

TOP 10 PROCUREMENT TIPS TO REDUCE COST



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As a procurement leader or CEO, you're always looking for ways to reduce costs and improve your bottom line. One of the best ways to do this is to negotiate with your suppliers. With a little preparation, you can get the best possible terms from your suppliers and save your company money.

Here's how to prepare for a supplier negotiation.

1. Know Your Numbers Before you start negotiating with your suppliers, you need to know your numbers. This means having a clear understanding of your company's budget and what you're willing to spend on each item or service. You should also know your company's current costs for the items or services you're negotiating for. This will give you a good starting point for negotiating.

2. Do Your Research Once you know your numbers, it's time to do your research. This means finding out as much as you can about the suppliers you're negotiating with. What are their terms and conditions? What are their prices? What is their reputation like? Who are their current customers? Are any of their customers competitors? Also do research on who from the company you will be negotiating with prior to the negotiation. The more information you have, the better positioned you'll be to negotiate.

3. Set Your Goals Before you start negotiating, you need to set your goals. What do you want to achieve from the negotiation? Do you want to lower your costs? Do you want to improve your terms and conditions? Do you want to get a better price for a specific item? Also categorise your goals into what you want (mandatory) and what your need (would like to have). Once you know your goals, you can start working on achieving them.

4. Make a Plan Once you know your goals, it's time to make a plan. This means figuring out what strategies and tactics you'll use to achieve your goals. Will you be using a cost-plus pricing strategy? Will you be trying to get a better price for a specific item? Are you trying to change your buying or INCO terms?

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5. Know Your Walk-away Point Before you start negotiating, you need to know your walk-away point. This is the point at which you'll walk away from the negotiation if you can't get what you want. Knowing your walk-away point will help you stay focused and avoid making concessions you don't want to make.

6. Prepare Your Argument Once you know your goals and your walk-away point, you need to prepare your argument. This means figuring out what points you'll use to support your position. What data do you have to support your position? What arguments can you make to convince the supplier to agree to your terms?

7. Practice Your Argument Once you've prepared your argument, it's time to practice. This means going through your argument in your head or even out loud. Practicing will help you to be more confident when you're actually negotiating.

8. Be Prepared to Compromise No negotiation is ever going to be 100% successful. You're going to have to compromise on some things. Be prepared to give and take. If you're too rigid, you're likely to walk away from the negotiation without getting anything. Some potential compromises during the negotiations could include – contract length, payment term, etc.

9. Be Prepared to Walk Away Even if you've prepared well, there's always a chance that the negotiation will break down. If this happens, be prepared to walk away. Walking away from a negotiation is always better than making a bad deal.

10. Follow Up Once the negotiation is over, it's important to follow up. This means making sure that the terms of the agreement are met. If the supplier doesn't meet their obligations, you may need to renegotiate. By following these tips, you can prepare for a successful supplier negotiation.