

5 Powerful Purchasing Strategies

1. The Devil in the Details

Ensure that you read the small print and that you understand *all* terms and conditions under which you are agreeing to buy anything. Again, this may seem obvious but it is rarely done. Most people do not take the time to read the small print; they take the sales rep at their word (big mistake) or are afraid to ask for clarification lest they look stupid. The only time you should feel stupid is if you are buying something without knowing all the details and conditions under which you are buying.

I know of one business owner who signed a contract to lease phone equipment and then 4 years later was shocked to find that he did not own the equipment. He thought he was buying it and not leasing it. He admitted to never reading what he signed and blamed the sales rep for misleading him. The only person he should have blamed was the person in the mirror.

Remember, what is said by the salesperson means nothing; the only thing that means anything is what you sign. Also remember that just because something is written or typed, does not mean it can't be changed. I am always amazed at how people feel proposed contracts or agreements cannot be changed.

This, of course, is exactly what the vendor or supplier wants you to think. This is wrong. Of course they can be changed and most often should be. You should be purchasing on your terms, not theirs.

Guess who their standard contracts benefit? You don't care how they normally conduct business or what their terms normally are. Contracts can be rewritten or amended. I have deleted whole sections with a large black magic marker. Modifying a contract is very easy. Just get a marker, take off the cover, and start lining out the sections that you do not agree to. Have all parties initial and keep a copy.

2. Request all paperwork in advance

Be sure to request all paperwork that you will be required to sign ahead of time. This will be the best way for you or your people to prevent signing something you do not understand, might not like, or did not even know you were signing. Most often, other than errors caused by just plain laziness, problems occur because the buyer is unwilling to question something at the time they are requested to sign it or they won't take the time to read all details or make changes.

Often, the sales rep and maybe his boss, is there making conversation. You, or the buyer, are distracted and cannot devote full attention to all the small print or you might not want to appear ignorant over a term and therefore will not question something. Perhaps you might not be willing to reschedule the meeting so new paperwork can be done as you might feel any detail that seems out of place is only minor and you just want to wrap things up.

There could also be errors made by the vendor while preparing the paperwork. In each case, you are put on the spot and feel under pressure. Don't let this happen. Insist that any and all paperwork that will be required during the purchasing process be provided to you well ahead of time so that you can review it, or have others review it, in a non-pressure situation.

3. Seek Lower Prices

Always call your suppliers on larger orders and try to get a lower price. I am telling you to do this not only for large orders that you are buying for internal consumption, but also for large orders that involve products, or materials going into products, you will be reselling.

The key here is to let the supplier know (or think) that the order is contingent on them giving you a better price. They must understand that you must get a lower cost from them in order for you to be able to offer your customer a better price. Without this you want the supplier to know that you will not be able to get the order. If you do not get the order they do not get the order.

If the order is for internal use and not for resale or material used in a product for resale, you want the supplier to understand that you expect a better price due to the size of the order and that if they are unable to give it to you someone else will.

Please understand that I am not telling you to do this only if what I have outlined above is true. I am telling you to also do this on large orders as a way of generating higher profits through lower costs. Of course, it should go without saying that in cases where you are trying to sell a large order, price will almost always be an issue and this strategy can help you present a more competitive proposal and possibly improve your profit margin.

I have found that 70% of the times that I have sought a price reduction from my suppliers for larger orders and price sensitive orders, I have received a better price. Sometimes much better than I had even hoped for.

4. Be Wary of Bribery

You should never allow gifts of any kind to be accepted by your personnel from outside sources. This applies to both those personnel involved in purchasing and those involved in selling. You do not want your business compromised. You do not want supplier loyalty to exist due to the personal gain of those buying on behalf of your company and you do not want selling prices affected by those selling on behalf of your company.

Both represent a conflict of interest and neither scenario should be tolerated. Each is unethical and each can cost you money. This policy should be a written policy and it should be conveyed in written form to your suppliers, purchasing department, and sales department. This policy, like all others, must be followed by all within the company, including owners and management. You cannot have those in management doing one thing and saying another.

5. **Probation is Key**

Test all your new vendors and suppliers on a limited basis to begin with. No matter how strong the sales pitch or how enticing the product and costs appear, if you do not know who you are dealing with you are running an unacceptable risk. Placing a large order with an unproven source could not only cost you money in the long run, it could also cost you customers. If the product or service you are purchasing does not meet your expectations, arrives late or damaged, is of inferior quality, or results in numerous hidden costs you have real problems. Your product quality will suffer, your ability to service your customers will suffer, and your profits will suffer.

Only by starting small and working into a larger more significant relationship will you give yourself the opportunity to judge both the quality and service of this new vendor. Without quality and service the lowest price is useless. In fact, it may turn out to be a very unwise purchase.

Please understand that I am not just speaking of the small unknown supplier. I am also talking about the Fortune 500 companies. Some of the most unpleasant and frustrating experiences I have ever suffered through have come as a result of dealing with some of the most recognizable companies in the world. Don't be fooled into thinking this is a strategy you can ignore if you are dealing with a large well known company. It's not!

This edition of The Welch Report has been provided by Derrick Welch the author of **'In Pursuit of Profits: How to at Least Double your Profits Without Increasing Your Sales'. Including 1,000 Cost Control, Expense Reduction, and Income Producing Strategies You Can Start Using Today To Dramatically Increase Your Bottom Line.**

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