



Sourcing Challenge Number One: The Sales Person

Quick, what's the biggest enemy of sourcing organizations today? Might it be commodity price inflation, supply shortages, or the falling dollar? We'd argue no. This top adversary hasn't changed much in recent years. In fact, this top adversary is pretty much the same as it has been since the advent of corporate buying. Who is this foe you ask? It's your supplier's sales guy.

Over the years, we've spent a good deal of time on all sides of the corporate buying equation, including selling into companies. And what we've discovered is a host of techniques that better professional salespeople often use to get around the procurement organization. All too often, most sourcing professionals don't find out about these tactics until it's too late—that is, if they discover them at all. Based on experience, we'd argue that in most cases, there's a silent war going on between salespeople and procurement where one side does not even know they're being targeted. It's time to change this by shedding light on some of the tactics smart salesmen will use to circumvent procurement organizations. Perhaps the most common technique we've seen is simply trying to bypass procurement entirely by calling on someone else in the organization that has buying authority or the power to influence decisions. A good salesman will then try to convince this individual that they should buy from them based on a factor other than price. If the salesman uses words like brand, partnership, teaming or total cost of ownership, in these discussions, it's more than likely your company will end up paying too much.

Another common technique we see is when a good salesman appears to offer up concessions which end up being anything but. These might include an agreement on a price that is less than first offered but then is fixed for a period of time, even when industry prices are dropping. Another twist on this situation comes up when a salesman knows there will be changes to a product mix and quotes lower prices for certain SKUs knowing that they will change when actual orders are placed. We've also seen many examples when salesmen begin to apply influencing and game-theory types of approaches in competitive situations to avoid RFPs. In these cases, a salesman might attempt to influence the RFP process by offering to write or guide aspects of its creation—obviously in their favor—or might simply offer a "best and final" offer prior to a competitive negotiation with a promise to withdraw it prior to an actual face-to-face discussion or online bidding event.

Many of these techniques border on what we might describe as unethical behavior. But certain approaches absolutely cross the line. All too often, we see companies authorizing payment for invoices which are above and beyond contracted pricing and rates. This is often the result of salespeople knowing they can get away with overcharging. Sometimes the pricing is legitimate, but often times a salesperson will game a contract knowing that they will be able to charge extra for things like expedited orders, different quantities, etc.

What can procurement organizations do to minimize the impact of the notorious salesman? In each case that we have outlined, there are specific mitigation techniques, which we'll leave for further discussion in the future. But on the most basic level, procurement teams can put in place a couple of essential tactics to counter their most dangerous enemy. The first is to implement policies that mandate that the entire organization—including executive management—put contracts through the procurement

organization for final negotiation and drafting. Our next suggestion is that it is critical to ensure that a salesperson does not unduly influence specifications or requirements definitions. In this area, it is essential that the procurement organization create RFPs that maximize competition rather than minimize the universe of potential suppliers. By following these techniques and educating the organization on how a good salesman can wreak havoc with their bottom line, sourcing teams can take back control of the procurement process from the selling organization. ■

Do you believe that your organization has a sourcing savings opportunity? If so, don't hesitate to contact us. In less than a few weeks, Paladin can provide a comprehensive assessment of the types of sourcing savings opportunities that your company might be missing out on. Since we are willing to work on either a contingency or gain-share basis, there is no cost or risk to your organization. Contact us today:

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