

Finding a Great Global Partner

Customers value their domestic relationships: Use that to your advantage.



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SO YOU'RE READY to admit that the world has gone global. You have been told by a number of customers that they want you to handle their offshore volume requirements. This is happening more and more, as customers realize that they do in fact value their relationships with domestic suppliers, even when their volumes reach pricing levels that those suppliers can't match. Larger companies will go directly offshore; they have the resources and

wherewithal. But small-to-medium-sized companies would rather use domestic suppliers as liaisons to handle such matters.

Why? Comfort, for one. They may trust the domestics because they've used them for years. That's the case for a number of clients I have worked with. It's really not a bad deal; the shop gets the gross revenue and "owns" the business. And, they serve the role of a capable and valued supplier.

The challenge comes in finding the right offshore partners. Chances are, most large shops already have partners in Asia, if not their own facilities. What should smaller fabricators do? Many have sought partners. It gets expensive, but many have made trips to Asian countries to develop partnerships. If you go this route, I predict success: After all, who today will turn down business? But what if something goes wrong? If you decide to find offshore partners on your own, ask yourself these questions:

- Will you need a line of credit?
- Will you have the liability when something goes wrong?
- Who will issue the credit? You or the partner?
- How can you guarantee quality?
- Will you inspect the boards and repackage them at your facility?
- How will you handle customs?
- How will you handle the relationship?
- Can you afford the time and money to go to Asia on a regular basis?
- What if the boards are late? What happens then?

Gives you the willies, doesn't it? What I recommend, especially to shops with \$3 million to \$25 million a year in gross revenues, is to find a good, reputable broker/distributor. These are established, professional companies that act as offshore liaisons. Critical considerations:

- Is the firm made up of people from the industry? (Are they "board guys?") Do they know the industry, have experience in it and have a good understanding of your needs?
- Evaluate the firm's vendors. Most broker/distributors work with a number of offshore vendors. They should have a portfolio of board shops that meet all their customers' and partners' needs.
- Do they have an offshore team? This is very important.

They should be English-speaking locals who handle vendor relations and problems as they arise. And they handle board inspection and quality verification prior to shipment.

- Are they really distributors? Will they stock and distribute boards so they can buy in volume and get the best price possible?

Beware of companies that are simply board brokers. Avoid those that treat boards as just another commodity, like pork bellies.

Make sure your partner is responsible for all liabilities – quality and financial. Be sure that you have a true customer-vendor relationship. You will issue the purchase orders; your partner's job is to fill them. This grants you important distinctions such as a guaranteed competitive price, guaranteed delivery and, most importantly, perfect quality.

Arrange each deal in a way that most benefits you. Arrange to have a guaranteed percentage on every order, or if you feel you can do better, broker the boards yourself, buying them from your partner and reselling them to the customer.

Your partners should know and respect their place in the supply chain. Good partners know that their success rides on yours. They also realize that they will quickly be out of business if they try an end run by stealing your customers and cutting you out. That's a suicidal strategy. The best partners will train you on how to sell to your customers. They will also offer free qualification orders. They will take you and your customers on a tour of their board shop partners in Asia; whatever it takes to help you to be successful.

You have to do your part, too. Pay your partner in a timely fashion. These firms operate strictly on a cash-flow basis. If you don't pay them, they cannot pay their vendors and the entire process comes to a screeching halt.

A partner that meets these criteria offers a great opportunity to service existing customers, add new ones and expand profitably. With this in your sales repertoire, your sales staff will have an easier time not only getting in the door but also making the sale.

The name of the game is to service your customers ... whatever it takes.

Finding an offshore partner to liaison with doesn't mean removing business from your company. It means adding to the business you already handle on this side of the ocean. You should remain in complete control. What you can build here, keep here. Go offshore with the (low margin/volume) business you would have otherwise lost. In the long run, it will make you a better, more profitable company, while keeping your employees working and secure. **PCD&M**

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