

Procurement 101

TIP FOR
STARTUPS

A common corporate complaint is that startups are too naive about the procurement processes of large firms. Certainly, understanding how procurement works in a large firm will increase your chances of selling into that organisation.

Below is a simplified, generic procurement process.⁵⁶ One key point is that it is demand led – i.e. typically starts with someone outside the procurement team requesting a product or service. Pitching directly to a procurement team is therefore fruitless unless you are addressing a current need.

Timing matters: it may be, for instance, that your startup addresses a genuine need which is not a current procurement priority but may feature in the next cycle. You should therefore try to get on the firm's radar as early as possible, and treat responses like *"come back in six months"* as exactly that. Several procurement managers reported that surprisingly many small companies failed to follow up.

Generalised Procurement Process



Note, too, that the role of the procurement manager is not necessarily to buy the cheapest good or service, but to consider overall suitability, quality, total lifetime costs, ethical, environmental and sustainability factors, and other issues. Try to really understand the motivation of the buyer. (One said bluntly: *"I don't care about your vision, or how I can help you. I want to know what you'll do for me."*)

A large part of their job is to manage risk - including 'innocent failures' and the risk that you won't deliver or may go bust, which may have significant financial or reputational consequences for the corporate. You need to allay these concerns, not just talk about your product or service - but ask yourself whether you can afford compensatory agreements.

Firms may pay a premium for a supplier which will treat them as an important customer - but don't offer exclusivity unless you're sure you want to give this away; make sure you trade it for something. Be very clear about what you will and will not deliver: lack of clarity is a basis for disputes and the corporate inevitably has more legal power than you! In addition, be realistic about your chances of success: a procurement manager will meet many possible suppliers but only contract with a small proportion.

“Passion alone is not enough. You must be ready to sell into the big company, and satisfy them that you can do so - this means understanding their thinking and their processes.”

Caroline Cauvin, Vice President of Procurement at Virgin Atlantic.