

OILING THE WHEELS

WHY TOUGH TIMES CALL FOR SMARTER *NEGOTIATION STRATEGIES*

RECOVERING FROM THE RECESSION HAS
PUT PRESSURE ON MANUFACTURERS TO
NEGOTIATE THE BEST DEAL

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A photograph of a woman with dark hair, smiling broadly and looking upwards and to the right. In the background, a man is also smiling, but he is out of focus. The image has a warm, slightly blurred aesthetic.

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DESPITE MIXED ECONOMIC RESULTS RECENTLY, manufacturing remains a good barometer of the overall economy. The biggest industry challenge post-recession is a continuing - and significant - drive within the customer community towards achieving best value and fast return, which is impacting on the buyer/seller relationship. And, as businesses look to get the most out of any investment, this is most visibly reflected at the point of negotiation.

A TOUGH CROWD

The cost-based approach increasingly adopted by purchasing teams makes for far tougher conditions for manufacturing sales teams. This is exacerbated by recent changes to the way that purchasing is organised. In particular the increased involvement of procurement specialists, including outsourced companies, rather than buying by the businesses themselves has impacted heavily on the

manufacturing sector.

Previously, when manufacturing sales teams dealt with 'technical buyers' who understood and recognised the importance of technical differentiation, the buyer would accept a higher cost price because they understood the value they were getting. Now, however, sellers

are forced to negotiate with professional procurement teams that are invariably focused on achieving the best possible bottom line price.

From a sales standpoint, this presents a problem because there is



some distance between what sellers are able to offer and technical buyers value - based on technical specification and total cost of ownership - and what procurement want, which is ultimately a deal which delivers immediate cost-savings.

THE POWER OF PERSUASION

Increasingly, the contradiction between the short-term goals of procurement and the longer-term objectives of the seller make it harder to negotiate, because the parties are not working to a common set of ground-rules. Less direct contact between end-user and seller compounds this conflict making it harder to resolve.



Businesses need to make sure
sellers are highly trained

For manufacturing businesses, a focused approach is needed to meet both challenges. Less contact drives the need to find other ways of influencing the buying community and getting the right messages across. This may include such strategies as ‘Sales through Service’ – i.e. encouraging all client-facing teams within the business, such as field service engineers and technicians, to share information and become information gatherers to help the sales process.

Now more than ever before, businesses need to ensure that all sellers are highly-trained, as the opportunity no longer exists to persuade by simply making reference to the product’s technical merits.



Negotiation remains a balancing act and those engaging in negotiations must find the right blend of persuasion and trading to reach a mutually acceptable agreement.

The element of persuasion - aimed at steering




Negotiation is a balancing act

discussion away from price alone and convincing the buyer of the value of the offering – has become increasingly difficult. This means that sales people must now become more skilled in communicating the overall commercial case of the proposition.

In manufacturing terms they must show, for example, that there is an overall saving to be made through total cost of ownership, rather than just a headline saving in unit price. The seller must also be creative in building this link in order to convince a new breed of buyer who may have no inherent understanding of, or interest in, the technical value of a feature and is primarily concerned with unit cost.

Breaking down the cost argument requires a great deal of skill. The seller must get the buyer to see that there may be a bigger saving and more value to be gained from something that has a higher unit price because the total cost of ownership is actually lower. In effect, the seller is directing the buyer away from a very narrow, short-term mindset (unit price this year)



Breaking down the cost argument requires skill

to a wider, more long-term way of thinking (total cost of ownership/total lifecycle management) which is an extremely tough challenge, particularly if the buyer is being measured internally against short-term cost-saving goals.

MANUFACTURING A DEAL

Finally, despite all this, it is always worth keeping in

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mind that while a buyer may remain obstinate they do have to buy. To avoid feeling too disadvantaged, the seller must work out what the real power balance looks like and what they can do to strengthen their position in order to redress it. In reality, this means knowing your market, your product and your customer and pitching accordingly. 