

# SUPPLIER SAVVY



## Eight Questions Customers Should Ask Suppliers

By Diane Hessian

Just as a supplier needs to do his or her homework to earn the right to do business with a client, training directors need to know how to do the right kind of due diligence about a supplier. What you ask matters, and some questions matter more than others. Your questions will be different for different projects, but some are universal. You want to understand a supplier's basic capabilities, its content, and what's behind its pricing. But the most important questions concern what it will be like to work with these people. If a supplier can't address the nuances of your business, it doesn't matter whether it has good intellectual property.

Here are eight crucial questions.

**Question 1:** *I know you've worked with similar companies, but what do you think is unique about ours?*

If you're a consumer packaged-goods company, it benefits you to work with a vendor that understands your industry, but that's hardly sufficient. In fact, a vendor with extensive experience in the beverage business might make erroneous assumptions about how your company approaches the beverage business. A client once told me, "Our biggest problem is that vendors think that all investment banks are alike. We're different from the others."

A supplier's answer to this question will help you understand whether it has done the homework about your organization, its nuances and culture, and whether it's willing to flex where necessary. This question can show how customer-focused the supplier is. If it's totally focused on its products and solutions rather than your business issues, this question will stump the supplier—a red flag.

**Question 2:** *Have you done something like this before?*

An obvious question, but it's not obvious that you should look for a "yes" answer. If you have a hearty constitution, being a guinea pig for a supplier can be rewarding. So, "no" might be good news. Working with a highly reputable supplier on a groundbreaking project can be of tremendous benefit: The supplier is usually willing to work for a lower margin. And if the project represents a capability that the vendor wants to build, you'll likely get extra attention and the best resources. Before you ask this question, you need to determine whether you're willing to accept a pioneer project or prefer a lower-risk solution.

**Question 3:** *How will you integrate this solution with our current initiatives?*

*Integration* is a word that's often reserved for technology issues—as in, "Can you integrate with our learning management system?" It's important to understand how integration will work at a deeper level—such as, is the vendor willing to work with other vendors you use to avoid redundancy? You should also ensure that the language you're using in your company is integrated with your vendor's solution. For example, if you're buying sales training and your company calls

salespeople "account managers," the supplier should use the same terminology.

**Question 4:** *Can I have three references?*

Here are some suggestions:

- Don't ask a vendor to give you references until you're truly serious about doing business. Just as you don't want to give a vendor access to executives unless that's key to moving forward, most vendors don't want you calling their valuable customers if you aren't ready to make a decision. Suppliers are willing to give you access, but they're not willing to have you waste their clients' time until you're ready to move forward and know what you want to learn.

- Ask for the name of a firm that stopped doing business with the supplier. Former clients can shed valuable light. If a reference has experience with a project similar to yours, ask for help beyond its opinion of the vendor—such as what they learned and what they'd do differently next time.

**Question 5:** *Who will be my key contact person and when can I meet him or her?*

Any supplier that says, "All of our people are equally excellent" is probably not telling the truth. There are always reasons that one resource might be a better fit for your situation. Your contact person will be key to your success, and you deserve to know who it is before you sign. It's not necessary to meet your contact in person, but you should get his or her bio and talk over the phone. If the project is critical and visible, you might ask for reference on the contact, respecting the same parameters as for client references.

**Question 6:** *Is there a way to reduce the price by providing less?*

Although the occasional vendor will price artificially high, most tell me they're straightforward in pricing with clients. But if you think the price is too high, tell the vendor you're willing to give something up for a lower price. That opens up a lot of possibilities: different payment terms, flexible implementation sched-

ules, a simpler solution, an agreement that you'll do some of the work, or other incentives.

**Question 7:** *What happens if we decide to cancel this project?*

There are many variations on this theme. Given tough economic times, you need to understand what your commitments and liabilities are if you have to stop the project for reasons beyond control or for cause, meaning that you aren't happy with the vendor's work. Get the pre-nup up front so you aren't subject to a difficult conversation when emotions become high. Similarly, you should understand what happens to you if the supplier goes out of business or is acquired by another firm.

**Question 8:** *Who else in my organization would you like to meet so you can deliver a great solution?*

Projects can require little or extensive access to other executives in your firm. You should understand what will be required of internal people, but ask whether the supplier's requirements are appropriate. Is the vendor asking to speak with your company's management committee for a small project? Or is this a visible, challenging project and the supplier doesn't ask to hear the sponsors' perspectives? Most suppliers are thrilled to have access and will use it to ensure the quality of the solution. If you're worried the vendor will waste executives' time, you probably shouldn't hire that vendor.

Those eight questions are by no means the only ones to ask. But asking the tough questions up front will benefit all parties later on.

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## Contact Diane

Diane welcomes comments from readers (suppliers and others) at [dhessian@communispace.com](mailto:dhessian@communispace.com). She'll compile some and write a follow-up in a subsequent Supplier Savvy.