When the Elephant in the Room is Your Supplier!

supplychaingamechanger@gmail.com January 21, 2020

> *Procurement (and Purchasing) Job Interview Questions & Answers*

Unless your company is amongst the very largest companies in the world then chances are your Procurement team will, at some point, be dealing with Suppliers that are larger than your company. They are the Elephant in the room.

In a function such as Procurement where negotiating is a central part of the role, leverage is a critical element in those negotiations. And in many cases size translates to leverage.

So how do you negotiate with a Supplier that is larger than your company and has greater perceived leverage?

How do you negotiate when your Supplier is the Elephant in the room?

What Makes Your Supplier An Elephant?

Regardless of what industry you are in or where you are in the world you likely have Suppliers that are larger than your

company. By “large” we primarily mean revenue but it could also include market capitalization, geographic reach, cash flow, growth rate or employee base.

It is also worth noting that the unique nature of the products (or services) that your Supplier provides could also make them “large”. They are the Elephant in the room. For instance if they provide custom components or materials that only they are able to provide then you have no other choice but to use that Supplier. They are your sole source and you have no alternative but to buy from that Supplier.



If the materials or commodities that your Supplier provides are on allocation due to some constraint in raw materials, capacity, or some other reason, then your Supplier has the upper hand. It’s a simple matter of supply and demand. If demand exceeds supply then your Supplier is in a position to decide who they want to sell their products to.

In the Outsourcing industry it is also notable that while you are buying goods from these Suppliers it is your Customer who made the sourcing selection decision. If you are an Outsourcing manufacturing or procurement operation you

experience this all of the time. And because your Customer made the sourcing decision your Supplier often recognizes your Customer and not your company. This makes them much more difficult to deal with when it comes to negotiations.

And let's not forget Ego. I've seen many Suppliers grow rapidly and enjoy wild success. Their company, brand, and products are hot and in high demand. But in far too many cases that translates to those companies believing they are the greatest thing since sliced bread. Their perceived superiority (which is usually not long lived) informs their approach to negotiating with customers.

How Do You Eat An Elephant? One Bite At A Time!

Given that you will have to deal with these Elephant in the room Suppliers at some point it is important to recognize them and develop strategies and techniques for handling them and ensuring that your negotiations are successful.

Without a strategy or plan of attack these Suppliers will most certainly trample over you and everything else in their path, believing that they will get their way without any problems.

Here are some of the techniques we believe are appropriate for dealing with Elephant Suppliers:

Build the Relationship!

Having a strong, positive relationship is absolutely essential. A great relationship will get your through, and over, a lot of problems. A poor relationship will only aggravate and deepen any problems.

> *People like doing business with people they know.*

Spending the time to meet with Suppliers after work hours for dinner or to meet at the bar, for instance, can be a great chance to build personal, but professional, relationships. It can give you, and the Supplier, a chance to know each other and establish a bond. People like doing business with people they know. While it can be a large investment of your time it will usually pay off in the long run.

This may also necessitate developing relationships with people other than the Sales/Account folks that your Supplier is putting in front of you. If you are finding these people unreasonable then developing relationships with others higher up the line in your Supplier's organization may lead you to people who are more reasonable (or not) or with a more positive influence.

Don't Be Intimidated

Depending on who you are dealing with Suppliers will sense that any sign of weakness on your part further strengthens

their position. Especially when the Elephant in the room is your supplier.

If you are lacking in confidence, being unduly deferential, or showing signs of nervousness or poor body language your Suppliers will seize on that.

Just because the logo on your Supplier's business card may be more famous or more popular than your company's logo does not mean that they are smarter.

Your expertise and experience are what will carry the day. Be self assured and be confident.

Be Prepared

Do your homework in every respect before entering negotiations with an Elephant Supplier.

You should understand every aspect of your requirements, your Supplier's situation, benchmarks, industry trends, and more. You should have detailed analyses on hand whether that be for pricing, product characteristics, or terms and conditions.

This should also include learning as much as possible about the Supplier, their competitors, their business pressures, internal Supplier organization lines and relationships.

Your Supplier contacts also have their own objectives. If you can understand what those objectives are you may be able to create a way to help your Suppliers achieve their objectives, which will in turn help you.

Focus on Facts, Performance and Objectivity

When dealing with any Supplier, but certainly an Elephant Supplier, it is always best to be objective and focus on facts and performance in any conversation.

Staying away from subjective blustering and bravado on behalf of the Elephant supplier can be accomplished by focusing on irrefutable facts.

What is their delivery performance? What is their product quality? How are they doing relative to any competitors or benchmarks?

Presenting that data/information to a Supplier can help them see and understand facts, and ideally disarm them from their perceived preeminent position. This is particularly powerful if their operating performance is not as stellar as their ego would have them believe.

Focus on facts! Be objective!

Look for Alternatives!

In my experience these Elephant Suppliers come and go. Any company that is on top today will be struggling tomorrow, and vice versa. It is only a matter of time.

But in the interim it is critical to continually look for alternatives. Even if your Supplier is sole sourced there may come a time when some other company has developed materials that can be used as substitutes. There is almost always someone else coming around the corner.

This is consistent with being prepared. And if you do have your ear to the ground as to alternatives your ability to properly inform your Suppliers of this can possible help strengthen your relationship, and trust, with them. But if they don't accept your help they are undermining their position in the future.

Elephant in the Room Conclusion

You are likely to need to deal with Elephant Suppliers, that is Suppliers that are larger than your company, at some point if you are in Procurement. It is inevitable.

It is actually a tremendous opportunity for Procurement professionals. When your Procurement team has the upper hand with Suppliers the job is somewhat easier and doesn't stretch your skills.

But when you are dealing with Suppliers who have greater

leverage then it is a real test of your ability to use your expertise and techniques to create win-win outcomes with these larger suppliers.

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