

# THE NEGOTIATION MASTER<sup>®</sup> GUIDE



**SOURCING WARRIOR**  
DISCOVER HIDDEN PROFIT

# PART I - SOURCING WARRIOR'S TEN GOLDEN NEGOTIATION TECHNIQUES

## #1 CREATE LEVERAGE

If you don't have any leverage, don't start the negotiation. Otherwise, you'll just be going in for slaughter. The best way to create leverage is to get MULTIPLE quotes. At this stage, you're only trying to get relevant quotes, not the exact matches. You'll need a minimum of 10 quotes to feel out how competitive the supply side of market is so you can determine how much leverage you have to negotiate.

By examining the various quotes, you will see if there is a baseline price.

If the prices are very close, you are getting into a commodity type of product. There is very little room to negotiate product price, so these cases, it's even more important to pay attention to product quality, as well as to a supplier's communication skill. On your end, carefully calculate your own annual quantity (Technique #4) because your volume (quantity) is going to speak volumes (price).

If the quotes are all over the place, the opportunity is yours. This is the kind of product in which you can gain advantage when you negotiate right.

***Tip: Check Sourcing Mastermind® RFQ Templates: 1 RFQ, 10 suppliers, Same Due Date.***





# #2

## NEGOTIATE FIRST WITH THE SUPPLIER WITH WHOM YOU ARE LEAST INTERESTED IN DOING BUSINESS

Once you have created leverage by getting multiple quotes, you need to know HOW TO use this leverage. The first step is to **go full-force** with the suppliers in whom you are least interested – the ones who are likely to be too high or too low on price, or who are poor communicators, or who provide incomplete quotes, or whose main products don't seem to be what you're seeking.

Ask as many questions as possible (use the “5 Ms of Cost Factors” – Part III). Try to unveil the truth around everyone's price and quality: Why did they quote the product at such a high (or low) price? What machinery or manufacturing methods are used? How labor-intensive is this product? What materials could be substituted to make this product cheaper?

What do you have to lose by asking a lot of questions? Nothing. Use this round of negotiation to learn as much as possible about the supply market conditions.

***Tip: Note down the things you've learned from this round. Determine your target price and get ready to negotiate with the suppliers that DO interest you.***

# #3 NEGOTIATE LAST WITH THE SUPPLIER WITH WHOM YOU ARE MOST INTERESTED IN DOING BUSINESS

Make it known that you have spoken with other suppliers. Ask very pointed questions on these topics:

**1)** Price: “You are in the ballpark but it is not the most competitive; what you can do?”

**Tip:** *It is NOT the right time to reveal your target price yet.*

**2)** Quality: “How does your product compare to this one? Show another supplier’s image here.” Or, “Explain to me the materials you used in this product so I can compare the differences.”

**3)** Design: “Do you have your own mold/tooling for the product? Have others copied yours or have you copied others?”

**4)** Customization Potential: “Can you customize this product? Have you done customizations before? Can you show me a picture of a customized part?”

**Tip:** *Negotiate from the position of knowledge and confidence*





## #4 USE YOUR ANNUAL FORECASTED SALES QUANTITY TO NEGOTIATE

Always, always paint the big picture! Negotiate from a strategic position that is BEYOND the transaction point. The transaction point is how much you would buy now. The strategic point is how much you buy in a year.

Negotiating with an annual volume has two powerful effects:

**1)** It shows that you have done your homework, and that you have a PLAN to sell.

**2)** The **compounding** effect of the estimate is built into the annual figure, which will make the number look far more powerful!

**Example:** 1 month of estimated sales could be very close to 1 month of the actual sales, but 1 month of estimated sales x 12 could be much more than your actual annual sales. Paint this annual volume picture with **big, bold brushstrokes** to secure the best quote.

**Tip:** *Take advantage of this window of opportunity when you negotiate with the supplier for a NEW product price. Nobody has a crystal ball. Remember, you are not lying; you're estimating. The unit price negotiated based on the annual estimate will be better than the price negotiated on your first purchase quantity.*

# #5 USE YOUR PRODUCT KNOWLEDGE AS YOUR LEVERAGE

Are you an expert on your own product? Do you have deep knowledge of the product? If yes, perfect! Use this to your advantage. Share your background with the supplier so they know they cannot fool you.

## **WARNING for the product expert:**

Don't be misled by your own knowledge. For example, you might ask a supplier, "**CAN** you do this ...?" The answer is "yes," and will be "yes" almost all the time. Just because YOU know it's a simple thing to do, it doesn't follow that it will be equally simple for the supplier. Do not assume the supplier's "yes" is a true yes.

