

# With Buying Consortium, it's Advantage Suppliers and Buyers

## Prime Advantage Corp. Provides Purchasing Clout and More

Jack McGuinn, senior editor

A little over 10 years ago, Louise O'Sullivan was serving as president of one of Dover Corp.'s myriad divisions. One of her duties in that role was to attend the bi-annual cattle calls, i.e.—corporate executive business meetings attended by approximately 22 Dover decision makers. Invariably, at some point in those meetings, someone would ask, “Since we all buy the same things, why don't we pool our significant purchasing power to achieve better pricing and service?” As if on cue, everyone in the room would promptly salute the idea,



Louise O'Sullivan, Prime Advantage Group president.

and then head back to their respective companies at meeting's end.

“Everyone thought it was a great idea,” says O'Sullivan, “But then we'd all go back to our respective jobs and hope that someone was working on that.”

Corporate bureaucracy being what it is, no such luck.

“So 10 years ago,” says O'Sullivan, “I said to a number of the Dover companies, ‘Listen, we really have opportunities to pool our purchasing, to leverage our spends, aggregate our demands, and to really have more clout with our suppliers. If I start a business, will you, first of all, join and pledge your purchases, and secondly, will you help us bring in new suppliers?’

“Starting Prime Advantage was a chicken-and-egg scenario,” she explains. “You had to have the members to have the suppliers and, obviously, vice versa.”

It turned out that O'Sullivan won over sufficient hearts and minds that day. Now, Chicago-based Prime Advantage Corp., a private, for-profit buying group comprised of some 280 member companies, provides for its members pre-negotiated discounts and rebates from over 115 PrimeAd-endorsed suppliers. Other significant benefits include negotiated volume discounts and rebates

for raw materials, components, supplies and services.

“We started with 13 visionary companies, and half of them were Dover companies,” says O'Sullivan.

Of particular interest to PTE readers, included in the mix are member suppliers in the power transmission and motion control industries who benefit as both sellers and buyers. On the selling side, supplier members are presented to an array of would-be senior buyers; on the buying end, those same suppliers—of bearings, for example—realize savings on raw material metals.

A look at Prime Ad's supplier roster shows a number of manufacturers and suppliers of bearings, electric motors, valves and pumps, internal gears, plastics, controls, hydraulics and various metals used in the power transmission and motion control arenas.

*Slackers need not apply.* There are a number of requirements to qualify for membership, and they are etched in stone. In essence, those requirements are what make the group viable and of legitimate value to its members.

Says O'Sullivan, “You have to be an OEM; you have to purchase a specific minimum of product through the Prime Advantage suppliers; you have to

agree to attend two conferences per year, which are individual one-on-one meetings with buyers and which provide a lot of purchasing education; and you have to agree to give our suppliers every opportunity to quote your business. But they still have to earn it.”

Indeed, O’Sullivan points out that potential suppliers undergo a “rigorous” vetting process before securing “endorsed supplier” status. O’Sullivan says the group seeks out and recruits Tier 1-caliber global suppliers, and strives to have at least two or three of them for each member’s business category. Much of the initial work is done by an internal supplier development team, which looks at and screens suppliers. And that’s only the beginning.

“We have an 18-page supplier selection document that they have to fill out, which rates them on 12 different categories,” O’Sullivan says. Then, after being nominated by a group member, “They give themselves a rating and then the nominating member gives them a rating. And that’s probably the most important key; they must be nominated by a member in order to become an endorsed supplier. So you can imagine members are only going to nominate their superstar (suppliers) because they don’t want to hang their hat on somebody that’s not terrific.”

There’s more.

“After that, there’s a supplier selection committee that the suppliers make their proposals to, and that commission is comprised of 22 members. And if they like the proposal, like the company, see that the pricing is competitive, and if (the applicants) are truly what they say they are—top-notch, global, meet all the requirements—then it goes to the executive board, which is another seven member companies, and they actually make the endorsements.”

O’Sullivan adds that even endorsed suppliers are also subject to a twice-yearly, online review system—the Prime Advantage Supplier Evaluation (PASE)—in which they are rated by all members that have bought from them. She describes it as an “early warning system” that helps identify supplier

problems before they get out of hand. Conversely, the suppliers have access to the evaluations as well, providing them with a snapshot of how they are perceived by member customers.

