

How to Qualify as a Preferred Vendor

Becoming a preferred vendor can provide your business with a range of benefits, from increasing your sales to bolstering your international reputation and credibility. Following these steps can help you select, approach, and impress the primes that are right for your business.

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Do you want to increase your sales, partner with major companies and boost your international credibility? If you can become a preferred vendor to a large prime contractor, all these benefits may be within your reach.

Prime contractors (often simply called “primes”) are major businesses that use subcontractors to help them meet the needs of their customers. Some are large manufacturers that market a wide range of products under their own brand names, but obtain components for these products from smaller, more specialized businesses. Others are companies or consortia that deliver capital projects for clients such as governments and multinational development banks. These primes also use subcontractors to supply the goods and services required to carry out their projects.

Many primes maintain lists of pre-qualified “preferred vendors.” These are subcontractors that have a record of reliably delivering what the contractor requires, be it raw materials, components, equipment or services. The vendor lists save time and effort for the primes because they don’t need to put out a tender or qualify a new supplier whenever they need (for example) a heavy-duty pump or an environmental assessment. They can simply obtain what they require from companies that are already on their preferred list.

If you’re an exporter, getting onto a prime contractor’s preferred vendor list can be a goal worth pursuing. To begin with, the prime will look to you whenever it needs your type of product or service and, depending on its projects, it may need a lot of whatever you’re selling. Second, acquiring a reputation as a dependable partner to a large corporation can help you network your way to other partnerships. Last, but not least, being a preferred vendor for a prime will increase your credibility with other potential customers at home and abroad.

The question is how to qualify for the list. The details of doing so will vary with each company and prime contractor, but in general, the process will resemble the one below.

Know what you’re good at

Being a successful exporter implies that you already know what you do best and where your competitive strengths lie. Still, when you’re presenting yourself to a much larger and possibly multinational company, it won’t hurt to re-evaluate what you can offer them. Ask yourself questions such as these:

- How can my products or services contribute value to prime contractors in my sector?
- What is unique about the features and benefits I can bring to the relationship?
- Can I tailor these features and benefits so they’ll appeal more precisely to the primes I want to target?
- Given my capabilities, what else could I provide that I’m not already offering?

The key is to understand the value your company offers and communicate this to your target primes. If you can demonstrate that you appreciate their problems and that your products or expertise can provide effective solutions, they'll be more likely to recognize your value as a long-term partner—and thus as a worthy candidate for their preferred vendor list.

Make a shortlist of primes

The next step is to identify the primes in your sector. You'll likely be aware of the major ones, but there may be others that haven't appeared on your radar, and it may be worthwhile looking for them. Matchmaking sites can be useful for this research: the **Enterprise Canada Network**, for example, connects Canadian businesses to global opportunities. You can also consult with your **Canadian regional office** of the **Trade Commissioner Service**, and with **country experts** at **Export Development Canada**. There are also many tendering and procurement sites, such as the **United Nations Procurement Division**, that may give you leads.

Once you've found the most promising possibilities, do additional research to find out—with as much detail as possible—what products and services these contractors need for their operations. Use this research to select a manageable number of primes whose requirements best match your capabilities. These companies will make up your shortlist of target primes.

Understand their corporate culture

Gather as much information as you can about the primes on your shortlist. Comb their websites, read their annual reports and check out their social media presences. Then look for information from sources such as newspapers, trade magazines, blogs and third-party social media.

If you know a lot about the primes before you talk to them, it will be easier to demonstrate how your company's value proposition dovetails not only with their needs, but also with their business and operational culture. Moreover, your attention to such details will indicate that you're serious about working with them and will take pains to do so.

Research your competition

Find out as much as possible about your competitors for your target primes' business. How long have they worked with their primes? How close is the relationship? What kind of work are they doing and how much? Can you identify where you have a competitive edge? How can you best present this edge when you meet with your target primes?

Make the initial contact

Primes that use subcontractors normally have a procurement division, a purchasing department or some equivalent. Contact the appropriate office and set up an initial meeting.

When you meet, try to find out whether your goals and the prime's are well aligned, and whether the company can offer you worthwhile opportunities. Explore areas such as their needs, the types of subcontractors they want, how much business they typically do with a subcontractor and how the process of becoming a preferred vendor works. Determine what information and documentation they'll need during this process and obtain their preferred-vendor application forms.

Complete the application

After you've met with your selected primes, remove from your shortlist those companies that present no real opportunities. Next, collect the information the remaining candidates will need when they consider your application, and fill out the forms. It hardly needs saying that what you put onto the applications should be complete, clear and accurate. Leaving out information or misinterpreting what a company wants can keep you from securing a potentially lucrative, long-term relationship. If in doubt about anything on the application, ask the company to clarify it.

Present your case

Submit the application and arrange a sales call. During your presentation, make it clear that you understand the prime's needs and pain points, and show how your products or services can provide the necessary solutions.

