

# SUPPLIER SELECTION IS A CRITICAL STEP TO SUCCESS

Having the right partnerships will go a long way to ensure good outcomes for any dealership. [Alex Wright](#) reports

**C**hoosing the right supplier is critical to the success of a car dealership. Opt for the wrong one and you could suffer not only in terms of the quality and reliability of your product or service, but also financially and reputationally through the loss of customers.

That's why it's vital to get the selection process right from the start.

Every dealer has a unique set of criteria they have to fulfil that is very different from the next, dependent on its size and scope.

Some have a defined list of credentials they look for, while others use a procurement agency to make the decisions for them.

But they all have one common goal – to find the best supplier.

Sue Robinson, chief executive of the National Franchised Dealers Association (NFDA), which represents car and commercial vehicle retailers across the UK, says that a supplier's reputation and reliability should come above all else. This can be established by looking at their track record, she says.

"Selecting the right suppliers is a critical aspect of success for franchised retailers," says Robinson. "To ensure a streamlined and efficient supply chain, dealers should first consider the reputation and reliability of the supplier by researching their history of on-time deliveries, product quality and customer satisfaction."

Technology is another key consideration, adds Robinson, as is adaptability. That's particularly important in today's ever-changing business environment, she says.

"Consider suppliers utilising the latest technologies compatible with your dealership's systems," says Robinson. "Seamless integration enhances efficiency and reduces the likelihood of operational disruptions.

"Select suppliers with the ability to scale operations alongside your dealership's growth. A flexible supplier can adapt to changing demands, ensuring a sustainable and long-term partnership."

It's also paramount that they have a clear pricing structure in place, says Robinson. That way they can avoid any nasty surprises.

"Transparent pricing structures are crucial," says Robinson. "Dealers should seek suppliers who provide clear and comprehensive pricing information, helping to avoid unexpected costs and budgetary challenges."

## SUPPLIER CHALLENGES

While such best practices can certainly guide and inform the selection process, Robinson says that some external challenges may still arise. These include fluctuating market conditions affecting supplier stability, potential disruptions in the supply chain and the need for ongoing due diligence to maintain high standards of quality and performance, she says.

Nathan Tomlinson, managing director of Devonshire Motors, says the first step in selecting a supplier is to make sure they can provide the solution to a particular need. That requires knowing what you want from the outset, he says.

"That's different to following a trend, responding to

hype or reacting to marketing material," says Tomlinson. "What's really important is to have a clear vision for what you want to achieve and then being objective about the options available."

As a small retailer, Tomlinson also has to be more careful when choosing a supplier because the impact is likely to be greater than that on a larger dealer. The more seamlessly they can integrate with the business, the better too, he says.

"It's really important to us that the people we work with outside the business provide the right product or service, but equally that they work with us and as an extension of us and our workflow," says Tomlinson. "That's especially relevant now, post-pandemic, as many companies are outsourcing support or providing a service which isn't as slick and connected as it once was."


Beyond the basics and doing them well, Tomlinson says that there's also a clear need to keep the business moving forward by introducing new

products and solutions. However, he adds that one of the biggest challenges is in identifying those which add real value or reduce complexity. In that vein, he says that it is crucial when choosing a supplier to ensure they are a step ahead and are moving with the pace of technological change.

Philip Bennett, finance director at Hatfields, a mid-sized regional dealer group, takes a different approach. Much of the company's procurement is done through an agency, Purchase Direct, he says.

"It will do its own benchmarking against industry standards and has its own preferred suppliers," says Bennett. "But, that being said, we also sense-check some of our current suppliers against them to make sure that they are continuing to offer the service we need and their rates are in line with the rest of the industry and they are being honest with their pricing."

"Mostly though, we try to stick with people who we know



Rupert Ashley: "If you haven't got the right level of product or service, it doesn't matter how competitive the price is"



Nathan Tomlinson: have a clear vision for what you want to achieve and be objective about the options



well and trust and have had a high quality of service from previously. In some cases we will try to source the supplier locally where it makes sense, for example with dent repairs, but where we can leverage the group buying power we will look to buy from regional or national suppliers."

