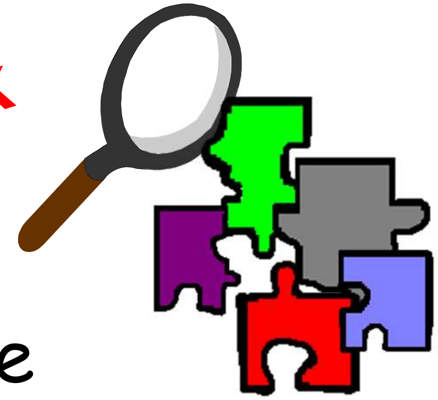
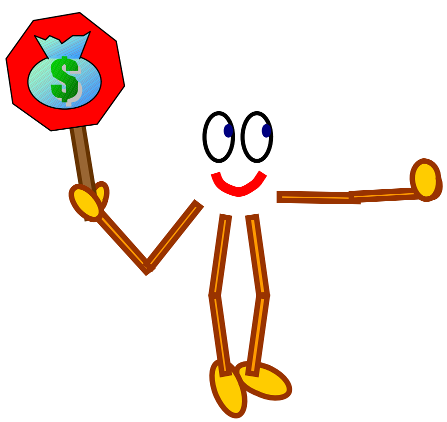
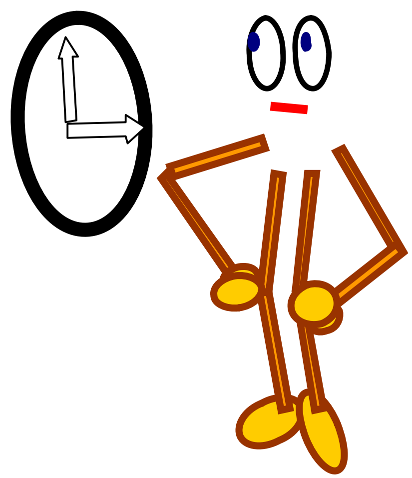
# Understanding the purchasing context

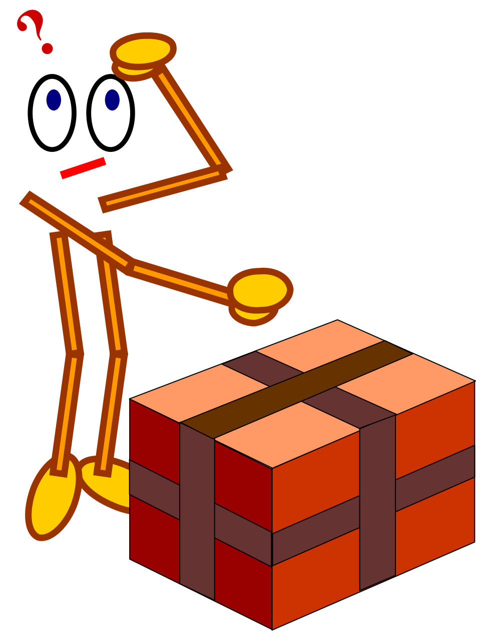


- The required quality
- The quantity needed
- The required delivery schedule
- The desired delivery location
- The required level of service
- Your available budget





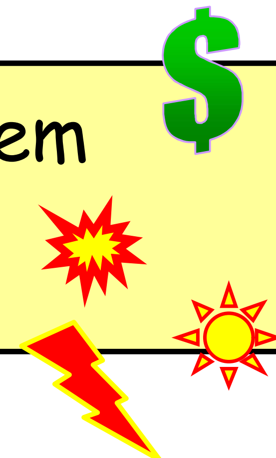




# Your P&S Strategy

will depend on:

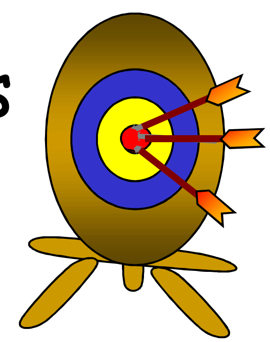
- Level of annual expenditure on the item
- Supply impact, opportunity and risk