Don't, however, try to cover every last detail of what you offer—instead, concentrate on the key features and benefits that apply to the issues that concern your audience. At an appropriate point, also outline any capabilities that differentiate you from your competition, and show how these would benefit the prime.

Submit to a qualifying evaluation

If a prime is seriously considering you as a preferred vendor, it will likely require an evaluation before proceeding. This is to ensure that you're qualified and that you have the capacity to meet the prime's subcontracting requirements.

The evaluation may simply be a "desk review" of your financial statements, performance records, credit situation and other company data. If it's satisfactory, the desk review alone may qualify you for a subcontract, thus putting you in line for preferred vendor status (assuming, of course, that you perform as required).

In other cases—if you’re providing critical components for their end product, for example—the prime may want a full site inspection. This will include not only the desk review but at least one visit to your plant to inspect your facilities and processes. If you pass muster and the prime decides to do business with you, you may land a contract and, again assuming that you perform, you may be added to their preferred vendor list.

Information needed for a qualifying evaluation

A prime that’s considering you for preferred vendor status will usually want information about some or all of the following. Note that this isn’t an exhaustive list—depending on your sector and your product or service, you may be asked for other kinds of data as well.

- **Human resources:** How many employees do you have? Do they have the technical skills and specialized qualifications required for the contracts you may be awarded? Can you quickly hire more qualified people if you need to, and bring them up to speed?
- **Facilities:** Do you have the physical plant and equipment to meet the demands of a contract? If a future contract will require more capacity than you have at present, can you quickly expand to meet the prime’s needs?
- **Quality assurance:** What system do you use to ensure that you can deliver the required quality? Is your system certified by a standards agency, a government department or another prime contractor?
- **Production scheduling:** How will you meet the milestones and final delivery targets required by the contract? Can you provide a proposed schedule that shows how you’ll do this? How will the prime’s contract fit into your overall workload?
- **Inputs and inventory:** What materials and/or services will you need to produce the results required by the contract? Which of these inputs will you source in-house and which will you outsource? When you outsource, who will supply you and how reliable are these suppliers? What are your current inventory levels of the required inputs? Can you always maintain enough inventory to prevent production delays?
- **Cash flow:** You should be able to provide cash flow spreadsheets covering both the proposed contract and your company’s total workload. These should mesh properly with the proposed production schedule and your company’s financial commitments.
- **Financial statements:** You should be prepared to provide your most recent profit and loss statement and your current balance sheet.

Don't rest on success

While it will be gratifying to make the preferred vendor lists of one or two large primes, becoming over-dependent on them can be all too easy. The risk here is obvious: if one of them no longer needs what you produce, or decides to work with another subcontractor, you may lose a big chunk of your business practically overnight. For this reason alone, it's advisable to get yourself onto the lists of several different primes. In addition, diversifying across several primes in your sector—and even venturing into related sectors, if you can manage it—can help your company grow more quickly.



A case in point How Buddy's Kitchen finds the right preferred supplier lists

At Buddy's Kitchen, fresh, human-grade ingredients, locally sourced in Canada, are crafted by a chef and pet nutritionist to deliver "bowl-licking balanced nutrition" that pets love and need for all life stages.

Buddy's Kitchen believes its food for pets must be human consumable. "If we can't eat it, we don't feed it," says Peter Kaufman, owner and Chief Dog Wagger at Buddy's Kitchen.

Kaufman realized early on that pet parents who appreciated his company's philosophy and quality could be found around the world, so it was a natural decision to export. Preferred supplier lists (PSLs) were a strategic way to find new customers and enter new markets, but Kaufman didn't want to be leashed to an agreement that wasn't a good fit—and getting noticed by the big-name retailers would be a challenge.

To overcome these barriers, Kaufman offers a number of tips.

- Understand that getting on a PSL takes time and investment, but can be well worth the effort. In the case of Buddy's Kitchen, sales doubled.
- To better understand a PSL's requirements and opportunities (and get a leg up in the consideration process), get to know potential customers face-to-face through government and industry trade shows, industry associations, networking, mentoring and the like. "Googling will only tell you what everyone else already knows," Kaufman says. "Getting to know a company face-to-face during your research phase can also help you when bidding for projects later on."

- Join associations in other markets to help you meet customers face-to-face. Realizing a U.S. market of 350 million was more lucrative than 35 million, Kaufman joined the American Pet Products Association.
- Don't be so eager to supply a big-name company that you compromise profit margin for volume. Says Kaufman. "If getting onto a preferred supplier's list is only about being the lowest-cost provider, there will always be someone who can offer your product cheaper, or even below cost, and the relationship will be short-lived."
- Take advantage of your Canadian brand equity, as "Made in Canada" is valued by other markets and has a reputation for quality. Buddy's Kitchen even incorporates a red maple leaf in its logo.

For more information, please visit edc.ca

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