



# How negotiations get complex

A step by step guide to where negotiations start and how they get complex. And what you can do about it.

1 You want to buy product X



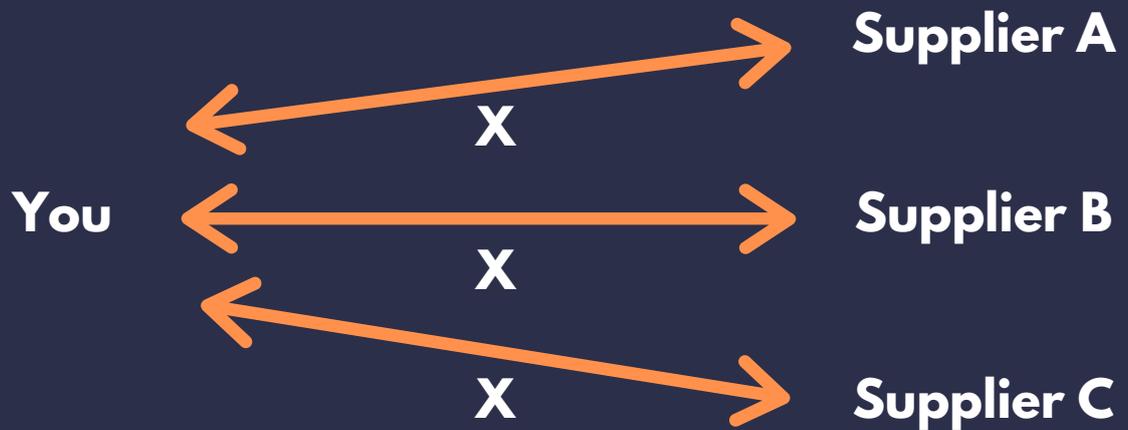
You order product X from Supplier A. Supplier A confirms, ships and invoices. You pay. Deal done.

**This is a simple purchase. No negotiation and very limited complexity.**

Obviously you order a specific quantity of product X at a specific price.

2

You realise suppliers B and C also have product X



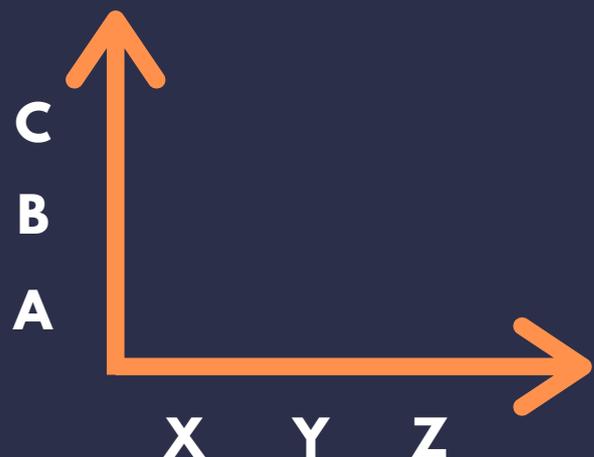
You enquire all 3 suppliers about the price for product X. Based on the information, you receive, you may ask the two most expensive for a better price or simply order from the cheapest supplier. Unless you have other preferences.

**You have started negotiating and the complexity is increasing.**

3

You also need products Y and Z

You now have a more complex matrix with combinations of products and suppliers. All suppliers may not have all products. Prices will also differ. Now you need to decide, not only which individual product is cheaper, but which bundle of products is cheaper, and how to combine the bundles from different suppliers.



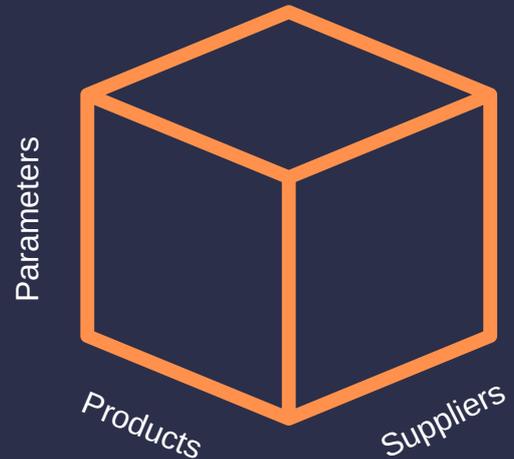
**Complexity is growing and negotiations require more information going back and forth.**

4

## The other parameters

Price and quantity are of course important parameters for you, but usually they are not the only parameters. Other parameters may influence price or the overall value of the deal. Some examples are: **shelf life, exchange rates, payment terms, delivery schedule**. You may even be happy to consider an alternative product if a supplier has a better proposition.

**Negotiations are now complex.**  
But it gets worse.



5

## The final twist

Murphy's Law says, that anything, that can go wrong, will. An extension of that law is, that nothing is so bad, that it cannot get worse. Pessimism or realism? Up to you.

In practice you often find, that you need more than 3 products and have more than 3 suppliers. So to manage the growing task, you hire a **team of buyers** to divide the tasks between them. Now you also have a **planning and coordination complexity**.

Did we mention time? That's right - time plays a crucial role in the process as there usually isn't enough of it, so shortcuts have to be made. The lack of time is a stress factor, where people oversimplify, forget things, make mistakes or simply don't have the capacity to get to the depth of the issues. **Time adds the final complexity leaving value on the table.**



## What can we learn from this?

In practice, many purchase situations are like step 1. Simple purchases where you need a specific product, a brand, where you have limited or no negotiation power. Take it or leave it, so to speak.

Companies, that trade **commodities or standardized products**, will often find that they are mostly in steps 4 or 5 with high levels of complexity. The products can be any well defined product such as pharmaceuticals, construction materials, spare parts etc.

And of course, many companies will find, that some purchases are like step 1, whereas others have high levels of complexity like steps 4 and 5.

The complexity has often led to a number of simplifying strategies such as auctions, short-tailing or eliminating suppliers. This makes sense, when the complexity cannot be handled, but if the complexity **can** be handled, then **a bigger part of the value can be captured**.



## Where our services fit in

With the Acumex **Trade Management System** or the **AxNode** you can already deal with situations in steps 1 - 4. From simple purchases without negotiation to complex purchases with several negotiations. Teams benefit from real-time information and improved coordination.

For the full complexity, the AI-supported solution, the **Rational Assistant**, is the right choice. You don't have to have both many suppliers and many products to have complexity. Few suppliers, but large product ranges, are complex, as are few products with many suppliers.



Read more about our services on our website ([www.acumex.net](http://www.acumex.net)) or contact us to talk about your specific requirements.

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