The Supply Positioning Model can help you to:

- Prioritise the efforts you invest in negotiating with suppliers
- Determine the focus of your negotiations



# Supplier pricing strategies

**Think of an instance when one of your suppliers may have adopted "demand-based pricing". For which type of purchases was this pricing method used, and which market factors do you think led the supplier to adopt this strategy?**

# Knowing your suppliers

**Think of an important negotiation you have been involved in recently:**

- **Types of information obtained:**



- **Obtained from/through:**

- **Conclusions about the supplier:**

# Supplier's perceptions of the buyer

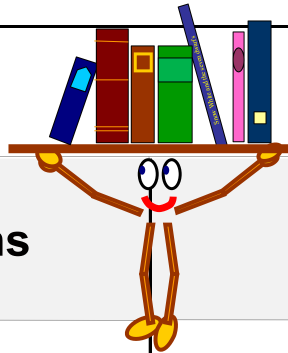
**A supplier makes the following four different quotes for the same product to four different buyers:**

**$ 25 to Buyer A  $ 15 to Buyer B  $ 10 to Buyer C  $ 8 to Buyer D**

**The supplier's fixed cost per unit is $7 and its variable cost is $2. How do you think the supplier perceives the four buyers?**

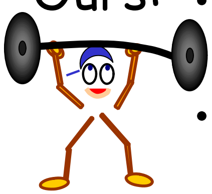
| Level of attractiveness | | |
|---|---|---|
| ***High*** | **Develop** ☐ | **Core** ☐ |
| ***Low*** | **Marginal** ☐ | **Exploit** ☐ |
| | **Value of business** | ***High*** |

## Logical



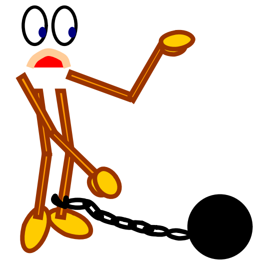
| Strengths | Weaknesses | Suggestions on how to deal with them |
|---|---|---|
| ♦ Focuses on the issues<br>♦ Grasps details<br>♦ Precise<br>♦ Methodical<br>♦ Well-prepared<br>♦ Backs up statements with facts, figures and reasoning<br>♦ Keeps good records | ♦ Tries to “force” logic on others<br>♦ Unimaginative - relies too much on facts and figures<br>♦ Tends to ignore the people involved<br>♦ Gets too absorbed in the details<br>♦ Cannot readily change persuasion styles<br>♦ May not see the global picture<br>♦ Reaches deadlock easily | ♦ Do not allow yourself to get caught into their logic stranglehold<br>♦ Get their list of requirements at the start<br>♦ Listen, and evaluate their facts carefully<br>♦ Recess often to analyse the issues<br>♦ Show respect for their expertise<br>♦ Back up your own arguments with facts and figures<br>♦ Use emotion as a counter-persuasion |

# SWOT Analysis - an example



Ours:
- We are their first client in a new market
- Small but growing business

Theirs:
- Leader in their home market
- Deal in both raw materials & finished products
- Better access to market information
- Good technical support capacity



Ours:
- Relatively small purchase volume
- Lack of negotiation skills
- Lack of experience in our market

Theirs:
- Excess capacity
- No product differentiation

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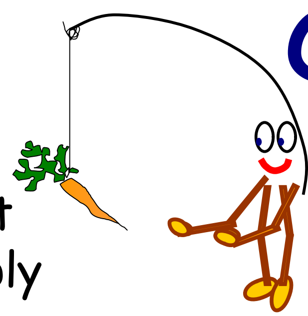

- Long term contract
  - guaranteed supply
- They provide training to our product design staff
- Possibility to buy back some of our production

- They may force us into sole source contract that restricts sourcing elsewhere
- They may sell to our competitors too
- They may withdraw from our market if not successful
- They may increase prices at the end of the first contract