Instead, your question should be, "**HOW** do you do this ...?", without disclosing your knowledge. Your knowledge is yours; their capability is theirs. You need to let the supplier prove to you what they can do. Use your knowledge as your leverage, not as the supplier's training material.

***Tip: If you are not a product expert, don't worry. You can educate yourself on market trends, selling price ranges, material specifications, material price indexes, etc. Combining what you've learned from suppliers with your own research, you can quickly acquire a lot of knowledge. The more knowledge you can demonstrate, the more leverage you will have moving forward.***





# #6 DON'T JUST FOCUS ON PRODUCT PRICE

Product price is only one of many things you can negotiate.

What about first order discount?

What about tooling amortization?

What about better payment terms?

What about free bundling services?

What about warranty guarantees? Extra spare parts?

What about expedited production to get your order done faster?

...

All these things have value.

***Tip: When you cannot go far on the unit price, start to seek OTHER valuable factors.***

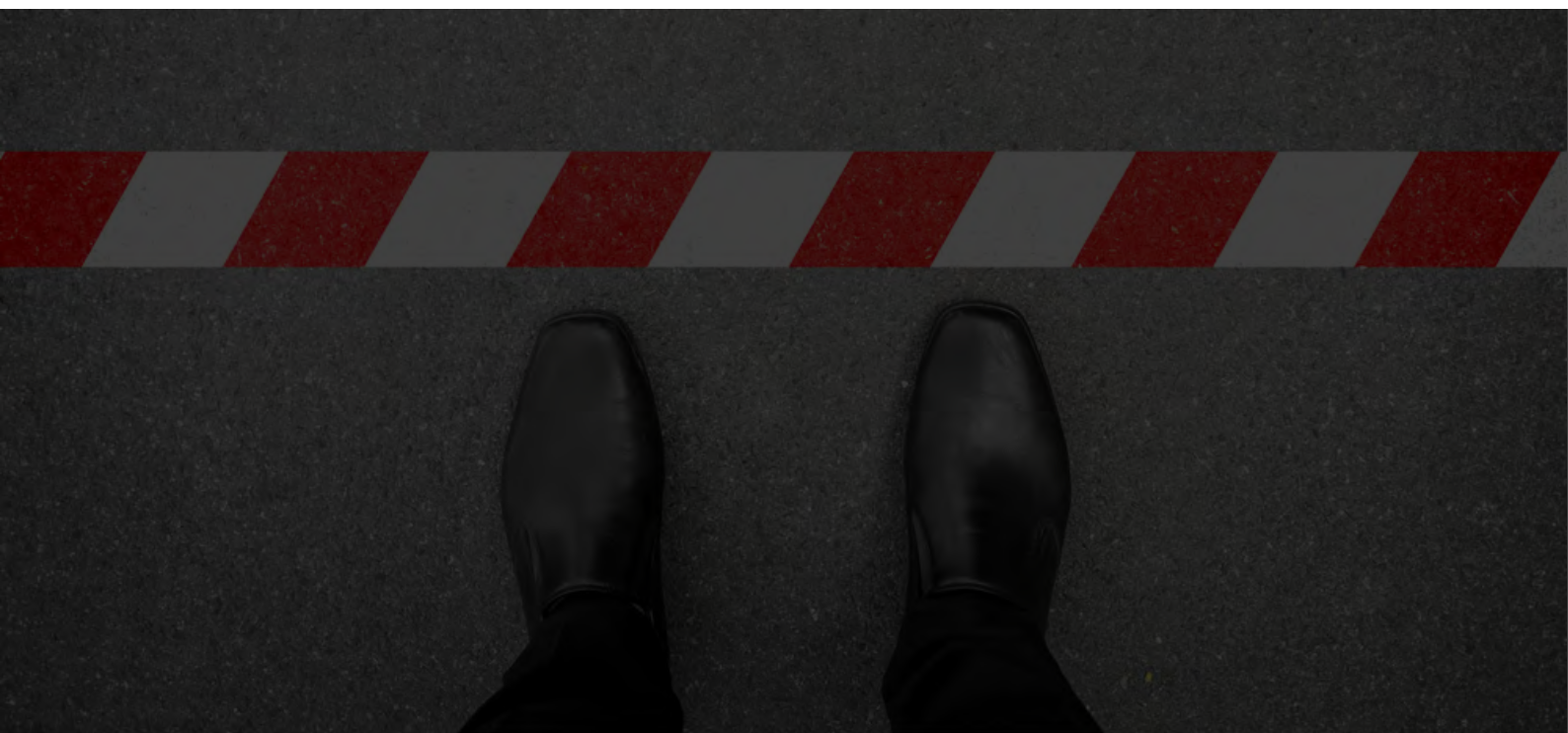
# #7 KNOW YOUR LIMIT

With multiple quotes, you have an idea of the baseline price. Don't push the negotiation TOO FAR with those suppliers with whom you are interested in doing business – leave room for the supplier to make money so the relationship is sustainable.

