

Procurement's Ultimate Mission

By John Holland, Co-founder & Co-author of CustomerCentric Selling®

In the same way few buyers look forward to meeting new salespeople, so it is salespeople don't relish, and may even dread, meeting people from procurement. These meetings can be especially stressful for sellers when they occur at the end of long sales cycles at quarter or year-end when trying to finalize transactions. Buyers have been known to delay making large decisions until late in a quarter because deadlines for closing sales improve their bargaining position and power.

Procurement can be viewed as a seller's nightmare for several reasons. Their agents:

1. Seem to slow down when sellers are in a hurry
2. Are unaware (and don't want to acknowledge) any value that has been established
3. Have been trained in negotiating tactics and techniques
4. Are good at squeezing salespeople on price
5. Are often measured by concessions and discounts they negotiate
6. Can be last hurdle standing between sellers and orders

If the issue of getting bogged down by Procurement arises, the advice most commonly given nets out to contacting the most senior Key Player you've called on, notifying him or her that Procurement is delaying the start of the project and therefore the projected savings, and see if the buyer will intervene. The best outcome would be that the PO gets expedited. A less favorable outcome is that the wheels of Procurement are allowed to continue to grind.

While sellers are told that price is the primary issue in making buying decisions, studies show this just isn't the case.

A buyer in one of my major accounts years ago had a plaque in his office stating: "The bitterness of poor quality remains long after the sweetness of a lower price."

Procurement doesn't want to hear complaints from other departments or users about goods and services they provide. Some things Procurement may not readily discuss that may be important to them include:

- Quality of goods and services
- Having delivery commitments met
- Flexibility of terms
- Choosing vendors having a wide range of offerings so that:
 - The number of suppliers can be reduced
 - Volume purchase agreements can be negotiated
- Accurate billing and consolidation of invoices
- Ease of placing orders
- Shipment/delivery tracking capabilities



Beyond these items there is an important aspect of a Purchasing Agent's role that can reduce their perceived advantage if and when you are selling non-commodity offerings (with commodities, some of the items listed above may be your differentiators).

Recently during a workshop one of my students, a former Procurement executive gave me an entirely different perspective of Procurement's role. Before presenting the concept, it is necessary to dispel a myth that Procurement would like to propagate: Price is the primary factor in their buying decisions. Let's say a decision is being made on a piece of capital equipment for the manufacturing floor. Do you really think Procurement can go against the Column A vendor that the VP's of Engineering and Manufacturing have chosen because another vendor offers a lower price? Not likely because Procurement in these cases does not have the authority to choose which vendor gets the business.



Procurement would prefer that sellers be unaware of a mission they share with sellers: finalizing transactions. After a lengthy evaluation of several vendors, when the negotiations are handed to Procurement, the committee or decision maker is essentially saying: "We've chosen Vendor A. Negotiate the best deal you can with the seller, but let's get this done." My student went on to say that Procurement personnel actually feel a degree of pressure to make sure transactions are consummated. While they can and will push

sellers, they don't want to alienate them. In our workshops, we encourage sellers to use the same negotiating tactics with Purchasing that they would use with Key Player decision makers, but with one major modification. When asked for better pricing by a Purchasing Agent, it is best not to take three stands that amount to politely saying you'd prefer not to discount. The reason is that these stands usually relate to things that occurred during the buying cycle that person in Procurement is not on board with (value; cost of delay; etc.). When asked for better pricing by someone in Procurement:

- Verify that you are the vendor of choice (Column A). If you aren't, defer negotiating until the buyer has determined that you are.
- If you are the vendor of choice, start by asking the buyer to give you something that is of value to you. Here are two examples of gets that sellers might ask for:
 - Could the payment terms be reduced to 90 to 60 days?
 - Could the agreement being negotiated serve as a master agreement for all other locations?

We recommend that sellers define two things to ask for when preparing to negotiate. If you get an initial negative response, you can then ask for a second get. As with the approach taught in our workshops the first get is usually more difficult for the buyer to agree to than the second. **The seller should only offer their give (concession) conditionally after getting something from the buyer.** This approach minimizes the chance of price erosion over multiple meetings.

If the person in Procurement won't agree to a get or after agreeing, won't accept your give and close the transaction, the procedure is the same we teach in workshops. Close the call by saying something like: "At this stage, Joe, I don't believe we can come to terms today. That said, this transaction makes sense for both parties. Let's take everything off the table and think about it. I'll call tomorrow to see if we can come to terms."

Walking from a negotiation is never easy for a salesperson. It is especially hard to do with Procurement. Many buyers will be surprised to see a seller end a negotiating meeting. Keep in mind that while you are under pressure to close the transaction, Procurement has their marching orders and actually share a desire to finalize an agreement with Column A.