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**NECA Convention 2009**

**Vendor Partnering for Better Profit and Performance**

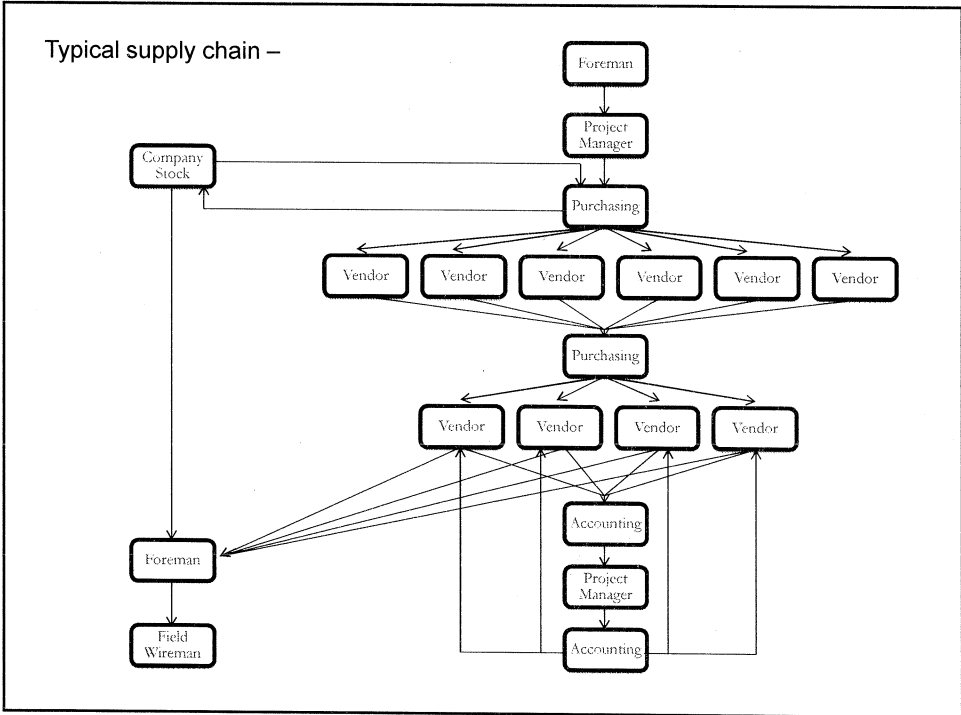
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Presented by:

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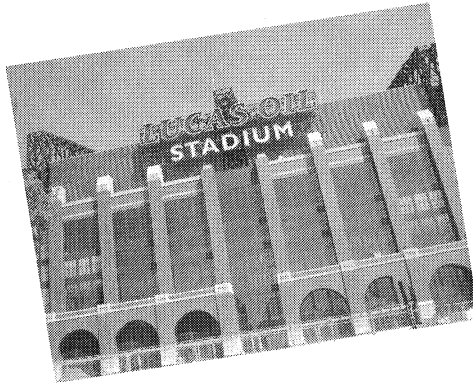
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What is a 'Vendor Partnership'-----

Not about G & A



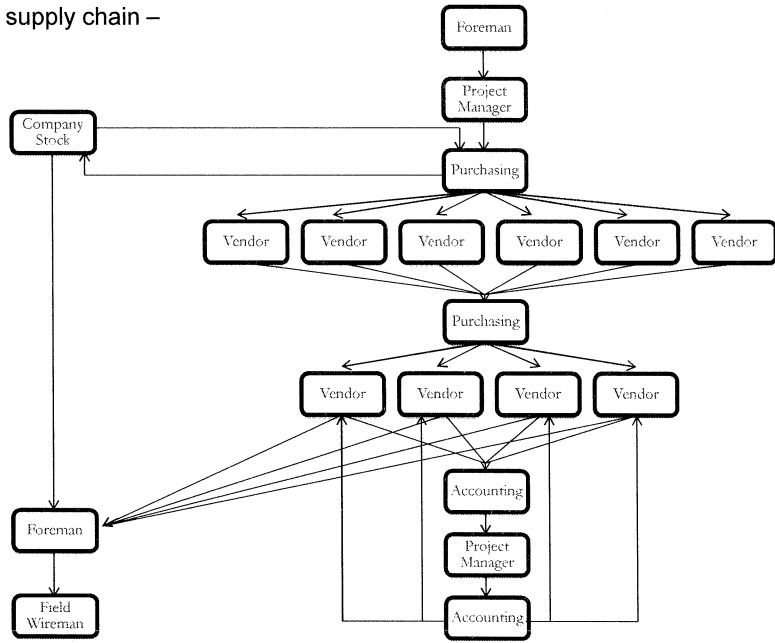
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## **What is a Vendor Partnership?**