How do you know when you have reached this “push point”?

Here is one example. When the supplier says, “No, we really cannot lower the price from \$3.50 to \$3.00,” you ask: “Can you use a cheaper material to make it at the \$3.00?” If the answer is “yes,” then \$3.50 is probably a fair price for the quality you are pursuing.

***Tip: In such an example, if you agree to \$3.50, take this opportunity to reaffirm your quality expectations for the product.***







## #8 HOW TO GET UN-STUCK- THE MAGIC QUESTION

Given the nature of such negotiations, it's very easy to get stuck when both parties are pursuing the best deal for themselves. When negotiation get stuck at a certain point, most likely on price, the best way to break the tension is to ask one of these magic questions:

"I need your help."

"I need you to do some magic on the price."

"How **can we** achieve this price point? I need your help."

They might suggest an alternative model, a different design style, a different material... their suggestions may not work, but this is not the point. The point is that you need their PARTICIPATION.

Even if you don't like any of their ideas, always say, "Good idea!" Encourage them to give you more!

Because you've drawn them into active, engaged pursuit of possible solutions to lower the price, they are MORE LIKELY to make a compromise when the time comes to finalize a price.

This exercise also shows how sincere you are, both with the product and with the relationship.

***Tip: It is FREE to ask, "I need your help." This question could get you closer to your supplier and to what you want it. Go ahead, try it.***

# #9 BACK OUT GRACEFULLY

If the negotiation does not work out, back out gracefully. Say something appreciative and respectful like, “I respect you and your position on the price. You are a VERY good and knowledgeable supplier, and I’ve learned a lot from you. I will definitely keep in touch with you.”

When you leave the negotiation, your final job is to ensure that your supplier feels **RESPECTED**. If you ever need to re-engage the negotiation, the tenor of your departure today may determine if they’re willing to talk to you tomorrow.

*Tip: Every supplier with whom you have ever negotiated should remain a **RESOURCE** for you in your network. You never know when you’ll need to pick their brains.*





# #10 NEGOTIATION IS ONGOING

As your business grows, you will continue to negotiate.

As business conditions change, you will continue to negotiate.

Negotiation is ONGOING and it will never end. Even if you leave some money on the table this time, for this order, there is always ANOTHER DAY to make that money back. You are in for the long game.

Finish the negotiation. Finish it. Wrap it up. Don't stay in negotiations perpetually, indecisively, going back and forth...you'll waste a lot of time.

***Tip: The supplier will appreciate and respect you more when you can make a call and move business forward.***

## PART II

# NEGOTIATION STYLE & MANNER

## Helpful Videos:

# How to Communicate with Chinese Suppliers.

<https://youtu.be/LWkiNv90o00>

<https://youtu.be/XUuHk6gRbfk>

## BE RESPECTFUL

The Chinese don't like losing face. Try not to lose your composure and make them feel disrespected – even if you're extremely frustrated.

✓

✓ Keep in mind that you are negotiating with a business partner.

Listen to what they have to say, and respect their points.

• “Thanks for sharing this with me. I didn't know your material price has increased a lot lately.”

✓

Thank them for being patient with you.

• “I am sorry; I just need to ask one more time to be clear – by the way, I really appreciate your patience....”

***Tip: Just because the sales rep may not speak good English, don't treat him or her poorly. They will remember how you make them feel.***

# BE VERY PROFESSIONAL

✓ Make clear and objective points:

- READ your message before sending it to the supplier, especially at the beginning.

- Does the message sound too casual or slangy? Is the grammar sloppy?

- Most importantly, is the message clear? If I were reading my own message for the first time, how would I perceive myself?

***Tip: Use the “Communication 1, 2, 3” style as explained in the video linked above.***

# INVEST IN RELATIONSHIP CURRENCY

✓ The more you do business, the more you realize how vital good relationships are. From the very beginning, invest in building the relationship:

- Praise and appreciate the salesperson’s help.
- Recruit your sales rep to be on your side emotionally.

✓ Someday you may need to cash in on this relationship. For example, you may want to expedite the production of an order because you’re running low on stock. THIS is the time when you’re cashing in on the relationship – IF you’ve built that relationship.

