performing in comparison to their peers and identify areas of improvement. An annual award ceremony for top vendors can become both a motivator and a "perk" that differentiates you and attracts future vendors.

The Bottom Line

In just 24 months of implementing its vendor management program, Fiserv realized a 22 percent increase in vendor performance and our vendor relationships had improved. These recent comments from vendors illustrate the bottom-line benefits of a well orchestrated program focused on effective communication and performance measurement:

“A well-executed vendor management program allows us to provide the best performance possible. It eliminates the guesswork of great customer service.”

Jeff Bescher

Senior Vice President, ADESA

“The program has created a cultural awareness throughout our organization of improving our operations with an eye toward being the top Fiserv auction in the country.”

Dave Blake

General Manager, Auto Auction of New England

Connect With Us

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