



Vendors Have Feelings, Too, You Know

Business Mindfulness, Part 4

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October, 2020

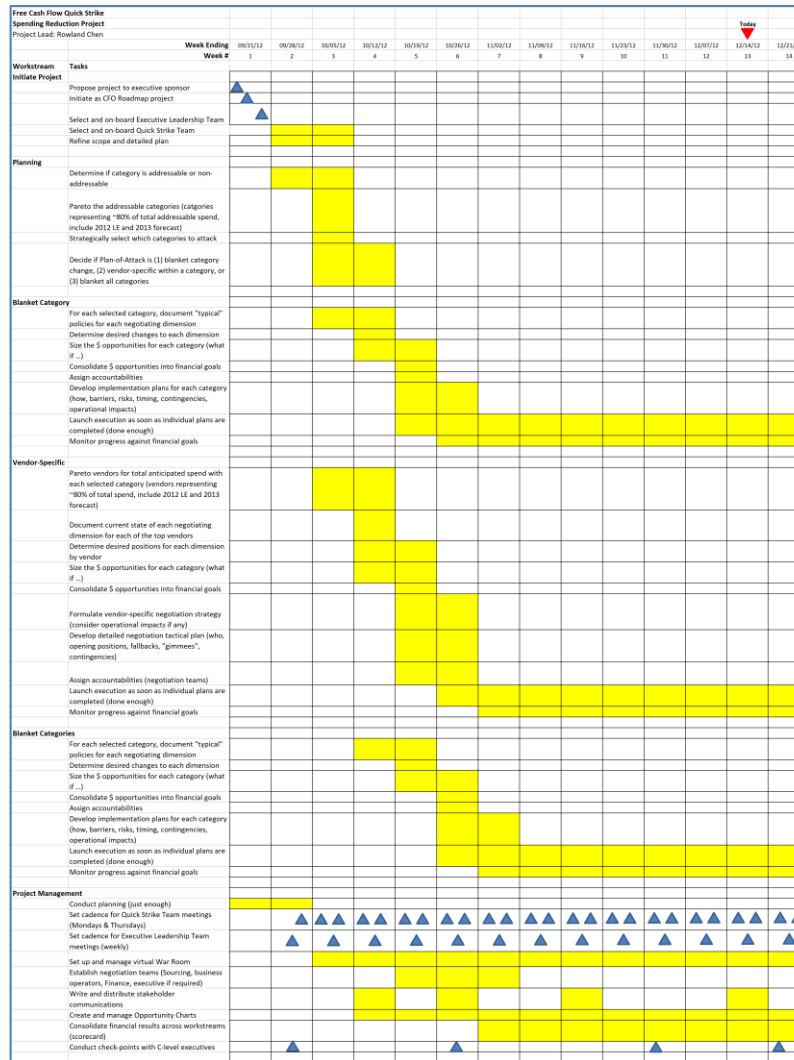
Premise

- Cash is king
- Deliberate free cash flow management is an Essential Factor to Thrive (EFT) during the pandemic
- Significant un-tapped reductions in cash outflow are available through negotiations with current and new vendors
- A vendor will go through an “emotional cycle” during negotiations
- You can manage and leverage the vendor’s emotional cycle to your advantage
- This is hardball and not for the faint of heart