***Tip: What are your sales rep’s country holidays? How does she celebrate? What’s her birthday? Is she married? How’s the kid? (Only one? Good topic – the Chinese one-child policy). Get to know her, appreciate her help – always and every time.***

# TAKE A LEADERSHIP ROLE

Even if you cannot act respectfully, or comport yourself professionally, or invest in the relationship at this stage...there is still one thing which you should and must do:

## **TAKE 100% RESPONSIBILITY AND DEMONSTRATE YOUR LEADERSHIP.**

- ✓ You are either the business owner the decision-maker; the supplier sales rep is NOT your equal or your peer in this process.
- ✓ You need to lead the sales rep to work with you and to help you achieve your goals.

*Tip: Be collaborative, but lead. Try to use “we” more than “I.”*

•Let “us” do....

•Here is “our” goal and I think “we” can ....



## PART III BE KNOWLEDGABLE

**Start by understanding the “5 Ms of Cost Factors.”**



### #1 MAN:

All people-related cost factors: workers’ wages, benefits, health insurance, etc. In terms of regional labor factors, the labor in China’s inland cities is cheaper than in China’s coastal cities, but the inland city factories are not as sophisticated. Vietnam’s labor costs are about 20% lower than Chinese labor in comparison.

### #2 MACHINE:

Machine-contributed cost factors. How efficient is the supplier’s machinery? For example, a robotic welding machine may weld 100 parts per hour, versus 30 per hour by a man. An efficient machine can make the product unit cost much cheaper. In general, the more efficient the machine is, the cheaper the unit cost will be – BUT the higher the setup cost will be, as well. Efficient machines are designed to run at a high volume. This is one of the reasons it will be hard to negotiate a lower minimum order quantity with a large factory.

## **#3 MATERIAL:**

Raw materials costs. Instead of providing a lump sum for material costs, it is preferable if the supplier can explain the percentages of different materials used in the product, as well as the quality of each material used. Also related to raw material costs is the supplier's buying power. For instance, a supplier may specialize in making certain products which allow them to buy raw materials in large volumes at lower costs. If your product contains a component with a UNIQUE or UNUSUAL material, that unique component could be a big cost contributor, because the supplier may buy only a small quantity of raw material just for you.

## **#4 METHOD:**

Cost factors derived from the supplier's production method, such as production line design, process steps, and production flows. A factory that operates on standard operating procedures (SOPs), with well-designed production lines is generally more efficient than a chaotic and messy factory. Different ways or methods of production can also make the product cost lower or higher.

## **#5 MOTHER NATURE/ ENVIRONMENT:**

Cost factors caused by external influences, such as government policy changes (e.g. in 2017, Chinese EPA inspections led to thousands of factory shutdowns and increased production costs), currency fluctuations, political environment changes (e.g. trade wars, tariffs), and weather condition changes (e.g. typhoons, floods). All of these factors could affect product cost.



# DO YOUR HOMEWORK

- Understand your product's 5Ms Cost Factors – what are the key cost drivers for your product? Is your product very labor-intensive? Is it efficient for automated machinery to make? Is the material easy for the supplier to source? Your understanding of your product's 5Ms cost factors will help you figure out the ideal supplier you need to produce your product.
- Understand your currency buying power. If you have not been tracking the USD/YUAN exchange rate (Chinese Yuan and Chinese RMB both refer to Chinese currency), Google the current exchange rate (<http://bit.ly/2D50gcV>) and find out if your currency is dropping or increasing in value against Chinese currency.
- Educate yourself on your product's key material market pricing. Research for any articles or commodity indexes (e.g. steel, copper, plastic) to give you clues on overall market condition. If your product is made of one type of material (e.g. a stainless steel garlic press), then your product price is very closely tied to stainless steel commodity prices.

# KNOW THE SEASONAL FACTORS

- Before Chinese New Year, raw material cost will usually go up.
- After Chinese New Year, due to the labor shortage, wages and production lead times will usually go up.

# BE AWARE OF BUSINESS CONDITION CHANGES

- Ask your supplier, "Is anything going on in China that is affecting your business?"
- Keep an eye on...
  - Currency fluctuations.
  - Commodity price changes, if your raw material is closely tied to it.
  - Any unfolding political events (e.g. trade wars, tariffs).
  - Major weather issues around your supplier's city.

# PART IV – PRACTICE NEGOTIATION

## NEGOTIATE A LOW MINIMUM ORDER QUANTITY (MOQ)



### VIDEO RESOURCE:

How to Negotiation a Lower MOQ:

<https://youtu.be/Dzww14Vlbsw>

- Understand WHY the supplier asks for an MOQ. Some MOQs are totally made up, but some are real, because the supplier has to buy a minimum quantity when sourcing raw materials. In addition to this, setup costs play a big role in MOQs. The setup cost stays the same, whether the supplier is running a quantity of 1 or a quantity of 10,000. Put another way, it is very inefficient to set up and run 1 part 10,000 times, versus setting up the machine once and running 10,000 parts at one time.
- Understand WHY you want to buy less than supplier's MOQ. The primary reason for you to order a smaller quantity should be to VALIDATE the product's market and/or the supplier's quality. You want to carry out such trial runs at a minimum cost.
- **NEVER let the supplier know that you don't have enough money to start.** That is a show of weakness. They want to do business with people who have money, rather than waste time with someone who cannot even afford to buy at minimum order quantity.

