



Tropic Negotiation Toolkit

Negotiation Cheat Sheets

Managing a renewal or new purchase doesn't have to be complicated, so we simplified the steps you can take to ensure proper preparation and execution.

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Renewals

Renewals are your best opportunity to improve savings and secure better deals. While engaging early is your strongest point of leverage, sometimes, time is not on your side. Use this helpful cheat sheet as a back-pocket reference for quickly mastering the renewal process and ensure you're not missing or skipping any crucial steps.

Step 1: Define Objectives and Criteria

Shopping List:

Collaborate with internal stakeholders and teammates to define your true needs for a new solution and goals for the business:

- What problem is this tool solving for me?
- What's my use case for this software/tool?
- What features do I really need?
- Reduce costs, secure quarterly payment terms, etc.?

Why?

This helps you avoid costly and unneeded (but fancy) add-ons down the line. It's like your grocery shopping list: Stick to it and don't buy more than you need!

Step 2: Source and Research Suppliers

Competitive Leverage:

Take the time to source and evaluate solutions in the market thoroughly according to your needs and goals.

Why?

Knowing the pricing and features competitors offer not only helps you understand how they fit your needs, but also gives you competitive leverage that you can use in negotiations.

Step 3: Leverage Competitive Data

Fair Pricing:

Utilize competitive data when researching suppliers to understand the price range in which other companies have been paying, historical purchasing trends, and alternative options.

Did You Know?

A Forrester study found that companies that use accurate benchmarks throughout their procurement process generate a productivity improvement valued at more than \$63,000.

Renewals

After completing steps 1-3, do you still think it's best to renew with the incumbent?
If so, it's time to start the conversation now →

Step 4: Engage Early, Before the Opt-Out Date

Did You Know?

Tropic has found companies that start the renewal conversation with suppliers at least 90 days in advance of the opt-out date save **5X more money** on average (compared to those that wait until the last minute).

Here's a Caveat:

Avoid adopting a blanket lead time for all contracts (e.g. renewing ALL software 60 days ahead of time). Customize your lead time for each supplier because each company can have vastly different renewal timelines.

Step 5: Build Rapport and Negotiate with Suppliers

Here are **5 Do's and Don'ts** to help navigate a renewal conversation:

Do's: 5 Questions to Ask

- 1. Why should I renew with you instead of your competitors?
- 2. What does the usage data show?
- 3. How will future growth impact our contract?
- 4. How is pricing impacted on a long-term agreement?
- 5. Why should I renew with you instead of your competitors?

Don'ts: 5 Things to Never Reveal

- 1. Your total budget for this project
- 2. Your deadline to get the deal completed
- 3. Your full growth projections for next year
- 4. You love their product/tool
- 5. Which suppliers (competitors) you're evaluating and their offers

New Purchases

New purchases set the tone for supplier relationships and anchor your initial pricing, upon which all future pricing will be determined. Follow this cheat sheet of the most important steps in the purchasing process so you can achieve favorable terms and start off strong.

Step 1: Align with Internal Stakeholders

Alignment:

Meet with your internal stakeholders to get context (what is working and what is not working well?) and understand what their true needs and goals for the business are.

Why?

You get more context about the current solution (are they unhappy, satisfied, or ecstatic?), what a successful deal looks like, & further determine if you should renew (or not).

Step 2: Determine Must-Haves, Nice-to-Haves, & BATNA

Clarity:

Make your grocery list before you go shopping. Get clear on what you need, taking into account your stakeholders' goals, and what you're willing to live without.

Why?

You increase the chances of getting everything you need, and nothing that you don't. Plus, you reduce the likelihood of making game-time decisions in negotiations.

Step 3: Source and Research Suppliers

Competitive Leverage:

Take the time to source competitive solutions in the market well ahead of your renewal opt-out date (even if it is only for a few minutes) bonus points if you've connected with one or more of them and received proposals.

Why?

You may find an alternative that fits your needs better. Understanding who the competitors are and what they offer can drive cost savings and increase your leverage in the renewal negotiation.

New Purchases

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Step 5: Develop your Strategy

Gameplan:

What’s your negotiation strategy and what tactics will you employ to support it?

Why?

Having a strategy makes you more likely to achieve your goals than going in unprepared.

Step 6: Know What You Can Negotiate

Gameplan:

Discover what levers you can pull to achieve your desired outcome and learn what terms you have the power to negotiate:

- Pricing & Term Discounts
- Payment Terms
- Don’t Pay for What You Don’t Need
- Loyalty Discounts & Churn Reduction
- Bundle Contracts
- Contract Growth
- Logo Power
- Case Studies, Reviews, & References
- Value as a Customer

Why?

Knowledge is power, and as the buyer, you have a lot more of it than you think.

New Purchases

Step 7: Prepare to Avoid Pitfalls

Gameplan:

Learn the most common negotiation mistakes so you don't make them and prepare for potential curveballs once negotiations start.

Why?

You can learn from other's mistakes and avoid making them yourself. Preparation is your best advantage, and knowing what not to do is as valuable as knowing what to do.

Step 8: Build Rapport and Negotiate with Suppliers

Here are 5 Do's and Don'ts to help navigate a new purchase conversation:

Do's: 5 Questions to Ask

- 1. What makes your solution different than competitors X and Y?
- 2. How will future growth impact our contract?
- 3. How is pricing impacted on a long-term agreement?
- 4. What is your timeline to finish this deal?
- 5. What is our value to you as a customer?

Don'ts: 5 Things to Never Reveal

- 1. Your total budget for this project
- 2. Your deadline to get the deal completed
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Bonus Tips: Negotiating Price and Contract Length

Avoid signing a massive price increase at the end of the term.

Why?

Companies are notorious for offering "first time discounts". Falling for it will not set you up for financial success down the line.

Avoid signing multi-year agreements

Why?

Unless there is a strategic reason to do so (i.e. switching would be incredibly costly and time-intensive or supplier tends to raise prices year over year), multi-year agreements are usually a better fit for renewal conversations where the supplier is proven.