

Top 10 Procurement Tactics

The job of procurement, sourcing, or any sophisticated buyer is to drive down pricing from suppliers. They have a 15-year head start in training and a detailed playbook for how to play games to get that discount. The first step towards winning in a negotiation with them... is to recognize you're in a game.

Here are the top ten price-lowering tactics we've seen from buyers:

1. Value trap. They tell you it's not worth what you're selling it for, and that your competition is 30% lower. You're told you're a "commodity" or given a "bad report card" at the 11th hour, with issues or shortcomings that had never previously been communicated.

2. Good cop, bad cop. If procurement is suddenly introduced into an otherwise amicable relationship, they're bringing in the big guns to press you for a discount.

3. "Should-cost" modeling. Look out for procurement picking apart the cost of every component in your solution without regard for the value of assembly, service and other aspects of your value.

4. Multiple RFP rounds. They're trying to wear you down and make you feel like you're still in the game – but often this is just a trick to get you to negotiate against yourself and lower prices to stay competitive. Often there is no one else still bidding, or they're using your numbers against someone else's to get both to go lower.

5. Unbundle & cherry pick. This usually leads to more "should cost" modeling, where procurement will pull specific features or benefits from your offering and try to use the discounted "bundle" price for single items.

6. Wait for quarter / year-end. They know sellers are desperate to close deals to meet their goals, and they wait until you need revenue the most.

7. No or delayed response. Silence can usually make sellers rethink their approach, and especially their price. Make sure you don't interpret their lack of response as a prompt to change your price.

8. Deception. Beware of bluffing when they start talking about who else is in the mix - they may tell you there are 5 other bidders who all are offering more for less, but you can't take those claims at face value.

9. Intimidation. This is particularly prevalent with larger companies who have been around for a long time. They may use their logo, size, or experience to throw weight around in the negotiation. Remember it is a tactic.

10. "I'm disappointed." Not the emotional manipulation! Procurement will pull every lever to make you feel bad and put themselves in the power seat – watch out for how they use feelings to turn things around and make you tap dance.

Sound familiar? On the next page, learn what to do.

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Ways to level the playing field:

- **Recognize you're dealing with a poker player.** You have more power than you think, and if they weren't interested in you as a supplier, they wouldn't still be talking with you.
- **Create Give-Gets as negotiation tradeoffs.** Make sure you have options so the buyer feels they're in the driver's seat and give them choices. For example, if lead time is a priority, you can offer faster availability for a higher fee. If not, they can have the discount for slower delivery times.
- **Take something of value away when they demand a discount.** This is why you create value-based tradeoffs – to keep your pricing fair when a buyer wants a lower price.
- **Know your walkaway price, and stick to it.** They will try every trick in their playbook to get you to give a lower price. If you're faced with too much bullying for a certain price, and it would cost you money to serve this customer, walk away from the deal. (Sometimes they come back.)

Remember, the buyer-seller relationship is far more even than they lead you to believe. It's always possible to level the playing field in a negotiation with procurement.