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There are 6 reasons why SMEs are not at a disadvantage, Russell Grant says



Negotiation strategies within major companies have evolved over the years from the days of banging the table and he who shouts loudest gets the best deal tactics of the 1970s to the current trends for joint business planning, win-win strategies, category development and data-based negotiations.

Corporates invest huge amounts of money in negotiation training and they see it as an investment that provides a great return.

Better prices

On the face of it, this gives larger companies a big advantage over small and medium-sized enterprises. It's also true to say that larger companies should be able to get better prices because of their scale and importance to their suppliers.

So it could appear that SMEs are at a significant disadvantage when it comes to negotiations with their suppliers. My own personal experience, however, is not as one-sided as the above might suggest.

In my career, I've worked for businesses that have acquired smaller rivals. The assumption at the outset is that the larger acquiring company will always have the better deal with their suppliers because of their scale.

However, in every case there have been striking examples of the smaller operator having better terms from the same suppliers. This always resulted in some interesting negotiations with those suppliers, who usually conceded and offered the best terms - with a further enhancement - to the entire enlarged business.

I was closely involved in these negotiations and therefore have an understanding of what enabled those smaller businesses to negotiate better terms than their much larger competitors and I would like to share this insight.

Common threads

Of course, every case was different, but these are some of the common threads:

- Personal relationships. Despite the development of sophisticated negotiating strategies, many suppliers still place a great deal of emphasis on personal relationships.

If they know, like and trust a customer, they will try their best to get them a great deal.

- Growth potential. A surprising number of suppliers will value customers that are growing their purchases above those that buy a much larger volume, but are static or declining.

- Reciprocity. Great customers do what they say and help the supplier to achieve its objectives.

Understanding what is important to the supplier and delivering that will often enable the supplier to give you better prices. This may be as simple as listing a new product and promoting it (but ensure you get a sale or return agreement).

- Sexy accounts. Small niche businesses can be attractive accounts for a supplier to be involved with and they may invest more to get their products stocked in these accounts.
- Investments in marketing. I have seen suppliers invest comparatively large lump sums of money in small accounts to support marketing strategies that sell the suppliers' products.

For example, they may be prepared to spend £200 for a customer to feature their brand in a brochure or on their website. However, that £200 will represent 10 per cent of the turnover of an account that spends £2,000, but only one per cent of the turnover of an account that spends £20,000.

- Great negotiators. These are not the sole preserve of larger companies.

I have met some fantastic negotiators who work for smaller companies. They often haven't received negotiation training, but they compensate for this with a passion for their business, a determination to get the best deal, honesty and are able to clearly articulate what they want and why they want (and need) it.

Of course, the negotiator for an SME is very often the business owner and this may explain some of these attributes, but key employees often share these in smaller businesses.

Competing with the big boys

So by building a growing business that has strong personal relationships, an ethos for doing what you say you will do and implementing a smart marketing strategy, I believe SMEs have a good chance of competing with the big boys when negotiating terms with their suppliers.

It won't be easy and you will need to be a skilled all round negotiator, but the above ideas should help you secure the best deal possible.