



## Dream Teams

Joining forces with a supplier can be a boon to business on both sides.

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When Katharine Kent founded The Solar Store 10 years ago, the company worked mostly on upgrading existing homes to solar power. "Originally, we were almost 100 percent retrofit," says Kent, 49. "We were dealing directly with the homeowner."

Things began to change for the Tucson, Arizona, company four years ago. Homebuilder Pulte Homes had just bought land in a Tucson subdivision where a mandate required the company to outfit the 1,500 homes it planned to build over five years with solar heating and electricity. Pulte needed a supplier's help to install the solar equipment and learn how it works.

Pulte struck a deal with The Solar Store, and Kent's team gave Pulte's people a crash course in solar power. But the exchange wasn't one-sided: Pulte showed The Solar Store how to outfit entire subdivisions from the ground up and how to save time in the assembly process. The Solar Store also gained enormous purchasing power for a small company and is now able to buy directly from manufacturers instead of having to buy from distributors--a move that saved The Solar Store 7 percent in material costs just in the first year of working with Pulte. "The collaboration came from both directions," says Kent, who projects sales of nearly \$5 million in 2008.

Today's companies are teaming up with key suppliers to solve problems that neither party can solve by itself. Technology is making it easier for companies to collaborate, while competitive pressures are making speed to market essential. Time-strapped companies are working with suppliers to create new products, services, processes and strategies as a way to get a leg up in a fast-moving marketplace. "You maybe had time before to make your own changes," says Nancy Nix, director of the Supply & Value Chain Center at Texas Christian University. "Today, there's not nearly the time [commitment]. Therefore, you have to work closely with your suppliers."

Supplier collaborations are most prevalent in the technology industry, where cell phone companies are teaming with their suppliers on part design, and aircraft firms are working with suppliers on new part and material concepts.

There's potential for your growing company to pursue supplier collaborations if you can offer knowledge or technology that your client company lacks. A clothing company might not need help with design, for example, but it might need a small supplier who can help it add efficiency to its inventory and capacity levels.

"I think there are more opportunities than most companies realize. It just involves rethinking the business as the whole supply chain or value network and [seeing] what part they want to play in it," says Robert Lusch, head of the Eller College of Management's marketing department at the University of Arizona.

Supplier collaborations fall apart when companies fail to devote adequate resources, underestimate the time it takes to complete projects, or are unwilling to take their collaborative partner's advice. Sometimes, payment terms haven't been negotiated effectively, and the smaller party gets so focused on the division of duties that they get a raw deal on the profits. If your company is the supplier as well as the smaller party, you have to "negotiate more the terms of trade than the price per se, because payment terms become really critical," Lusch says.

Working indirectly with Pulte homebuyers has been a challenge for Kent and her team, who must continuously educate new salespeople and test residential solar systems for glitches that might not be The Solar Store's problem. "The service and sales aspect requires more time," she says. But the Pulte collaboration will generate \$6.7 million in gross revenue for The Solar Store over five years--a nice return on the company's \$6,000 investment in equipment to get the collaboration going. Says Kent, "We've definitely gotten our money back."

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