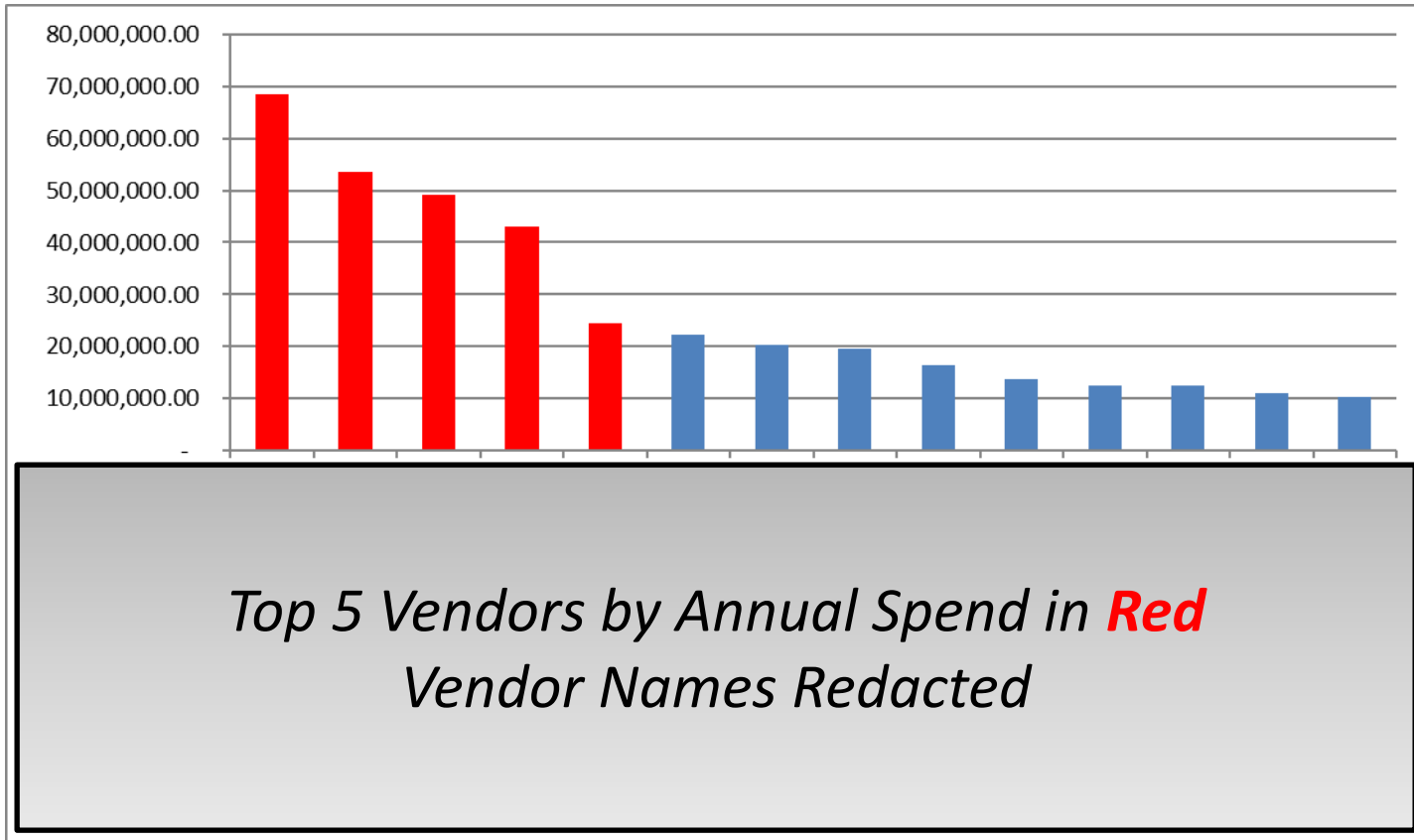
Finesse



Part of a Free Cash Flow Quick Strike Project



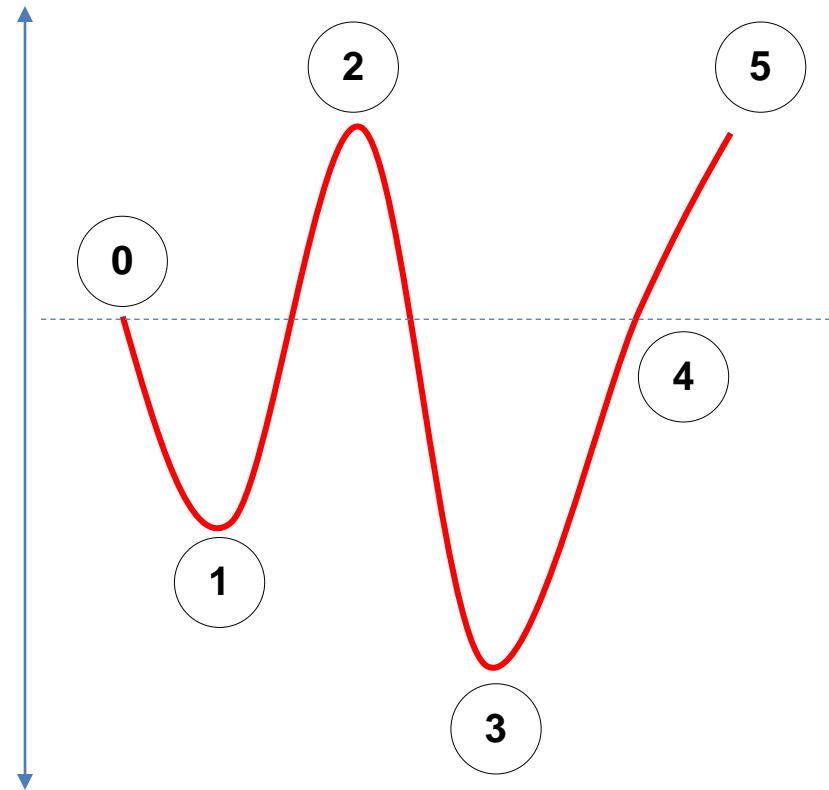
First, Identify Top Vendors Whose Purchase Orders or Contracts Are Due to Expire within 30 to 60 Days



- Over 6,000 vendors
- Cutoff at \$10 million or greater
- Total of >\$10 million vendors: ~\$377 million

A Vendor's Emotional Cycle During a Negotiation

- 0. Neutral starting position
- 1. Fear, uncertainty, and doubt
- 2. Aspirations and greed
- 3. Surprise, shock, and awe
- 4. Neutral during "partnering" talks
- 5. Relief upon reaching agreement



So what do you do to drive the emotional swings?

Tactics to Manage the Emotional Cycle

Vendor Emotions	Tactics	Comments
1) Fear, uncertainty, and doubt	Conduct comprehensive review to put the vendor on notice: delivery performance, dead-on-arrivals, service response, other SLAs	Make the vendor sweat, the vendor is probably feeling vulnerable as a result of the pandemic
2) Aspirations and greed	Pull on vendor's desire for more business: "lifetime value" as customer, alignment with your growth strategy, future volume, ...	Lead the vendor to a more positive outlook
3) Surprise, shock, and awe	Declare hardball terms and conditions: price, payment terms, title transfer, VMI, return policy, ...	Hit the vendor head-on and drive them into despair
4) Neutrality during partnering talks	Compromise on terms to which you are indifferent with little impact to cash flow	Lift the vendor out of desperation, use the slingshot effect, and lead the vendor to agreement to your terms
5) Relief	Reach agreement	Reduce cash outflow

(3)³

Caution: Do Not Cross Over to the “Dark Side” No Matter How Tempting. You Are Dealing with People’s Emotions.



So What?

- Consider leveraging the vendor emotional cycle during negotiations and re-negotiations
- Be mindful of the fine line between ethical behavior and toxic manipulation
- Use finesse

Questions?

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