

Practical Price Negotiation

Ten proven tactics for successful apparel sourcing price negotiation

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Introduction

If you work in apparel sourcing, you will appreciate that price negotiation is a critical, and often stressful, aspect of your job. Few clothing companies provide practical training in the process of negotiation, although correct product pricing is integral to the health and well-being of any brand's bottom line.

In this report, we will examine ten tactics that will help people who work in sourcing develop a personal negotiation strategy, a strategy that will strengthen communication with their internal merchandising and design teams and reinforce their relationships with their vendor-partners.

Merchandising, design and sourcing

Different firms have different approaches to price negotiation and different titles for the key players. To simplify we will assume the designers design, the merchants buy and set the selling prices, and the sourcing managers negotiate with the factories.

Note – factories, merchants and seasoned negotiators also use a lot of technical terms and abbreviations. To help you become familiar with the terms most often used in negotiation we've included a Glossary of Costing Terms at the end of this report.

In most apparel organizations, negotiation takes place seasonally four to six times a year and can involve dozens or even hundreds of unique style and fabric or yarn combinations. Each style has a story of its own, one that the sourcing manager needs to be intimately acquainted with. Negotiation traditionally takes place during an overseas finalisation trip, or increasingly, during a video conference with a virtual vendor.

The sourcing manager is expected to come home with the seasonal buy signed and sealed, the merchant's targets achieved, the designer's concepts adhered to, the deliveries fixed and odds and ends such as payment terms, compliance codes, packing and shipping instructions, and approval calendars addressed.

Challenges and limitations

In an ideal world, all of the various players in an organization will have completed their input in a timely manner so that you, the sourcing manager tasked with negotiating the seasonal buy, can leave for your sourcing trip armed with the documents and information needed for effective negotiation. But in the less than ideal, often undisciplined, world of fashion, information has a tendency to lag behind calendar. Being prepared as a negotiator can mean coping with being unprepared as a sourcing manager.

Because of the breadth and complexity of the individual negotiations that take place in a single season, negotiating apparel is different from buying a house or settling a remuneration package. During the period designated as line finalisation, time is not on your side. A good deal of preparation will need to take place long before you sit down at the negotiating table.

In that ideal world, every item would be countercosted in a variety of countries by a variety of vendors so that your company can be assured they are getting the best possible price, but in the real world of fashion merchandising, countercosting is only feasible on a narrow selection of key items.

Allocating styles and programs across your company's vendor matrix is more of an art than a science, one that is subject to last minute revisions as unanticipated pricing hiccups emerge. Keep an open mind and be ready to pivot if your allocation decisions don't work out, and you need to find a more accommodating home for a style or program.

First, we'll talk about accumulating the information you'll need to be an effective negotiator.



Margie Bross

Margie Bross is an apparel industry consultant who has lived in Asia for nearly 25 years. Armed with a liberal arts degree from the University of Michigan, she landed by luck and chance in San Francisco where she worked in design and merchandising for a venerable denim brand and for a pioneer Asian importer.

She served time sourcing for fashion brands on New York's 7th Avenue before plunging into the Asian apparel vortex in Hong Kong where she worked for a large multi-brand buying office and a small service driven agent. In 1995 she moved to Indonesia to establish and run a sourcing office for an American specialty retailer.

Margie now lives in Bali advising clients on sourcing in Southeast Asia and mentoring up and coming Indonesian managers. After 45 years, her fascination and affection for the industry remains undiminished.