
11 WAYS TO IMPROVE NEGOTIATIONS WITH SUPPLIERS

Working toward a happy compromise – and not a one-sided deal – can inspire loyalty from your supplier and create a better working relationship

It's important to keep emotions out of the negotiation process. You'll make decisions more objectively and maintain a good relationship with your supplier – even if negotiations become challenging-

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When negotiating with suppliers, it pays to have a plan before you begin discussions.

As a business owner, supplier negotiation is a key part of an effective business management strategy. Whether you need a lower price, better delivery times, enhanced product quality, or different payment terms, being prepared before you go to the bargaining table can help you get the best deal.

1. Know Your Supplier

Remember that your supplier isn't just a provider of goods, but a company itself. Take time to understand the negotiation from the supplier's point of view by researching its business model, production costs, market reach, and goals. This can help you frame your position in a way that also addresses your supplier's needs. Show your supplier's representatives how meeting your company's requests can help them achieve their own goals.

2. Talk to Multiple Suppliers

Talk to at least three suppliers and let each know you are getting other quotes. When reviewing bids, consider quality and overall competitiveness, including pricing, terms, and unique benefits. If you're renegotiating, it's a good idea to speak with other suppliers – or business contacts who've done business with these suppliers – to learn what they have to offer. Even if you're happy with your current supplier, it's important to know how its offerings compare to those of its competitors. You can bring this information to the table when you renegotiate.

3. Research the Actual Costs

Negotiating the best pricing or terms requires a clear picture of your supplier's market and competitors. If keeping supply costs low is important to your profitability, find out everything you can about production costs,



economies of scale, and other factors. This will help you understand your supplier's pricing constraints so you can set realistic goals and form an effective negotiating strategy.

4. Talk to Your Supplier's Customers

Ask your supplier for a list of client references and reach out to them. Speaking with your supplier's current customers can help you determine if they're a reliable vendor and also give you valuable information about pricing and payment terms. Armed with this data, you'll have a good starting point when you start negotiations.

5. Educate Your Supplier

Your supplier wants to sell you products or services. Make sure they know you want to be a long-term customer and will give them repeat business. Highlight your track record of past purchases to current suppliers or show new suppliers your growth projections based on sales data.

6. Counter the First Offer

A basic rule of negotiating is to never accept the other party's first offer. Make it a practice to respectfully issue a counteroffer to the supplier's first bid. Ask them to get back to you with a better price or terms or eliminate offered services you don't intend to use.

7. Think Beyond Price

While price is important, it's not everything. If the supplier can't give you a lower price, you can still negotiate for other things that will help reduce your expenses. These include negotiating a lower down payment, better discounts if you buy in bulk, or faster shipping without extra costs. You can also ask for additional discounts when you pay your invoices early.

8. Leverage Deposits for Discounts

Like any business, suppliers are concerned about their accounts receivable. To increase your bargaining power, offer to make larger deposits in exchange for lower prices or ask for early pay discounts on invoices. Improving your supplier's bottom line can pay off for you as well.

9. Consider a Sole-Supplier Relationship

If you've been giving your business to multiple suppliers, consider transferring all of it to one supplier in exchange for discounts or better terms. Be sure you clearly outline your quality and time needs, and be prepared to offer a multiyear contract, but one that locks in price.

10. Build a Partnership

As you advocate for your company's needs, be careful to take the supplier's needs into account. Like you, the supplier is affected by market forces and economic constraints that may make some requests unrealistic. Working toward a happy compromise – and not a one-sided deal – can inspire loyalty from your supplier and create a better working relationship.

11. Be a Good Customer

Like you, your supplier wants customers it can depend on. If you're hard to work with, you may not get the best deals. Be someone suppliers want to do business with. Pay your bills on time, maintain good communication, and remember that while it needs you as a customer, you need it, too.

Here to Help

If you have questions or need help managing your business finances, reach out to your financial institution.



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