

# Fine tuning negotiation skills

It's time to get creative

BY [Patrick Tinney](#) ON March 18, 2011 1:42pm



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*“Imagination is the beginning of creation. You imagine what you desire, you will what you imagine and at last you create what you will.”– George Bernard Shaw*

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For the past three years it's been a buyer's market. While 2011 will also be a buyer's market, those in procurement know they are going to have to earn their money. In the coming year, procurement managers will be forced to be much more creative than in the past because savvy sellers have cut most of the fat out of their organizations and demand for market share has pushed prices down.

Heading into 2011, continuing fear in the market will give buyers' demands some teeth. The advancing economies of Brazil, Russia, India and China, the so-called BRIC countries, and Germany are leading the charge in the global recovery. However, Japan, the US and the European PIIGS (Portugal, Italy, Ireland, Greece and Spain) are economic laggards.

Canada and Australia have raw materials below the ground that growing countries need. It's a mixed bag of inflation fears in China and stagflation fears in Europe and Japan. Worse yet, there are still outright deflation fears in the US, with housing prices still falling.

It felt like the worm turned in the second half of 2010. Several commodity categories started to run up in price in anticipation of strong growth in 2011, including cotton, silver, copper, crude oil, potash and some basic foods.

Businesses around the world hoarded record amounts of cash. According to a Business News Network report this year, there is approximately US\$1.3 trillion sitting in North American corporate coffers waiting for just the right opportunity. Mergers and acquisition deals such as the failed bid by Australian BHP Billiton to buy Canadian Potash Corp in a US\$38.6-billion deal seem to be more frequent.

Finally, the US has flooded the world with money to prop up its economic base. This US money is washing up on China's shores. China is trying to maintain a balanced manufacturing base and economy but is still pressing the buy button for raw materials.

All of these point to inflation upstream in the supply chain that will surely be passed down to wholesale and retail.

So, buyers beware; the easy money may be over. Since we have called 2011 The Year of the Creative Negotiator, here are my top-five procurement thoughts for the coming year:

## **Let suppliers know their jobs are under review**

This kind of meeting is a little like asking your suppliers to apply for their own jobs, but it is a smart procurement

strategy especially in a tight market. Ask questions such as “what happens if we only hit 88 percent of target this year?”

#### **Arrange a new ideas/technology meeting with important suppliers**

If your suppliers haven't got any new ideas or new technology, they are just selling stuff. This means you are into a commodity discussion that in a competitive market works well for buyers. Ask them to put you on a list of clients interested in reviewing test ideas. Wouldn't you rather be in a position to say no to an idea? Or, would you prefer seeing a competitor taking risks by trying something different and getting praise for being progressive and finding new markets you wish you had access to?

#### **Arrange a supplier soft-costs meeting**

It sounds awkward, but what you are really asking for is some help to make greater use of your suppliers' in-house efficiencies on products or services they do not normally market, for example, proprietary database research. What about direct link billing? What about first right of refusal on distressed stock/equipment? What about promotion?

#### **Change your negotiation strategies more frequently**

If we were all honest we would acknowledge that we have two or three negotiation strategies we think are reliable. Here's the problem, today's professional sellers are like great no-limit poker players who are looking for tells giving away how buyers are going to pressure them. They will act to circumvent your strategies if they see them regularly.

#### **Add more negotiation styles to your repertoire**

In the coming year, if you are hoping to hold the course with last year's negotiation strategies you are bound to be overtaken at some point. The biggest difference between buyers and sellers is that sellers are perpetually hungry.

If they don't sell, they are replaced.

Get your creative negotiation game face on, buyers and sellers. It's 2011!

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