



Negotiating with suppliers – a small business guide

Report Extract

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1 – INTRODUCTION

Every transaction requires negotiation. While not as common in Western Society, in a capitalist economy in its' purest form, the price for each product and service is negotiable. While rarely would you be willing to enter into a supermarket and argue the price of bread, in many economies, it is entirely normal to haggle (or negotiate) on price, and in many instances service type and delivery timeframe.

There are some important caveats to this rule. People will normally try and “get a few hundred off” the price of a car. When heading overseas, Westerners tend to revel in the opportunity to negotiate the price of an item in a market. Yet when it comes to business practices, we fall short. We accept the price of goods and services as fixed in stone.

In short, a skill which when employed successfully can save even a small business thousands per year is largely ignored. Why? The art of successfully negotiating for a good outcome in business is one rarely taught, and even less often mastered.

In this accretive research paper we address the question of how set yourself up to negotiate for your goods and services more successfully, adding thousands to your bottom line each and every year.



2 – WHAT ARE THE ATTRIBUTES OF A NEGOTIATOR?

Healthy, productive business relationships are said to be built on five key facets¹:

- Respect
- Concern
- Humility
- Generosity
- Appreciation

While it is true that any good relationship is built on these factors, you also need to remember that when it comes to negotiation, you don't need to leave these personal attributes at the door of the conference room.



¹ <http://voices.yahoo.com/5-important-facets-healthy-productive-business-9140467.html>

3 - ARE YOU JUST TOO POLITE?

A study² of MBA graduates of Carnegie Mellon University revealed that the difference in starting salaries was largely due to being polite and not asking for what they really wanted. The consequence was one group of students found themselves \$4,000 short of their peers.

Think of it another way, our culture does not hold people in high regard who are too assertive. Assertiveness does not have to be arrogant, mean spirited, underhanded, abrasive or abusive. Being assertive is all about asking for what you want, but being polite and not accepting being palmed off by classic sales techniques designed to avoid giving the customer what they want.

You can still be assertive and meet our 5 facets of a healthy business relationship:

Respectful – you can respect the person, their position and their products and still put forward your position. Some call this being honest. Your counterpart has obviously worked hard to get to where they are... and it deserves some respect (if not for the person, then for the office which they hold).

Concerned – Genuine, personal concern about building a relationship which both parties can walk away from with head held high is critical in negotiations. At a secondary level, if you are looking to build a long-term business relationship you need to ensure your “great deal” does not destroy the company with whom you are dealing... hardly the act of somebody concerned about suppliers and their own supply lines.

² <http://hbr.org/2003/10/nice-girls-dont-ask>

4 - AREN'T SALES AND NEGOTIATION THE SAME?

Don't let yourself be told that sales and negotiation are the same... they aren't.

At a simplistic level, sales are just a small component of a boarder system that includes:

Marketing – the creation of awareness and desire for your products and services

Negotiation – the art of ensuring that what you need and what you get are one and the same.

Sales – completing the actual sale transaction

Let's look at an example. If as a local bakery you wanted to release a new type of bread to professional catering companies, typically you would engage in 3 separate activities: First, you would market the product (what it is, who it is for). Next, you would negotiate discounts, volumes and terms of trade with your customers prior to (third) completing the actual act of the sale.

All too often, the central step of negotiation is missed out in many business transactions. As a customer, you are the recipient of a sales pitch. You are told why the product makes sense for you, that you won't regret the decision and that the price is right (all of which may or may not be true).

Vendors simply try and skip the central step of negotiation in an effort to get you to sign on the dotted line. Make no mistake: this is designed as a one-way process. The customer has no ability to accept or reject the terms without the ability to put forward their requirements.

7 – THE NEGOTIATION PROCESS

By the time you get to the actual meeting(s) you should have completed all the research necessary to successfully complete the negotiation. Your information should be in a format you can quickly review during the discussion. Sometimes printing it in a slightly larger font makes it easier when reviewing details at speed – avoiding costly mistakes. So what's next?

THE NEGOTIATION PROCESS

- There are normally three phases to any successful contract negotiation: Offer, Consideration and Acceptance. As such your negotiation process should follow this same process: First meeting (understanding the offer);
- Subsequent meeting(s) if required (considering the offer); and
- Reaching agreement (accepting the offer).

THE FIRST MEETING

Here is where you establish the rules of engagement. The first meeting should be well planned and executed. It lays down the framework for all future conduct

Negotiation Meeting Agenda

Meeting Title
Insert Date & Venue
9:00 – 10:00

Attendees: Insert list, including company represented and position

9:00 – 9:10	Introduction <ol style="list-style-type: none"> 1. Explain purpose of meeting 2. Introduce participants (All) 3. Approval of Draft Agenda (All)
9:10 – 9:30	Issues and Proposed Solutions <ol style="list-style-type: none"> 1. Explain what the business is trying to achieve 2. Vendor proposal 3. Clarification of response
9:30 – 9:50	Discussion of negotiation points <ol style="list-style-type: none"> 1. Point A 2. Point B 3. Point C, etc
9:50 – 10:00	Wrap up and Next Steps <ol style="list-style-type: none"> 1. Agree on Action Item List 2. Agree Date and Time of Next Meeting 3. Agree on when minutes to be circulated 4. Close

Additional Information:
[Add any additional instructions, comments, or directions in this section.]

11 - CONCLUSION

The role of negotiation in business cannot be underestimated.

In an economic environment where slender margins are coming under increased pressure; the ability to extract additional value from vendors is critical to the survival of many businesses. In addition, the need of vendors to have a realistic negotiation practice in place can be the difference between reaching and missing sales targets.

By employing some simple tools and ensuring appropriate preparation, the art of negotiation can successfully be incorporated into business practices.

The objective: creating an environment where vendors and customers can have an open, honest conversation about delivering utility.





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