- There is no need to go into MOQ negotiation right after you get the quote, but you can plant a seed like this: “Just so you know, our first order might be higher or lower than your MOQ. It will depend on your sample quality.”
- After you’ve evaluated the samples and you’re serious about getting into product improvements, customization, branding, packaging, color variations, and so forth, you can lay the cards on the table.

EXAMPLE: Supplier MOQ is 1,000 pieces, but you want your first order to be 300PCS.

- You start the negotiation: “Given the improvements/customization we are making, we think it is CRITICAL that we get the first production run done right. For the first order, we have decided to order 300 pieces to validate your product quality, and we especially need to make sure that [key specs] is done right. We also need to test packaging durability, to make sure the design is sufficient to sustain the potential shipping damage.”
- Supplier’s reply: “Sorry, we can’t make 300; we will lose money.”
- Your response: “I understand. We certainly don’t want you to lose money, especially for the long run. But in fact, our company will lose MUCH MORE money than your company will. To order a small quantity like this, we’re going to pay a lot more shipping cost. [Disclose the air freight cost here]. This is why we only want to do this ONE TIME, just to make sure everything is done right.”
- Supplier is still reluctant.
- Your response: “By the way, do you know how serious we are with this product? Let me explain:

“We are planning to give away all 300 units FREE to promote the product.

“We are spending a great deal of money on logo design, photography, and packaging.

“After we receive your product, we have a lot MORE money allocated for advertisement across all sales platforms.

“Now you know how much money we are investing in this product. Please let your boss know how serious we are. We can sell a lot of this product, because we have done so on other similar products. [Supplier rep], you are going to make a lot of money for yourself and for your company.”

- At this point, let your supplier know that you’re willing to walk away, and give them a deadline.

“Right now we’re comparing two suppliers; your company is one of them. We’d love to work with you, but you need to let me know by TOMORROW if 300 is okay for the first order only. I hope that you don’t lose out on this big business because of your MOQ.”

- If you get this, “Sorry; my boss still said no, because...”, you need to listen to their “because,” and determine if this is their true “No.” When you get a true “No,” try the following strategies.

## **MOQ STRATEGIES FOR “TRUE NOs”**

- Is it because of the setup fee? If so, then ask how much it is, and see if it makes sense for you to SHARE this cost 50/50.
- Is it because of a unique component they are buying at a minimum quantity? In this case, ask if they can buy less, but pay a little more for that part.
- Consider offering a slightly higher price in exchange for a lower quantity buy.
- Consider a compromise on quantity – say, 500 instead of 300.

***If all such efforts have failed:***

- Try to cut a draft PO at 300 pieces and see if they still say no. This is only suitable when you are READY to make the purchase.

## **KEY NOTES ON NEGOTIATING A LOW MOQ:**

- Is the supplier's overall price lower if you take out the MOQ factor?
- Is the supplier's overall communication friendly, or they are firm and cold? If they are firm and cold on MOQ negotiation, they might be firm and cold when you go to negotiate price with them.
- Don't get too stuck on a low MOQ. Your primary goal is to VALIDATE the product.
- You will need to replenish inventory quickly as soon as the product starts to sell. If you don't have money to backfill inventory, you will end up wasting your money and testing the product for other companies!

# NEGOTIATE A NEW PRODUCT PRICE



## VIDEO RESOURCE:

How To Negotiate Price Before Samples:

<https://www.youtube.com/watch?v=K-9OzLgqTFA&t=6s>

How To Negotiate Price After Samples:

<https://www.youtube.com/watch?v=X1v9xd9aRoo>

## STEP #1

### TO NEGOTIATE NEW PRODUCT PRICE, YOU MUST START BY GETTING 5-10 QUOTES FIRST

- Use Alibaba favorite folder: <https://youtu.be/hRI87cR1I9g>
- **Send out 10 Requests for Quote (RFQs)**
  - 1 Email Request (Sourcing Warrior's Templates)
  - Specify the SAME due date

## **STEP #2**

# **DIVIDE THE 5-10 QUOTES INTO 2 GROUPS:**

### **Group A: High Potential Suppliers (2-3 suppliers):**

- Quote is detailed and matches your RFQ.
- Quote is delivered on time, before your deadline.
- Communication is friendly and exhibits good English skills.
- Product image is good, with specification details for product quoted.
- Pricing is WITHIN ballpark - close to the average price of all quotes received.