**UNDERSTANDING THE PRODUCT OR SERVICE**

Rupert Ashley, director at Purchase Direct, says the most important aspect of procurement is understanding the product or service you are buying and the market dynamics around it. That involves knowing how it works and how the supplier makes a profit on it to make sure you are getting the right product or service, he says.

"You need to understand the product or service that you are getting, how it works, how the

supplier makes its profit," says Ashley. "That enables you to write a competitive contract because you understand the market and how it operates.

"But gaining that knowledge is not easy because suppliers aren't necessarily going to want to share with you how they make their profits. So, much of that comes from your own experience and knowledge."

Price is a big factor in supplier selection too, says Ashley. But he adds that really the focus needs to be the quality of product or service delivered.

"If you haven't got the right level of product or service, it doesn't matter how competitive the price is," says Ashley. "If you get something for a cheap price, often that means you will get a sub-standard product or service too – for example, the cheapest warranty you can buy, which potentially doesn't cover you for anything.

"The best way to make a cost saving is to look at whether you actually need a product or service or a particular element of it. Indeed, most savings are made by ensuring the product or service is right for you and that it works effectively."

Ashley also advises to buy based on the product or service being

delivered rather than the person selling it. That way you won't be disappointed if it doesn't deliver on what they promised to, he says.

"Remember that you're buying a product or service based on what it's going to give you as a business, not the sales person in front of you, who may well be gone the next time you have to deal with that supplier," says Ashley.

"It's a vital point that is often overlooked, but is worth bearing in mind, particularly if you are going to be spending thousands of pounds."

### LEVERAGING BUYING POWER

Purchase Direct's customers account for more than half of the motor trade, which gives it a huge advantage when it comes to seeing how dealers buy different products and services, and how those perform. That enables it to identify and select the highest quality providers as preferred suppliers.

"In an ideal world, you are looking for the best supplier at the best price," says Ashley. "That isn't always possible, but it's important the focus is on quality at all times.

"Another big advantage that we have because of our size is our buying power and the volumes we can achieve. In that respect, we try as much as possible to negotiate contracts that work for all of our customers.

"It's a win-win for both the customer and the supplier. The customer benefits from the price and quality of product or service delivered, while a huge amount of the cost of delivery is removed for the supplier because we are bringing the customer direct to them.

"Also, if we find a new supplier or product or service, because of our scale, we don't have to move all of our customers over to it in one go. We can test it and ensure that everything about it is right – from the contract to the way it's delivered, before we roll it out fully."

Additionally, Ashley says that it is essential to seek feedback from peers and other customers who have used a supplier you are looking to engage with to find out what their experience was like. That way you can make sure you're going to get the product or service you want, at the standard of delivery you expect.

Ashley says it's also important for dealers to look out for legalities within contracts. He says they need to remove any clauses that could potentially damage their business, such as take-or-pay provisions in energy

contracts which penalise the user if they use more or less than the agreed amount.

For Purchase Direct's own preferred supplier contracts, it has clauses written in that protect its customers from issues such as short notice price changes. It also guards against poor product and service levels.

Aside from carrying out thorough due diligence on suppliers, dealers also have to make sure they comply with key legislation. This includes the Modern Slavery Act 2015 and the General Data Protection Regulation which came into force in 2016.

Another key aspect for supplier management is regularly reviewing supplier contracts and service level agreements (SLAs). Each dealer will have its own prescribed set of assessment criteria to ensure that it's getting the best value and opportunity from those contracts.

Robinson says: "Regularly reviewing supplier contracts and SLAs is essential for automotive franchised dealers to ensure they are maximising value and opportunities. At a minimum, annual contract reviews should be part of a dealers due diligence, although more regular reviews could be necessary dependent on external factors and fluctuating business environments.

