



By David Kozlowski

Distributors as partners

Managers maximize their relationships with distributors for better service, price breaks and greater reliability.

Call it a partnership, an agreement or a relationship. Whatever you call the arrangement between commercial/institutional facilities and distributors of supplies and equipment, managers are going to greater lengths than ever to fine-tune these relationships and maximize their purchasing power.

The reasons for the increased levels of attention are many — price breaks, better service and greater reliability. What matters most to managers, however, is that the relationships result in more efficient and effective maintenance.

Getting the most from this mutually beneficial state depends on how the relationship is structured and the benefits managers expect.

Getting the Best Deal

The structure of the relationship between distributor and maintenance and engineering department varies considerably among facilities. Syracuse University uses standing orders with several distributors, says Kevin Kenyon, director of the physical plant. The standing orders are comprised of a purchasing relationship and a price structure. They are basically an open account with a distributor for a set amount of stock for an agreed-upon amount of dollars. They are usually revisited annually, but some are established for up to three years, Kenyon says.

The university's purchasing department works out pricing details of the standing orders, based on specifications Kenyon supplies. New bids are put out when an order expires. In New York City, the 3.5 million-square-foot Mt. Sinai Medical Center has structured its arrangements with distributors in a way similar to Syracuse's.

The agreement the maintenance department came to with its distributor of filters is a blanket order, says Richard Detlef, the hospital's chief engineer.

"We project what our costs for 12 months of filters will be and make out the blanket order for that amount," Detlef says. "Then we draw against that order throughout the year."



After a bidding process featuring five or six distributors, the purchasing department chooses one based on Detlef's specifications, as well as the price and the quality of the products. The final factor in the decision was important to the maintenance department staff — that the distributor agreed to hold or stock filters for the department, which doesn't have enough room for such inventory.

Clifford Riley, director of utilities at Brigham Young University (BYU) in Provo, Utah, also has worked out year-long — and longer — agreements with distributors. The purchasing department closes the deal based on Riley's specifications, with prices based on the distributor's cost plus a percent increase.



Beyond Price

Price is a central attribute of a successful long-term relationship between an organization and a distributor, but it isn't the only one managers look for. Responsive, reliable service is one attribute that maintenance professionals point to as essential in their long-term distributor partners.

"Price is a major thing, but if we are comfortable with a vendor or if they really know our operation well, we can go beyond price," says Syracuse's Kenyon.

Riley says one distributor partner includes off-hours emergency service as a part of its agreement with BYU.

"We had an underground valve that broke on the weekend once," Riley says. "We went in and dug it up, called the distributor, and he went in opened the store and brought the part out to us. That's service." Joseph Clements, coordinator of utility services for

Fulton County School Systems in Atlanta, believes service to his 65-school system is as important as price.

"We look for and expect a quick turn-around time from our distributors or we don't do business," he says.

A good distributor also should stock items on a seasonal basis so facility professionals don't have to wait.

"Our distributors know our purchasing habits, so they stock up with items when they think we'll need them," Kenyon says. "This gives us quick access to the parts we need."

Avoiding Formality

Allan Espenlaub, facility manager at the Denver Museum of Natural History, has maintained a number

Federal Facilities

New Rules The low-bid process that many public institutions traditionally use in working with distributors doesn't work in all cases.

David Hood, assistant regional administrator for the Great Lakes Region of the Federal Supply Service (FSS) — the distributor and purchaser of building products for federal government agencies — says that in particular, the process doesn't always benefit taxpayers, the agencies or the FSS.

Long-term View

In place of the low-bid process, FSS has begun encouraging managers of federal facilities to consider long-term contracts with distributors, and the organization is putting mechanisms in place to do that.

The changes begin with FSS relationships with parts and equipment vendors. FSS has fine-tuned its schedule contracts program over the past several years to encourage more vendor participation. The schedule contracts for each piece of equipment — from motors to paper goods — contains a pool of vendors that, in essence, have been pre-qualified and may remain contracted with FSS for several years.