### **Group B: Low Potential Supplier (2-3 suppliers):**

- Quote is incomplete, with missing data (i.e. the salesperson was not very thorough).
- Communication is not clear, or English skills are not very good.
- Product reference is inadequate (i.e. no image or specification for the product quoted, or the quoted product is not what you're seeking)
- Price is too high or too low.

## **STEP 2 KEY NOTES**

**- There are no fixed rules for dividing the suppliers into these groups, and you can always move one supplier from one group to the other as you get to know them better.**

**-The purpose of dividing the initial quotes into two groups is to use one group to negotiate, to educate yourself, and to collect as much information as possible, and then to use the information you've gathered as your leverage to negotiate with the other group.**

## STEP #3

# START NEGOTIATING WITH GROUP B SUPPLIERS

## PRICE IS TOO HIGH:

"We received your quote, but your quote is NOT EVEN in the ballpark; what is going on? Can you help me understand why your price is SO HIGH? What makes your product so good? By the way, we don't mind paying for quality but we must know what we are paying for.

"Can you explain what makes your product costs higher?"

"You are the expert in your products; maybe help me understand all the factors that could make this type of product more expensive or cheaper?"

"Thank you for your help."

## PRICE IS TOO LOW:

"We received your quote; your quote is actually lower than we expected. This is good, but we are very worried that your material quality is not as good as others might be. I hope this isn't the case.

"Could you explain what material is used in your product?"

"Since you know how to make your product cheaper, can you help us understand all the factors could make this type of product cheaper?"

"We appreciate your expertise. We'd definitely love to save some money and buy from you. Look forward to your reply."

## "BY THE WAY" QUESTIONS – FIND OUT MORE

**TIP: DON'T JAM ALL THE QUESTIONS INTO ONE EMAIL.**

- Try asking some questions via e-mail, some questions via WeChat or Skype, some questions over the phone, etc.
- Ask CASUALLY so the supplier is not as guarded and is more willing to give you the true answer.
- If you ask too formally, the supplier may make up answers for you.



## By the way...

1. How many employees work in your factory?
  - Smaller factories are normally cheaper and more flexible.
  - 20-50 employees = small.
  - 80-120 employees = medium size.
  - >150 = large.
2. Speaking generally, what machines/tools do you use to fabricate the product?
3. Are you selling this SAME OR SIMILAR product to an Amazon buyer?
4. Where is your biggest market for this product?
  - The Middle East market generally has lower quality requirements than the EU or US markets do.
5. How many units do you produce every month?
  - This can help indicate how specialized they are with this type of the product.
6. Do you have any new designs and models that you can share with me?
7. What is your best-selling product? Can you send me an image?

## STEP 3 KEY NOTES

**- YOUR GOAL IS TO GET A GOOD FEEL for the differences in materials, in pricing, and in supplier capabilities – so you're more educated and ready to negotiate with those GROUP A suppliers with whom you're most interested in doing business.**

**- GO THROUGH THIS STEP AS QUICKLY AS POSSIBLE AND MOVE FORWARD WITH THE NEXT STEP.**

## STEP #4

# START NEGOTIATING WITH GROUP A SUPPLIERS

## IMMEDIATE PRAISE:

“We are so impressed with your English skills and your thoroughness. We love how you addressed our RFQ accurately and delivered it to us on time. We really appreciate the good work.”

## CONFIRM IF IT’S AN “APPLE”:

“We are in the process of evaluating all the quotes; some quotes are high and some are low, and we’re finding that different suppliers are using different materials on the product. Can you explain what material your product use so we can compare your quote apples-to-apples with the others?”

## TEST THE WATERS:

If the material is close to what you expected:

“It’s interesting to hear that your material is actually the same as what other suppliers are using. We appreciate working with you because you are very thorough. But before we start sampling, can you tell me the BEST PRICE you can offer us? Your price has to be competitive enough in order for us to move forward, despite the fact that we really enjoy working with you . I trust you can make it happen.”

## THEIR PRICE IS NOT THE BEST – NO MATTER WHAT

Even if the quote is very good, after you get the 2nd quote back, the comment is still the same:

“Are you sure this is your best price? I am not a product expert, but based on my discussions with other suppliers, I know a little bit about this product. For this level of quality, your price is definitely not the best.”

## **DON'T FORGET YOUR "BY THE WAY" QUESTIONS**

"By the way...[same questions from Step 3]"

## **LEAVE THE PRICE NEGOTIATION UNTIL AFTER THE SAMPLE:**

"Let's leave the price discussion for a later time because we first need to assess your product sample quality."