Strength in numbers. Requirements with teeth aside, O’Sullivan says there is a waiting list. That is probably due at least in part to the group’s efforts to protect existing supplier members by keeping at three the number of suppliers for a given category.

Another way that a member supplier can benefit is by becoming an associate member. That upgrade in status provides them with the same buying price breaks that other members enjoy. They are al-

lowed to buy from fellow supplier members and in turn realize the same volume pricing and other rebates. For example, says O’Sullivan, a metal supplier member may wish to purchase material from a member strapping or roofing supplier, which helps boost the group’s volume buying—and selling—power. It’s a synergy upon member supplier and buyer loyalty that benefits all.

“We say to suppliers, if you give us a very aggressive rebate, and you stay in the top quality segment of your market, then we will ensure that our business model of two to three (suppliers) per category will keep you very much in the forefront,” O’Sullivan explains.

continued



**Members are strongly encouraged to serve on PrimeAd’s various committees. The groups meet throughout the year to help advance new ideas regarding sourcing and sales issues.**



**Table discussions at Prime Advantage conferences are a perfect meet-and-greet venue for members.**



Prime Advantage members are typically mid-sized, says O'Sullivan, who points out that the self-imposed minimum buying requirements may preclude most smaller companies from admission.

"Our smallest members are at around \$20 million (in sales); our largest members are around \$3 billion," says O'Sullivan. "Our sweet spot is probably around an average of \$100 to \$200 million, but we still have a lot of large members with de-centralized companies and we have a number of smaller ones."

*Information is power.* As for the required-attendance learning opportunities mentioned earlier, they include two conferences yearly, which, says O'Sullivan, "are probably the glue that makes this group work so well, because they're one-on-one meetings over two-and-a-half days where suppliers can meet with 200 companies on one plane ticket, and members can have two days of uninterrupted, strategic sourcing. The members can go online and select with whom they'd like to meet, and the suppliers do the same. So the suppliers each take a (hotel suite) and then the members move from suite to suite. We choreograph everything."

There are also two additional educational sessions per year, a fall summit conference at which speakers talk about

such things as leadership, strategy and managing change, for example. In the spring, the focus is on the technical side, says O'Sullivan. Engineers are invited to expound on leading-edge design and technologies relevant to the members.

*Marketed for success.* Along with everything else, Prime Advantage works closely with both buyer and supplier members on their marketing efforts. Prime Ad account managers are assigned to members in order to work closely with them in providing strategic direction and sourcing, some to the extent that they actually maintain a desk onsite. With buyers and sellers, says O'Sullivan, the account managers in effect wear two hats.


"When they work with our buying members, they become an extension of their purchasing team. Because what they do is shorten the (supplier) search and help hone in on members' pain points—Where are you feeling the most pain? What are your strongest needs? What are your hottest buttons? Where are your costs possibly the most excessive? and, Let's get together with a plan to reduce those and then let us help you with your sourcing."

Conversely, says O'Sullivan, "When (the account managers) are wearing the supplier hat—when they're an extension of the supplier's sales team—what

they're also doing is shortening the dance. They're leading the supplier to the exact (buyer) member who says, "This is my pain point."

As for Prime Advantage's future, O'Sullivan sees the glass as half full and envisions a global reach at some point.

"We don't see ourselves topping out at all," she says. "There are many, many manufacturers out there that don't have the advantage of leverage. Ask any company—If you had more volume, could you get a better price?—and it's hard for them to say no."

"Our growth is going to come from bringing on new suppliers, new members. Our group buys about \$1 billion in metals today, so what's the next high-growth area that might be a new vertical for us? Whether it's plastics, or rubber, or some other technology—that's a possibility. But we can also see ourselves growing horizontally because the more suppliers we have that are top-notch, the greater the opportunity it's going to give us to go internationally." 

*Editor's Note: Visit PTE.COM for a sidebar to this story including two members' reactions regarding Prime Advantage Group's benefits to their companies.*

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**Tom Tetlow, vice president of Enodis PLC, addresses Prime Advantage members at the semi-annual Purchasing Network breakfast. His topic—maximizing supplier evaluation systems.**