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Learning To Negotiate With Suppliers Is a Business Art

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Many businesses rely on suppliers or vendors for inventory, raw materials or services, and that makes contract negotiation skills essential to securing the best prices, terms and product quality. Becoming a skillful negotiator requires a business owner to know what his business needs and can do without and what materials costs are common in his industry. It also requires flexibility and a willingness to compromise — qualities that can lead to a sustainable business-to-business relationship.



Price isn't everything: Sometimes getting the best price for a product requires a business to buy in volume or agree to inconvenient delivery schedules. Sometimes it means getting a product of lower quality. Not all businesses can afford this. A lean manufacturer who wants raw materials right when they're needed on the assembly line might be willing to pay more for this guarantee; for this business, punctual delivery isn't negotiable. The same is true for a restaurateur who needs regular stocks of perishable goods in time to prepare fresh meals. But a business with lots of warehouse space might get a deep discount by buying in large volumes at irregular intervals.

Before entering negotiations, the business owner or purchaser should know what matters most to the business's smooth functioning and bottom line. They should also consider what compromises they're willing to make to get the terms that matter most. For example, a more expensive copy machine might be better than a cheaper one if the contract includes ongoing service, maintenance and round-the-clock technical support.

Shop around: A business should approach multiple suppliers and vendors for written estimates before beginning negotiations. This gives the business an idea of its negotiating position: If the vendor corners the local market, he might have the advantage, but if he's hungry for market share or needs to move inventory, he might offer a great deal. Sometimes the business has more leverage, as when it's the vendor's principal customer. Knowing the terms, prices and conditions available from all potential vendors gives a business the facts it needs to press for the best possible arrangement.

At the table: Bigger businesses can assign vendor and supplier negotiations to a purchasing manager or team of account managers. The owner of a small business might find herself doing the haggling. Whatever the case, the business negotiator should have a strategy and the confidence to stick to it. A positive way to start the give and take is for each party to express

what it likes about the proposal without revealing its fallback position. A business should counter any initial offer with a proposal that eliminates nonessential features or otherwise improves terms or conditions. The ideal outcome is one that doesn't force the supplier to reduce product quality, technical support or customer service to protect its own interests.

Relationships matter: Vendors are happy to do business with companies that compromise and respect their needs, and they're likely to reward that treatment at contract renewal time. Goodwill goes a long way in business-to-business dealings, and entrepreneurs who approach vendor negotiations with a long-term perspective can often secure preferential treatment and the kinds of benefits that come with it.

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