

## **Did We Ask the Right Questions?**

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**OVERVIEW:** What should Buyers learn from Sellers and what should Sellers learn from Buyers? Procurement professionals should also identify some of their own pitfalls to avoid. Sometimes there can be a language barrier between Buyers and Sellers. Procurement should show suppliers how to speak Procurement and how to identify components of quality interactions between Sellers and Buyers that lead to better results.

**OBJECTIVES:** What are the common errors made in RFPs; by Buyers creating the RFP and by sales responding to RFPs? What is important? What are the factors used in value analysis? How does procurement use Decision Analysis and what can a supplier do to better position themselves? What makes a good sales call/ bad sales call from procurement point of view. What is the difference between price and cost? Reducing costs is not necessarily the same as reducing profit.

Before Sales calls on any company they should ask, "Who is my Customer? What is my target market? Who should be my Customer? Where should I be marketing? What is the Fit? Does what I do, fit with them? Sales should know their target Customer. Do you truly know them and what are their needs? How will you build/ provide a winning Supply Chain. What is in it for your client, and for you?

Let's start with the basics; the Sales Call. Could be by phone, in person, at a show, in the elevator, wherever. It could be a cold call, or warmer. But, what makes a great sales call? Not just, I got the Order. How did you feel during the call? What made you feel that way? What was it about that call that made you feel good? Perhaps it was because they asked all the right questions. You got across your main points and felt in charge. You were able to say what you wanted to say and you felt comfortable.

The question then is, how can you always have the right answers and be comfortable and always say what you want the Buyer to know. In other words, give them the answer you want them to have. By controlling the answers, you control the direction of the sales call.

Does this apply to Buyers as well? It sure does. How prepared is the Buyer for a Sales Call? What does the Buyer want to know about the sales company and what should they know about the Buyers needs. Both sides should prepare by creating a "top 10" list of the most important ideas to exchange. During the meeting, you should look to use your top 10 answers to give the other side the answer you want them to have. In this way each side feels comfortable because they exchanged the pertinent information the other side need to make effective decisions.

For a look into the Buyer's world, let's take a look at what the Buyers call; "What you say vs What I hear". Let's look at a conversation from the Buyers side.

Seller: "We can do Everything. We are a Full Service provider."

*Buyer: You can't do any one thing really well.*

Seller: "Tell me what you want, or what you want to pay."

*Buyer: You want me to do your work. You have nothing new to add.*

Seller: "I can save you lots of money."

*Buyer: They must think I am doing a lousy job of buying now.*

Seller: "Buy from me because I am small, large, local, MBE, something business."

*Buyer: Their business cannot stand on its own merits.*

Seller: "I can make all your problems go away."

*Buyer: I may just trade my current problems for new ones with you.*

Seller: "I have the lowest price."

*Buyer: We'd rather have the optimum price, or the lowest overall cost.*

What are the common errors made in RFPs; by Buyers creating the RFP and by sales responding to RFPs? Did we both follow the 3 "R's"? Responsible, Responsive, Resume?

Responsible: Should include the supplier's capabilities and their experience in E- Business, E- Procurement, and their key client company experience. Why should the bidder respond to the RFP?

Responsive: Should include: complete the RFP – all of it, include the Seller recommendations, suggestions, and improvements. What could the Seller improve in the Buyer's RFP? What should the Buyer have asked? In responding to RFPs a supplier can be caught between answering the question and providing the answer procurement should have asked for. How can this be resolved? The Seller should give the Buyer the answer they want the Buyer to have. As an example:

Question - Can you do "X"?

Answer – Yes we can do "X".

Better Answer – Let me tell you how we can do "Y" and how that will benefit you.

Resume: Just like a personal resume. What does this say about the bidder? Why should the Buyer do business with you? How are you unique? What value can you add? Why should you respond to the RFP?

Buyers conduct a supplier analysis. Has the Seller looked at its and done a self assessment. The Buyer will evaluate the bidder's customer base, engineering, design and production capabilities, logistical controls, markets served, multi-function sales approach, professional

experience, quality performance measures, and supplier management. The Seller should know what the Buyer knows, to best position itself. The Seller could also get some ideas on how to improve or better its business.