**An established relationship creating a complete marriage of philosophies and practices with regards to material processes and flow through a single vendor partner, thus offering an opportunity for the electrical contractor and the vendor to become a single team throughout the material handling and project management process, allowing increased efficiency for all parties.**

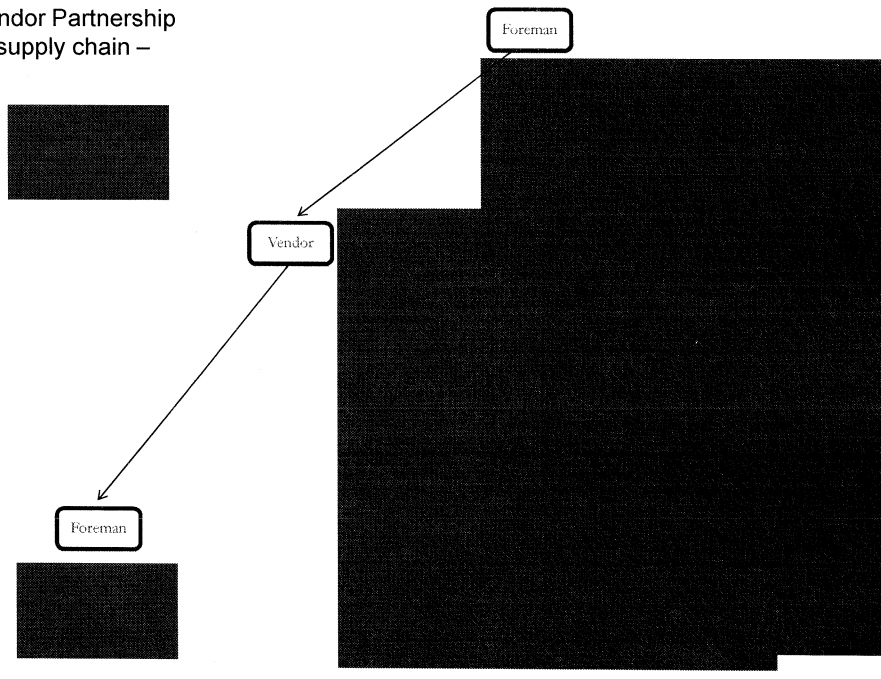
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Typical supply chain –



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Vendor Partnership supply chain –



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## **Why form a Vendor Partnership?**

- **Electri International authorized MCA to study electrical construction productivity.**
- **They studied, monitored and worked with both union and open shop contractors.**
- **Their goal was to identify methods to improve productivity and reduce the overall cost of installation.**
- **What did they discover??**

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## **Study Findings**

- **In order to reduce surprises on a job, progress should be tracked against the original project estimate.**
- **Using 'lessons learned' information should be shared and 'Standard Operating Procedures' or 'Best Practices' should be established and followed.**
- **Reduce the number of suppliers & establish partnerships with selected vendors.**
- **Visit [www.electri21.org/presentation01htm](http://www.electri21.org/presentation01htm) for more info regarding this study**

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**Job progress & best practices, makes sense...  
but why form a Vendor Partnership?**

- The study determined that 45 – 55% of labor is spent handling or waiting on material.
- Contractors are in the business of installing material.
- Supply vendors are in the business of stocking, storing, picking, packing and handling material.
- As a best practice, when each of us take responsibility for the task that we are trained to do...we all win.

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**What are the Goals of a Vendor Partner Program?**

**Improve field productivity and efficiency**

- Reduce installation cost
- Improve and reduce material handling
- Improve product flow, in and out of our systems

**Increase management productivity and efficiency.**

- Streamline the invoicing / EDI process
- Improve overall staff time management
- Improve schedule and delivery coordination

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**What should the Contractor expect to gain through the building of a vendor partnership?**

- Standard Pricing eliminating looking for the 'best deal' allowing better response.
- Improved stock levels eliminating back orders on all standard items.
- Easier returns – A 1 job/1 vendor systems enables that vendor to take responsibility for 100% of the items returned from the job.
- Improved long and short term storage options allowing for better scheduled deliveries.
- Dedicated staff – Based on volume your vendor partners can offer a dedicated staff to handle and be fully responsible for your account.
- Complete Honesty
- In the end, what's the bottom line....