"The key criteria to consider when reviewing supplier contracts should include performance metrics such as delivery times, product quality, and responsiveness; the overall cost implications; ensuring they are compliant with regulations; and ensuring dealers have clear exit strategies in place to mitigate risks in case the partnership no longer aligns with the dealership's goals."

Tomlinson says that as the quality of supplier support, response speeds and expertise have generally declined in recent years, he always looks first and foremost for value for money.

Therefore, he's prepared to pay for top quality service and is constantly reviewing his contracts to make sure suppliers are delivering on that.

"What we won't tolerate are products or services which are not backed up by common sense, quality of support and a problem-solving culture post-sale," says Tomlinson. "We hold ourselves to those same standards and prefer to work with partners who understand those values.

"We also like to work with companies who are willing to share feedback and are able to evolve their solution and relationship with us over a longer period of time."

### REGULAR CHECKS

Bennett says that, as well as carrying out an annual review of contracts and agreements, he will have regular check-ups with the account managers on Teams or Zoom. He also has biannual catch-up meetings with Purchase Direct to get a wider perspective on what's happening in the industry, and to ensure that it's only receiving the products or services it needs and isn't spending on unnecessary items.

"If an issue arises, we will deal with it there and then rather than wait until the end of the year to resolve it," says Bennett.

"Provided the supplier is doing what they said they would do and we are happy with their performance, though, we will leave it."

Ashley says that contracts and SLAs on certain products and services such as utilities and

insurance need to be reviewed on an annual basis as the price tends to change more often than for other offerings.

Whatever the product or service, however, he says that it's important to keep an eye on what is happening with the market, particularly in the current inflationary environment, and look to get the best price possible, dependent on whether it's going up or down.

"Contract service conditions and SLAs tend to only become important when a product or service isn't being delivered well," says Ashley. "There are several key steps that you can take to guard against this problem: by selecting the right supplier and not signing up to long-term contracts in the first place, to take decisive action at the first sign of an issue before it escalates and to be prepared to move to a new supplier if it persists, while trying to mitigate the costs of moving. But generally, it's good to have a contract or agreement in place should the worst happen."

Sue Robinson says dealers should first consider the reputation and reliability of the supplier





## ADVERTISEMENT FEATURE



**By Tim Smith,**  
**head of Black Horse**  
**Distribution**

As we work our way through a challenging final quarter for the motor markets, it's important to consider the

way forward and what consumers really need from all of us in 2024.

Headwinds seem an appropriate subject as we endure winter weather conditions, and we certainly have some of them to face as an industry.

The price of motoring is an increasing challenge with the rise in insurance costs a notable factor. Premiums are seeing their largest increases for 10 years with average policy costs exceeding £1,000. While wholesale electricity costs appear to be softening, petrol and diesel costs remain potentially volatile.

Strong advertising and Christmas promotions elsewhere in retail are causing buyers with less disposable income to pay for Christmas and potentially pay for it into the new year which could mean a slow start to 2024 for Motor.

This all said, lower prices and increasing price alignment between battery electric vehicles (BEVs) and internal combustion engine (ICE) vehicles in the used car market are a big opportunity to grow.

Used EVs are now flowing through to the marketplace as cars reach end of contracts in the fleet sector, offering both increased volume, but also a wider range of choice than we have seen over the past couple of years.

Dealers will also be more reassured by less price movement in the wholesale market and there is very definitely growing customer demand and acceptability. With repair costs increasing on older ICE used cars, EVs will become increasingly viable.

At Black Horse we remain focused on ensuring competitive finance options and campaigns are available in this growing space so please watch out for exciting 2024 terms. There are still some hurdles to understanding with consumers, so we are planning to launch our EV learning hub for dealers and customers in the new year, drawing on expertise from our Lex and Tusker partners.

Times of change are always difficult, but real financial benefits will make a big difference to customers and sales figures.

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