"Just so you're aware, we're also getting samples from two other suppliers. Quality is extremely important for us. We won't need to talk about price anymore if your quality doesn't meet our expectations."

### **STEP #5**

## **NEGOTIATE FINAL PRICE FOR YOUR NEW PRODUCT**

## **ASSUMING THE SAMPLES ARE ACCEPTABLE, NARROW DOWN TO 1-2 SUPPLIERS**

- Having two viable suppliers during the initial BRAINSTORMING stage can help reveal the best customization ideas.
- Conversely, you can narrow down to one supplier and start the customization process.

## **BUILD AN INTIMATE RELATIONSHIP**

During the customization process, you have to work with your chosen supplier(s) as though they're YOUR design and engineering team. Compliment their ideas and suggestions AS OFTEN AS POSSIBLE. If the ideas they propose are not practical, tell them, "We love that you continue to give us good ideas; for now, let's focus on XYZ."

## WHAT'S THE FINAL PRICE?

As you go through design and sample iterations, your product price may change. Each little modification could add cost to the product. After your design is finalized, you are then ready to converge on a final price.

***This is the point at which you begin the FINAL PRICE NEGOTIATION.***

## FINAL PRICE NEGOTIATION

### BUILD WITH “US” AND “WE”

Foster a sense of togetherness and collective ownership in the final product. Use “we” and “us” in your communication.

“Thanks to all your talent and patience, we now have a fantastic product to offer!!! Can we take one more look at the final pricing? I think we may have gone a little wild with all the changes we made on this product.”

### DO ONE MORE ROUND OF HOMEWORK ON 5Ms COST FACTORS

Have any vital factors changed compared to when you first started? After you have done your homework:

“Here is my thought, and I welcome your input on this.

“The current quoted price is now [\$\$]. My initial price target was [\$\$]. The price has gone up [x]%. To make this new product launch as successful as possible, can we get this product price set at [\$\$]?”

“After all the hard work we’ve put into the product, I really hope we can get it produced at [\$\$]. I’m confident that our volume will deliver all the profit you need for your sales target.

“I can draft up a PO as soon as I get your OK with this price.”

# PLEASE BE RESPECTFUL AT THIS POINT

Do not ask for a huge discount; this could be perceived as an insult after all the work they have put in for you.

***If the supplier agrees to your target final price, then YOU ARE DONE!***

## MISSION ACCOMPLISHED!

***If the supplier doesn't agree to your final price, then proceed as follows:***

### FIRST PO STRATEGY

"I understand what you're saying and I respect that. How about this – give us a one-time discount at [x]% for the first PO. This would really help in getting the product launched and in driving new sales momentum.

"I actually have the PO drafted up already; I can send it to you right away and get the business started."

***If your products sells, and you are ready to release a second purchase order for a similar quantity, continue in this way:***

### SECOND PO STRATEGY

"I'm excited to tell you that the product is selling. Your hard work is paying off! I need to make a 2nd order soon. Please keep it at the same price. Let's continue to drive sales."

If the supplier could give you a discount for the first order, it is very possible they could give you the same price when you re-order.

***If your 2nd order needs to be at a LARGER quantity, here's the idea:***

## LARGER QTY STRATEGY

“I am so excited to tell you that the product is selling. Your hard work is paying off! I need to make a 2nd order soon, AND THIS ORDER WILL BE MUCH BIGGER. Can we talk about price? At this order quantity, can we bring the cost down to [\$\$]? Let’s continue to drive sales. Our target annual sales volume has now risen to [XX] units. So excited for the growth and I am so happy to bring you more business.”

## STEP 4 KEY NOTES:

**NEGOTIATION IS FUN AND IT NEVER ENDS!**

## STEP 4 – PRACTICE NEGOTIATION NEGOTIATE A PRICE INCREASE

### VIDEO RESOURCE:

Tariffs: <https://youtu.be/EZZjcXqybc8>

- *When you hear this:*

*“Dear customer, your new price is going to increase to...”*

- *Your answer is:*

*Always, always “No”*

## YOUR FIRST “No!”

“Unfortunately, we cannot take any price increases. Help me understand the factors that are driving your costs up? I have not received any price increase notices from my other suppliers; what’s going on with your company?”

- As you push back, do your homework immediately. See Step 2 in Negotiation.
- In addition, immediately send 2 or 3 inquiries – either to old suppliers (who quoted the same item before) or to a new supplier selling comparable items – to get comparable quotes.
  - Phrase your inquiry something like this: “I want to make a purchase as soon as possible in case of price changes. By the way, have you seen any price changes lately, or have your prices been stable?” Get some insights from other supplier sources.
- Before you proceed, you must know what other suppliers can or cannot do.