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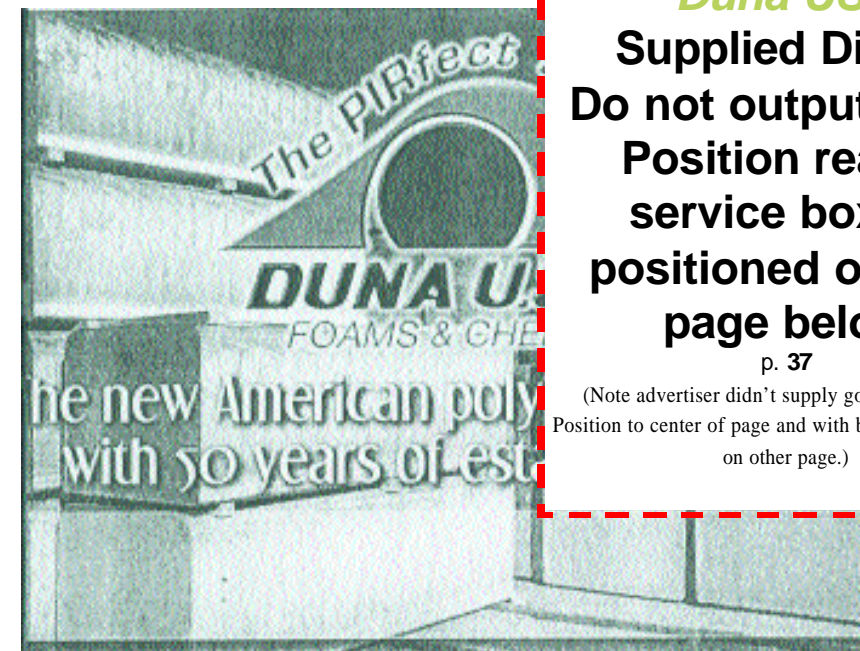
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is best. Managers also can write individual agreements or blanket purchase orders (BPA) for multiple years.

Evergreen Contracts

To replace the schedule contracts, FSS has been working on what Hood calls "evergreen contracts" that would encourage partnerships with vendors for as long as 20 years, opening the door for managers to sign extended BPAs. FSS also is working toward having managers use BPAs as templates for their own contracts negotiated apart from the schedules.

Allowing facility professionals to deal directly with distributors can provide faster service at prices that may be more favorable, Hood says.

FSS still maintains a traditional warehouse of 15,000 stock items, but that number is shrinking, Hood says, because facility professionals have much greater access to goods and services through scheduled contracts — as many as 6,000 vendors and 4 million products and services.

of partnerships, some as long as 30 years, but they have not been written or contractual ones.

"We develop and maintain successful partnerships based on past performance," Espenlaub says. "Our distributor partners know our system and our facility, and know the kind of quality of products we demand. This is worth more than a few pennies we might save by bid-

ding one distributor against another all the time." He checks his partners' prices to make sure he gets a good price, but price has never been a problem because distributors will meet whatever prices the museum needs. He has arrived at this understanding because of the long-term relationship with the distributor.

Facility professionals also seem to strike up relationships with distributors that have a strong knowledge of their customers' inventory.

Clements says he looks for a price break and quick turnaround time from any distributor interested in doing long-term business. But just as important, if not more so, is the technical knowledge of the distributor's staff.



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"I like to know there is a technical staff that knows its inventory and can help us find something — a part — similar to the one we bring in when the part we bring is no longer made or not in stock," he says.

The Bigger Picture

Once a manager has become comfortable with the price, service and knowledge of it distributor, he or she can take one step farther by making the distributor a big-picture partner.

Riley, for instance, includes his distributors in the bid process for capital projects. He says doing so keeps parts and systems standard on the campus. Otherwise, a general contractor or subcontractor might bring in parts or systems that are either not used on the campus or that might be difficult to replace.

Partners, Beware

Partnerships can have their downsides. One such downside, especially these days, is mergers. "You can rely on a distributor that offers all things, and the next thing you know it falls right off your radar screen — it was bought or merged out of existence," Espenlaub says. "That may leave you holding the bag because you did rely on that one distributor. Hopefully if it was an open partnership and your partner knew of the merger, he would say something."

A relationship that gets too comfortable can lead to problems. Ed Walsh, associate director of plant engineering at the Mt. Sinai Medical Center, says his institution's purchasing department offers a necessary buffer from that. Walsh adds that maintenance departments can suffer if they get too comfortable with their distributors.

"There's a benefit to developing a regular relationship, but there is a reason why we have separated the purchasing from the specifying," he says. "It's too easy to get too comfortable." Despite the caveats, some maintenance and engineering managers see long-term relationships with distributors as a trend in business.

"Developing a partnership over time and receiving the benefits that brings vs. always having to be competitive — this is the way all of business is heading," Espenlaub says. "There are efficiencies built into an economic model built on the cooperative approach that are not available to models built on the competitive market approach."

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