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- What you need
- How you need it
- Where you need it
- When you need it

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### **What should the vendors expect to gain from a vendor partnership?**

- Committed revenue.
- Fair and reasonable mark-up for their product.
- Reduced operating cost by having organized and planned deliveries.
- Less rush orders
- Virtually no back orders
- Better lead time and coordination in all orders
- Advance knowledge of material requirement for a project allowing them to better forecast their business needs.
- Complete honesty.

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### **Sounds great... but how could this ever work??**

- Improving the process starts at the beginning. You must include your VP in every job kick off meeting. They have to be aware of every material requirement for a project, including schedule, quantities and all site issues.
- You have to organize to order material needed days and weeks ahead to help eliminate back orders.
- You must keep your VP in the loop with all material requirements for any project they are associated with, including picking, packing, delivery, receiving as well as return issues.

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## **Vendor Partnering for Better Profit and Performance**

Partner Selection Process –  
What does a potential contractor / vendor partner 'look like'?

- Innovative
- Already pursuing / interested in best practices
- Approaches vendor relations in a fair manner
- Brings new ideas to the vendor relationship
  - Dedicated to personnel development
    - Good listener
    - Industry Leader

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## **Vendor Partnering for Better Profit and Performance**

Vendor Partnership Agreement Development

Partnership Design  
Program Implementation  
Procedure Development  
Vendor Partnership Team  
Measurement / Process Improvement



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## **Vendor Partnering for Better Profit and Performance**

Vendor Partnership Agreement Development

Step one - Partnership Design

- Development of Statement of Work
- Vendor Informational Meeting
- Question and Answer Period
- Vendor Presentations
- Vendor Evaluations
- Vendor Facility Visits
- Vendor Selections

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## **Vendor Partnering for Better Profit and Performance**

Vendor Partnership Agreement Development

Step Two – Program Implementation Meetings

- Who – Establishment of the Team
  - Contractor Team – CM, Purchasing, Field
  - Vendor Team – Inside / Outside Support
  - Team Member Work Location
- What – Create Processes
  - Solicit Input on Expectations from Team

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## **Vendor Partnering for Better Profit and Performance**

Vendor Partnership Agreement Development

Step Two – Program Implementation Meetings

- How – Program / Process Improvement
  - Improved Productivity Through Improved Material Management
- Where – Material Handling
  - Material Storage Arrangements
  - Delivery to required locations
  - Delivered When Needed

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## **Vendor Partnering for Better Profit and Performance**

Vendor Partnership Agreement Development

Step Three – Procedure Development

- Pre-bid Information Sheets
- Agreeable Selection Process
- Job Information Sheets
- Estimate Sharing
- Vendor Partnership Job Kick-Off Meetings
- Site Visits
- Create Material 'Management Plan'

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### **Procurement 'Best Practices'**

**In order for the partnership to succeed there must be a 'material plan'**

- Place material orders in advance to eliminate possible back orders.
- Order material by faxing or e-mail whenever possible, verbal orders create confusion allowing for errors.
- Be specific in **WHAT, HOW, WHEN, and WHERE** you want the material delivery made.
- Be sure to review delivery requirements with the vendor partner.

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### **Procurement 'Best Practices'**

#### **'Material Plan'**

- When a project allows always keep a minimum of three weeks of material on site.
- VP make visits to every jobsite to learn jobsite specific issues and concerns.
- Review changes in project needs with the VP to be sure that they are prepared to deal with needs.
- Utilize an 'Issue Resolution Process.
- Be sure to communicate – **'WHAT, HOW, WHEN and WHERE.**

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### **Procurement 'Best Practices'** **'Material Plan'**

- **Reduction in the number of material orders placed per job, per week.**
  - Average projects order material several times a week.
  - Many orders are emergency, next truck out or next day, VP Process encourages and requires field leadership to plan ahead.
- **Orders need to be written, then faxed or e-mailed... avoid verbal orders.**

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### **Procurement 'Best Practices'** **'Material Plan'**

- **Fewer 'will calls' or trips to the vendor counter.**
  - Let the vendor make the delivery, this is a part of their obligation to the partnership. They have a dedicated delivery fleet.
  - It does not make sense for you or a member of your crew to drive to a vendor. Your staff should install the product and the vendor supply the product.

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## **Vendor Partnering for Better Profit and Performance**

Vendor Partnership Agreement Development

Step Four – Team Training – Understanding Roles, Abilities and Responsibilities and Constant Refining of Best Practices.