## YOUR “MAKE AN EXCEPTION” “No!”:

• “Miss, we do have a backup supplier for this product, their cost is [XX]. With your price increase, you are forcing me to move our business to them. Are you serious about this price increase? Tell me why?!”

**- Supplier’s answer: “Yes; we do have to implement this price increase, because of [Reason X].”**

• Your response: “You know we can buy this product elsewhere, but we want to continue to do business with your company. Please ask your boss to make one exception for our company only. I know he could do this, and you can help convince him too, because we’ve always been a good customer. I look forward to your good news.”

**- Supplier’s answer: “Sorry; my boss said we can’t. [Reason Y].”**

## **YOUR LAST ORDER “No!”:**

"This is my last PO; please make an exception for this order at the old price." Send the DRAFT PO in. When money is dangling in front of their face, sometimes it's hard for them to say no.

## **YOUR “YES, BUT” STRATEGIES**

"We understand your challenges; we will take the price increase to support you because we are partners, but..."

Here are some useful suggestions on viable pricing compromises:

### **DEFER:**

"Right now we just loaded the product listing/price book/catalog, so can we implement this increase on [this future date]?" Your future date could be 3-6 months later, but make sure that you can squeeze in one last order at the old price in this period.

### **SPLIT:**

"How about we absorb [x]%, and you absorb [y]%?"

### **SPLIT AND DEFER:**

"We will take the price increase, but we can only take [x]% now, then another [y]% in 6 months. This will give us time to implement 2 price increases over 6 months."

## **KEY NOTES ON PRICE INCREASE NEGOTIATION:**

- Depending on the situation, if you have to take the price increase, take it. The supplier has to make money in order to do business with you.
- However, going through the negotiations exercises is a MUST because it will help you:



- Gain a better insight into the supplier's cost structures.
  - Learn more about the supplier negotiation style.
  - Set a tone for future – you won't take an increase unless it's justified.
- In the course of these negotiations, you may actually find a cheaper and better supplier.

## **PART V**

# **REFLECT ON WHAT YOU LEARNED**

- **DID YOU CREATE A BETTER PARTNERSHIP WITH THE SUPPLIER THROUGH THE NEGOTIATION?**
- **DID YOU LEARN MORE ABOUT YOUR PRODUCT COST?**
- **DID YOU LEARN MORE ABOUT YOUR SUPPLIER'S NEGOTIATION STYLE AND CAPABILITY?**
- **DID YOU LEARN MORE ABOUT YOUR OWN NEGOTIATION STYLE AND CAPA**

### **BOTTOM LINE:**

**THERE IS NOTHING FOR YOU TO LOSE,  
BUT EVERYTHING TO LEARN & TO  
GAIN THROUGH NEGOTIATION.**

**MAKE IT YOUR OWN ART.**

*"Be a courageous but a kind negotiator. Build relationships along the way. Remember people like to do business with people they LIKE and TRUST. "*



# About Yuping Wang



I am the Founder of the Sourcing Warrior™.

The passion for sourcing runs deep in my blood otherwise I would not have done it for 20 years. My suppliers would say these 3 things about me: Yuping is a tough negotiator, a strong relationship builder and a tenacious profit finder.

Out of all people, how could I become the top supply chain professional in the nation?

When I first came to the USA, I had nothing and knew very little English. But in my mind, there was an uncompromising desire to be the best in everything I do. I put myself through law school in China. In the USA, I pursued the best-in-class training. MBA, CPIM, CSCP, Six Sigma Black Belt certifications are tough to get but are incredibly valuable for my sourcing career.

Professionally, I only want to compete in the most demanding companies. Some are Fortune 500s, some are Hi-Techs, some are small businesses, but all of them are incredibly competitive in the field of sourcing, that is exactly where I excelled.

The experience I gained through 20 years of sourcing is now condensed into Sourcing Warrior's programs to serve more people. As I hold myself to the highest standard of honesty and integrity, I work hard to make sure Sourcing Warrior's programs are the best-in-class. Otherwise, I will refuse to offer them to the world because my name is Yuping Wang.

[Learn More About The Course](#)

Copyright © 2018 by GOODLIFE WARRIOR All rights reserved.

This document (Product) is copyright protected. Any form of copy, duplication or distribution of either partial or entire part of this Product is strictly prohibited. GOODLIFE WARRIOR LLC stands firm in protecting its intellectual property. We treat each copyright violation case seriously and we will pursue legal action against any violation that causes financial and or reputation damage to the Company and or to the creator of the Product, Yuping Wang.



**SOURCING WARRIOR**  
DISCOVER HIDDEN PROFIT