

What Are We Training Suppliers To Do

By Barbara Ardell, **Paladin Associates Inc**
www.PaladinAssociatesInc.com

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We put a large piece of business out for bid telling suppliers we plan to award a five year contract with indexed pricing. Suppliers bid accordingly and we make the award. The lawyers are unable to reach agreement on the final contract terms but the supplier behaves as if the contract was signed. Three and a half years into the award period we decide to go out for bid telling the incumbent we have no obligation since the contract was never signed. What are we training suppliers to do?

The supplier provides highly competitive pricing based on Net 30 payment terms. After the fact we tell them we need Net 60. They are happy to provide those terms but need to increase the price since Net 60 will require them to obtain a Letter of Credit. We say no thanks but pay Net 60 anyway. What are we training suppliers to do?

In the face of uncertainty, suppliers pad their pricing. From the supplier's perspective, the above behavior was not anticipated, at least the first time. What happens the next time we ask this supplier for rock bottom pricing? Role modeling is the most powerful form of teaching. What are we role modeling to our suppliers? We should pay close attention to that. What goes around, comes around!

Barbara Ardell - **Paladin Associates Inc.**
Vice President

www.PaladinAssociatesInc.com

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