

Canada Business

New Brunswick



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Selecting Your Supplier

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A very important decision that has to be made early on in the process of starting your business is the selection of a supplier or suppliers. Care should be given to this selection.

Take your time. The initial selection can prevent future misunderstandings, hardships and even an unnecessary change of affiliation. Dealers should research their potential distributors, including where possible, their background histories. It is also important that an alternative list of suppliers has been considered, in case something should happen to the primary one.

Before making contact with a potential supplier, it is important that you understand what you are looking for in one. The following points should be noted:

- How broad or complete is the assortment offering of the supplier?
- If offered, are "opportunity buys" (deals) available on a regular or part time basis?
- What is the chance that the supplier will ship your order complete?
- What is the turnaround time on orders from the time that they receive the order to the time that it is shipped, i.e. how much lead time do you have to allow for on an order?
- How competitive is the wholesaler's pricing policy?
- What is their preferred method of shipping goods, or are various methods of shipment available? Note: The choice of how goods are shipped depends to a large extent on who is paying for the cost of the shipment.
- Are prices quoted Free On Board (F.O.B.) warehouse or delivered to the store?
- If it is an available option, at what point will orders be shipped prepaid?
- Are there volume discounts available for buying in quantity?
- Are there credit terms available and at what point may you be able to access them? (i.e. You will usually have to establish a working relationship on a cash basis first before supplier credit may be offered.)
- If credit has been granted, are cash discounts available to encourage early payment of credit, i.e., 2%—10 days, Net 30? (If you pay the bill in 10 days, you will receive a 2% discount; otherwise, the balance is due in 30 days).
- Can defective, damaged, non-selling, or overstocked merchandise be returned or be "stock balanced" (substituted) for saleable product?
- If merchandise can be returned, who pays the freight and is there a restocking charge? (i.e. To cover the supplier's administrative and handling charges for putting it back into their inventories.)

- Does the supplier offer advertising support? (i.e. Possibly in a co-op form where each of you may share the cost of an ad and how strong it is.)
- Where is the supplier located? Who else do they supply?