

# 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.

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Step 4: 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**.

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.

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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
- 3. Your full growth projections for next year
- 4. You love their product/tool
- 5. Which suppliers (competitors) you're evaluating and their offers

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.