

Would you Like to Dramatically Increase your Bottom Line?

Just Ask.

Always try to negotiate better deals with your current suppliers.

Call them. Tell them you are happy with their current service but you must get better prices. If you are not bidding out jobs and purchases, as you should be, tell them you are going to have to start getting bids. Tell them you want to give them a chance to provide better prices rather than just be dropped for a lower cost vendor.

If you feel uncomfortable doing this due to long term relationships or anything else, blame someone else. **Tell them your boss is forcing this or changing policies - blame your accountant, your banker, your silent partner, the Easter-bunny, or anyone else you want to, but do it.** Make sure you stress the fact that you want to continue doing business with them but forewarn them that changes are coming. You must control prices better and cut costs.

It has been my personal experience that in over 75% of the cases you will get them to lower their prices simply by doing this. Getting a customer is very costly. Most companies will give on price to keep the customers they have.

By just telling your suppliers that you must have better prices you should be able to add thousands, tens of thousands, hundreds of thousands, or even millions of dollars, depending on your size, directly to your bottom line.

Many suppliers take your business for granted. Now that they risk losing some, or all of it, they will use a sharper pencil on prices to your company. The fear of competition and of losing your business will serve to drive prices down in the majority of cases.

Let me give you a couple of small examples. We had a trash disposal contract with one of the largest waste disposal companies in the country. I had no problems with the service. In fact, I had no complaints at all. However, by calling and telling them that I needed to reduce my trash disposal costs and that I was going to shop around for a more affordable disposal company, I was able to secure 20% off our current rate within a few hours. A 20% savings from one 5-minute phone call.

Using this same strategy, I was able to secure discounts from a paper distributor that averaged nearly 20%, and this amounted to tens of thousands of dollars per year of added profit!

Stop thinking about minimizing your price increases and start thinking about lowering your current costs! You should use this strategy with every single vendor you have. You should find that 50% to 75% of all your current vendors will respond with price rollbacks of at least 5% to 15% or more.

Never forget that business is business.

It is not personal. Do not take it personally. If you have a suitable alternate supplier and you are unable to get the price or terms you are seeking from your current supplier, then just walk. Thank them for their time, tell them you simply cannot do business with them at that price or for those terms, advise them to contact you if they are able to improve their proposal, and then end the meeting.

Do not argue. Do not antagonize them. Be professional and be polite. Let them know clearly that you would like to do business with them (if this is the case) but you simply cannot at that price or those terms. Explain your objectives and how you must get a better price or terms. If you feel more comfortable, blame a third party as I have suggested.

When you do this one of three things will happen:

- 1) They let you walk and do nothing.
- 2) They make you a counter offer right then and there.
- 3) They call later and offer you better terms or a better price.

Two of these three accomplish your objective. A 66% chance of success. I'll take those odds every day!

Do not worry if you think that you must be a strong negotiator in order to reduce and control your costs. Sure it helps if you are, but do not be concerned if you feel your skills are lacking in this area. Once you make your suppliers aware that you are looking at other sources and that you are bidding out jobs they will take care of the rest. This knowledge alone will normally be enough to cause your suppliers to suddenly find ways to sell you the same product or service that they have in the past at a 10% to 20% lower cost or more.

Even if this does not occur, you will, at the very least, find that once it becomes known to your suppliers that you are aggressively seeking the best value, be it with them or someone else, annual price increases will drop significantly and may no longer be annual.

The reason for this is that some suppliers may not feel they can lower the prices they have been charging you lest it appear that they have been overcharging you. Therefore, they would rather eliminate, or dramatically decrease their normal and planned price increases in an effort to become more competitive.

Under no circumstances should you have one source handling 100% of your purchasing needs for any area of your business.

If they can't deliver what you need you may be the one to go out of business. This is single source purchasing and it will rarely, if ever, result in you getting the best value for your money and it almost always places you in a vulnerable situation regarding price, quality, and dependability.

You will also be protecting yourself by having a secondary source. If something happens to the primary supplier and they can no longer effectively fill your needs in the manner you require, you can turn to the secondary supplier.

A secondary supplier will be a backup source and will also serve to keep your primary supplier on their toes. Having each know of the existence of the other will result in the primary supplier working hard to eliminate the risk of them becoming the secondary supplier and the secondary supplier will be working hard to replace the primary supplier. Under the right circumstances this can be a highly effective cost control strategy. I have used it in the past in a number of areas with different companies. The resulting savings in each case exceeded 25%.

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.**

And **'Defy Mediocrity. Choose to be Uncommon. Think of the Alternative'.**

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