- Field Supervisors
- Project Management
- Vendor Partner Team

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## **Measurement of Partnership Success**

- Step Five – Make full use of an issue resolution process
  - This process should be used anytime there is an issue that creates a problem in the vendor partnership process, it should be filled out by:
    - Field forman
    - Project Managers
    - Any representative of the vendor involved with the order
    - Contractor Purchasing Representatives.

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## Measurement of Partnership Success

- You must be dedicated to the success of this program, you must learn from your mistakes.
  - Hold regular issue resolution meetings.
  - At this meeting discuss any material plan breakdowns, either contractor or vendor related.
  - Look at issue in detail and develop a plan that allows you to eliminate the root cause of any issue that has occurred.
  - Don't wait on the meeting to discuss any serious issues.
  - You should communicate any process change that is required due to the issue resolution process. This will encourage your team to share.

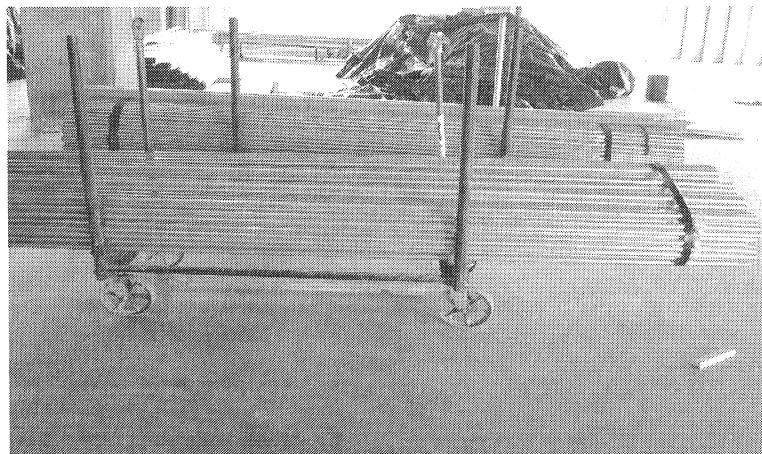
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## Wire Baskets to lift prefab sleeves & miscellaneous rough-in material to floors



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## Sample Conduit Rolling Cart Ways to get it How, When, & Where



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## Sample Order tracking report

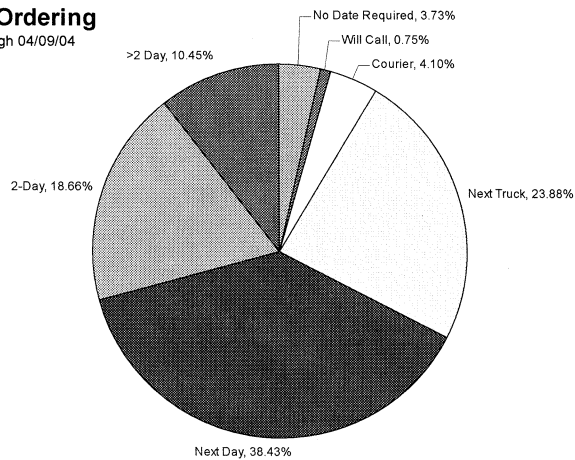
GRAYBAR

			Week of:	4-5	through:	4-9
JOB NUMBER	JOB NAME	COURIER	NEXT TRUCK OUT	NEXT DAY	2 DAY NOTICE	>2 DAY NOTICE
	Anhuesser Busch					
	CDC					
	Shoal Creek					
	F. Wayne Hill					
	South Dekalb					
	Blaze Recycling					
	Jackson County					
	MARTA					
	AFLAC					
	South Trust					

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## Summary of Weekly orders

**Total CEC Ordering**  
03/08/04 Through 04/09/04



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## Vendor Partnering for Better Profit and Performance

Additional Thoughts to Consider

- Personnel Development
- Business Plan for Partnership
- Overall Contractor / Vendor Improvement based on Participation
  - Return Management
- Commitment to Urgency and Focus
  - Success Stories



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## **Vendor Partnering for Better Profit and Performance**

Each member of your team is critical to the success of the program, company management must be dedicated to the success of the program, the success of the program can be an integral part of your future. If you follow the steps and help the program grow to its potential you will succeed.

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## **Vendor Partnering for Better Profit and Performance**

### **Productivity and Efficiency Gains ...**

- In the end you will recognize a 'Total Reduced Cost of Installation' allowing you to be more efficient during the bidding or negotiating process which will make you the 'Contractor of Choice' for the electrical construction community in your market.

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## **Vendor Partnering for Better Profit and Performance**

For questions, comments or information sharing please  
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