Buyers will conduct a value analysis on the Seller. Factors for value analysis could include; technical expertise, knowledge and understanding of industry, management capabilities, physical facility and depth of resources, financial strength, compatibility with culture, price, references / reputation, additional value-added capabilities, existing alliances, history, how has the Seller provided solutions to customers. A Seller should know what the Buyer knows, to best position itself. A Seller could also get some ideas on how to improve or better its business.

What is important? What are the factors used in value analysis? How does procurement use Decision Analysis and what can a Seller do to better position themselves? What is the difference between price and cost? Reducing costs is not necessarily the same as reducing profit.

Buyers will use a rating system that might include the rating of supplier by service, expertise, financial analysis, commitment to process improvement, price policy, contract term, responsiveness, logistics and innovations.

Purchasing reviews and analyzes RFP responses based on some form of Decision Analysis (DA). A typical system is the Kepner Tregoe model. It is a system of Musts and weighted Wants. The object is to quantify bid factors that can be difficult to substantiate or qualify. How good is good, how clean is clean, etc? Sellers, how would you want to be rated? Buyers, did you include the most important attributes of this transaction? Was the RFP clear on what you wanted?

Buyers look closely at the difference between Price and Costs. What is the difference between Price and Cost? Price = price tag and Cost = what it costs the Buyer to use it. From the Buyer standpoint eroding Seller's profit margins diminishes any chance of supplier collaboration. Buyers need to focus on the underlying cost that establishes the final price. What are the underlying costs and how do both sides impact those areas? Both need to identify where and how to remove costs, not just profits, from the supplier's process.

Buyers look for cost savings approaches and techniques. If the Seller knows what Purchasing is looking for, they may be able to help the Buyers get what they want in order to get what the Seller wants. So, in cost savings, what is the Buyer looking for? Following are some examples:

Total cost of ownership analysis. Measures all the cost components connected to a purchase of goods or services.

Process improvements. Modification in any phase of the purchasing or supply process.

Transaction cost reductions. Decrease to cost to process the transaction

Outsourcing of non-core activities. Place activities with outside contractors or suppliers.

Volume leveraging. Economics of scale.

Cross-organizational synergies. Share or coordinate practices to reduce costs.

Material substitutions. Acceptable material alternatives that cost less.

Quality improvements. Reduce material quality costs or improve performance of materials or equipment.

Cycle time reductions. Reduce total time to complete procurement or supply cycle.

Standardization. Reduce specifications, material variations, suppliers, etc. to reduce inventory carrying costs.

Product design improvements. Enhance the functionality or performance of material or equipment.

Investment recovery initiatives. Manage material and equipment surplus, to recover as much of original cost as possible.

Once the Buyer and Seller get past the RFP stage it is time to negotiate. Let's look at some common and maybe not so common strategies and techniques of negotiations. These work just as well on either side of the table.

The most common are; Don't take No for an Answer, Just get your Foot in the Door, Good Cop – Bad Cop and Split the Difference. The problem is that too many Buyers and Sellers only know and use these 4.

Let's review some other strategies and techniques that Buyers and Sellers could both utilize.

- Dead Air Negotiations. After the other side has answered the question, leave some quite. Most people are uncomfortable with the silence and proceed on to fill it up. Usually saying too much.
- Repeat. Whatever one side says, just repeat it, with emphasis. "\$1,000", repeat "**\$1,000 DOLLARS!**". Try it and see what happens.
- The Bogey. Usually used by Sellers. "If you can get me the order by the end of the week, I can get you special pricing." The end of the week or any other artificial condition is a bogey. Buyers can use this as well too.
- The Power of the Printed Word. It seems that something has more validity when it is presented in writing. This is help bolster your position.
- Change the Table. Change something; location, site, day, conditions, people or most anything to change the pace or the direction of the negotiations..

- Hypothetical. “If I did X, what would you do?” The key word is IF. No commitment has been made yet. It can expose the thinking of the other side without a commitment being made.
- Alternative Currency. Things that have value that are not money.
- Oh, by the way - “one last negotiated item.” The other side is quite vulnerable after they think they have a deal. They are more likely to agree, not wanting to lose the agreement already made.

To truly be Win- Win, remember; in order to get what you want, help them get what they want.

“Always Be Prepared to Negotiate, but Never Negotiate Without Being Prepared.”

**References:**

**Website references:**

Institute for Supply Management (ISM), <http://www.ism.ws>

CAPS, Center for Strategic Supply Research, <http://www.capsresearch.org/>