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Supplier Awards: When Customers Do The Motivating

By Connie O'Kane

The words "pleasure doing business with you" might be a hackneyed phrase, but they actually describe a sweet spot in the business world. Good things happen when both buyer and seller are happy with a transaction.

Maybe that's the reason that companies are looking for ways to honor their vendors and suppliers beyond the dollars they send their way. "Vendors who are easy to work with are a buyer's delight," says Mike Horn, director of merchandising for Hinda Incentives.

The incentive industry is particularly fertile ground for these kinds of awards. Since there are so many companies in distribution roles that depend on the performance of their supplies to survive, many incentive companies see these kinds of awards as mandatory.

Hinda developed its supplier recognition program, the Golden Carrot Awards, to recognize suppliers as part of a company-wide quality improvement plan, says Michael Arkes, Hinda's CEO. It started an effort to boost its image in the incentive industry with a program called "Undisputed Leader," which quickly taught the company two things. First: its own customers were very interested in improving the quality of Hinda's service. "They felt that their quality to their customers was dependent on us," Arkes says. Second: For Hinda to satisfy its customers, it had to make sure it was, in turn, getting quality service from its suppliers and vendors.

Those interlocking dependencies--where quality of one company's service greatly impacts the quality of companies two or three places down the distribution chain -- is driving companies to improve relationships with their own suppliers. "In the people-performance-management business, there are many variables that we are not directly in control of and we rely heavily on supplier partners to get the job done in order to meet client expectations," notes Todd M. Hanson, president of Catalyst Performance Group.

And what better way for an incentive company to motivate others and change behavior than through awards and recognition? "Being in the incentive business, we understand how important recognition is and that's what we're trying to do," says Don Jagoda, president of Don Jagoda Associates, a marketing promotion organization. "The whole concept is to solidify the relationship with these key suppliers, hopefully make it more like a partnership arrangement."

Jagoda, an incentive industry veteran, decided to help the buyer's group he belongs to launch a supplier award just this year. The Awards Consortium, a buying group that publishes a catalog of 1,200 items from 120 suppliers, will award its first Supplier of the Year at this year's Motivation Show in Chicago to Power Sales and Advertising Inc., an Olathe, Kansas, rep firm.

Choosing Criteria

Companies that give out awards to suppliers need to decide just how exacting they want their qualifications to be. The award can be given on a rotating basis so all the top suppliers eventually get it; or it can be awarded on grounds as objective as calculus. Each company needs to come up with its standards. "We don't pull them out of a hat," Jagoda says. "We have a specific judging criteria. Everybody knows that it's not just a favorite son kind of thing." The Awards Consortium looked at things like quality of products, order-processing, fulfillment, customer service and communication in granting its award.

In nabbing Lowe's Supplier of the Year award, Vertis Communication was cited for the quality of its work and customer service; its promptness in dealing with issues; its ability to accommodate changes, make deadlines, and have timely and accurate invoices. The *Fortune 500* home improvement corporation also liked the fact that Vertis kept it informed on industry changes and standards, says Stephanie Stanton, director of media operations for Vertis.

Some of the criteria that Horn applies to Hinda's Golden Carrot program include timeliness, order-fulfillment and quantity of product available. Hinda also looks at how responsive its suppliers are, how they communicate shipping information, and their work on tight deadlines. Other less tangible factors, like how the supplier helps Hinda focus on its business and the ideas the vendor generates, are also taken into account. "Ideas are so critical to our business," Horn explains. Hinda keeps strict control on how these factors are evaluated, Horn says. The company's five full-time vendors and its merchandise manager fill out lengthy questionnaires, and then nominate their best vendors. The questionnaires are used to give weighted scores for different broad categories like service and quality. Still Horn and colleagues have some discretion at the end of the process to pick the winners of its two award categories: drop-shipping vendor and stock vendor.

What's in it for you?

Those who award supplier designations don't always look for solid return-on-investment numbers. This is partly because there isn't much of an investment. It might only be an outlay of couple of hundred dollars for the awards, more if a company is renting space to present them. Staff time can count as an expense, but that time has other payoffs, in keeping in touch with vendors, for example.

In other words, the costs of implementing a program can be very low, so ROI measurements aren't too critical. "We're not doing a formal return on investment," Hanson says. "But we would do an informal return on objectives. We know, and our clients know, when a supplier relationship is working well."

Those objectives can be ambitious, though. "We can do things today, like process an order instantly and ship it within 24 hours, and all the good things you want to do in a business," says Horn, describing his challenge to suppliers. "We wanted to migrate that to our supplier community also, because, if we are challenging ourselves we certainly need their support."

And the return can involve intangibles. In fact, Jagoda sees motivation going on beyond the immediate award-winner. "It makes non-winning suppliers take notice and often ask what they could do better to earn the honor," he says.

Other Ways To Motivate

Companies that don't want to design awards or rent out halls can still find ways to recognize their suppliers. Hanson prefers to use things like gifts, or a formal letter of thanks that suppliers could frame and put up on the wall or include in their portfolio.

Hinda is thinking of using its rigorous criteria to recognize suppliers in smaller ways. If suppliers make significant steps in the service and quality, and their numerical average improves, they might be cited for that excellence even if they don't take that top award. "It addresses the one-winner, everybody-else-doesn't-get-anything issue," Arkes says. "For modest amount of additional money, we can give out plaques to other people. They made an effort but not as much effort as the person who won."

Both Sides Now

Supplier awards among industry firms seem to be blessed by both those who give and those who receive. For Vertis, winning an award from a *Fortune 500* company was invigorating. "I think recognition like this does motivate you," says Stanton, who was surprised with the award during an annual meeting for Lowe's suppliers in January. "It's that whole sense of accomplishment. It makes you passionate [about] the work you deliver."

On the giving side, there is HALO/ Lee Wayne, one of the largest distributors in the promotional products industry. The company recognizes its Supplier of the Year at the ESPN Zone in Las Vegas during the industry's biggest trade show. "It's for a supplier who comes through in a pinch, does a fair amount of volume for us, provides great service overall," says Marc Simon, HALO's CEO. "We think that to acknowledge a company for service above and beyond is a good thing to do."