

HOW BUYING CAN GO BADLY WRONG

Six things that stop companies from buying better

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Buyer's Toolkit

Effective buying generates great benefits for companies, yet many get it badly wrong. So, just what is standing in their way?

The answer is two-fold. First, we need to consider factors that work against the buyer. These include inadequate 'homework,' the skills gap and how organizations can view buying as a tactical and reactive function. All this can be improved.

Secondly, suppliers will always work hard to gain the advantage. They do this through the power of relationships, conditioning and by making their offering as proprietary as possible. All these things can be countered.

1. NOT DOING YOUR HOMEWORK

Possibly the most important thing we can do to buy effectively is to do our homework first. This opens up potential opportunities to buy better and secure greater results.

It also puts us in control of the buying process. It's only through spending time gathering information around internal needs, suppliers and the market that we can truly begin to discover our position and what might be possible.

2. A VERY CAPABLE OPPONENT

Suppliers will, of course, try to get the very best deal they can. It is, after all, their job. They need to win and retain business and their very survival as future growth depend upon doing this successfully.

Having a top performing sales team is a necessity which is why people in sales roles receive, on average, ten times more training than the buyers with whom they interface. Typically, this will include extensive sales and product training combined with coaching in softer skills that help 'seal the deal'. While this would also greatly benefit buyers, it's very rare for them to receive it.

In addition to this skills gap, availability of time and resources can also work against us. Professional buyers are busy and often a meeting or negotiation with a supplier is just one small part of their day. However, it's not unusual for the seller's sales team to have many people spending hours preparing for a single meeting, especially if for a significant deal.

It's also no coincidence that the sales person remembers our children's names or our recent holiday. This helps them to gain an advantage, build a relationship and, ultimately, clinch the sale. If as a buyer, we fail to appreciate how the game works then we can be at a disadvantage.

3. WE'RE SIMPLY NOT ORGANIZED FOR GREAT BUYING

The shift away from tactical buying towards a more strategic procurement approach is high on the agenda for companies who have recognized the potential.

Those who have already made the leap to great buying have restructured to do so and made buying a business-wide concern.

However, if buying in a firm that has not yet made the leap, our ability to buy effectively will be hampered by how the organization views purchasing. Not only will our internal misalignment be self-defeating, but suppliers will be quick to take advantage by establishing relationships and influencing all those across the business who might hold some sway in the buying decision.

Thankfully, this can be fixed, starting with the realization that there is a better way plus the resolve to go after it. This rarely happens organically and will require the executive team to drive the changes forward.

4. YOUR SUPPLIER WANTS YOU!

Once sellers establish and build a relationship with the buyer, they increase the likelihood of making the sale or retaining a client.

Relationships where the supplier has the upper hand can disadvantage the buyer. However, we can counter any bias in a relationship by deciding if we actually need one and then cultivating it on our own terms or in a way that works for both parties.

This is not something that we can do on our own, but instead we need to work together with the rest of the organization. In addition, no matter how good or close a supplier relationship, we will always need a certain level of competitive tension, perhaps with the means to exit if things go sour.

5. DON'T BELIEVE THE HYPE!

Another way in which we, as buyers, end up disadvantaged is by believing that the deal on the table is the best possible and that we have secured all the benefits available. But what if the supplier has outwitted us and we simply haven't spotted it?

This could be a case of 'buyer conditioning' – where the seller gets the buyer to believe they have the best possible deal. Suppliers do this all the time – it's part of the selling and negotiation process and something at which they tend to be very good.

However, often we are blind to our true position. It's also something to which an unwitting or inexperienced buyer, or those outside of the procurement function, may be blind. Yet with good homework and research we can be better informed and work past any conditioning the supplier might put our way.

6. BUY ME! – THE PROBLEM WITH PROPRIETARY

When a supplier creates a position where we are compelled to buy their product or service rather than a competitor's then they have created the ultimate advantage. It removes or dilutes our ability to negotiate on price or secure additional value as the supplier can simply say 'take it or leave it.'

This may sound like a rare situation, but it is, in fact, an everyday and commonplace scenario. Suppliers will, if they can, work to make their products proprietary in some way, perhaps by convincing us to buy their brand over another or a generic alternative, by differentiation, providing added value, or creating a unique bundle of services.

We can, in many cases, counter the impact simply by moving away from proprietary, for example buying a generic product or questioning why we need the differentiation or added value. There are, however, some situations where we have no choice but to buy proprietary products, yet we can still improve our position by developing the right relationship with the supplier and seeking as much added value as possible.

In many cases, when we challenge 'why we buy it like that' we find that we don't, in fact, need to buy proprietary or that we have somehow simply ended up doing this.

This article is adapted from "The Buyer's Toolkit" by Jonathan O'Brien and reproduced by permission of Kogan Page Ltd.

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