

# Supplier Negotiation Checklist



The best thing procurement professionals can do when it comes to supplier negotiations is to spend plenty of time ahead of the meeting to prepare for it.

While this supplier negotiation checklist is not an adequate substitute for learning how to prepare or taking to prepare for it, following it at least ensures your preparation efforts stay on track to get the results you're looking for.

## Checklist to Master Supplier Negotiation

- Identify the main supplier you want to negotiate terms with.
- Identify a second option, in the event that you and your first choice cannot reach an acceptable agreement.
- Form your negotiation team. Consider the skills and experience required for this particular supplier. Ideally, you'll have a team based on facilitation skills, experience as a negotiator, technical/subject matter

expert, legal support, and financial analysis skills.

- Agree on the roles people on the team will take. Determine who will lead the negotiations and facilitate discussion. Determine who will track concessions and points on the agreement.
- Check that the team has the authority to negotiate, agree on the contractual terms, and commit your organization to sign a contract. Get the authority recorded in writing.
- Determine the location and format of your negotiations. Will they take place in person, over the phone, or via video chat?
- Invite the main supplier to negotiate terms. Determine who the principal negotiator is.
- Insist the supplier assigns a negotiator who has decision-making authority.
- Gauge your leverage with the supplier. How does the supply view you and the potential deal? What's the supplier's position in the market? What about the company culture and style? What are their goals, needs, and pressures?
- Determine your goals, issues, and pressures. Consider the type of supplier relationship you're looking for, and the timeframes you need to be met. Are you looking for a short-term transactional relationship or a long-term relationship that's collaborative? This information will help you determine your approach.
- Choose your overall negotiation strategy. Will you work collaboratively or play hardball? Review various negotiation styles to determine which one you think will work best for this supplier.
- List all the terms you will negotiate, such as total cost, delivery schedule, and payment terms.
- Set your targets for each term, along with the least acceptable alternative for each. Remember, everything needs a starting point.
- Identify any deal breakers, concessions you can give, concessions you can gain, your ideal outcome, compromise outcome, and a fallback position.

- Determine the negotiation tactics you'll use. Will you threaten to go with another supplier? Will you emphasize the benefits to the supplier of working with your business?
- Identify the Best Alternative to a Negotiated Agreement (BATNA). List all the things you can do if you do not reach an agreement. Explore all the options and try to improve upon them. Choose the best option.
- Develop the timeline for your negotiation process.
- Identify the risks associated with reaching your terms, your timeline, and other goals. Develop a plan to mitigate the risks.
- Create and share an internal document that outlines a communications plan. State who must be kept apprised of the negotiation progress, and the information that must remain confidential.
- Review any notes from previous negotiations, online courses, tips for success, etc.
- Anticipate the supplier's reaction to each tactic you plan to use.
- Create an agenda for the negotiation and practice it with other team members, including opening proposal, clarifications, tradeoffs, and closing tactics. Create a contingency plan in the event that negotiations don't go well.
- Start the negotiation with confidence.
- Document any agreements you've reached, such as price reductions, and share them with the supplier throughout the process. This ensures no misunderstandings later that could derail the negotiation after you've invested significant time.
- Assess things after each negotiation session. Adjust your strategy and tactics as necessary.
- At the end of negotiations, foster a positive feeling about the new relationship rather than making the other side feel like they lost the negotiations. You want to create a win-win situation for both of you, which means compromise.

*Once an agreement has been reached, fully brief the legal team responsible for drafting the contract, placing emphasis on the impact of each negotiated point. Make sure the contract wording reflects what's been agreed on.*

All potential suppliers have to think about their company and how their business relationships affect them.

When it comes to negotiating agreements, both parties will have business needs to consider, and important issues for one side may not align with the other.

Taking time to consider all options from both sides can help you build effective negotiations and come up with creative solutions. It's not all about getting the lowest price, but the maximum value.

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