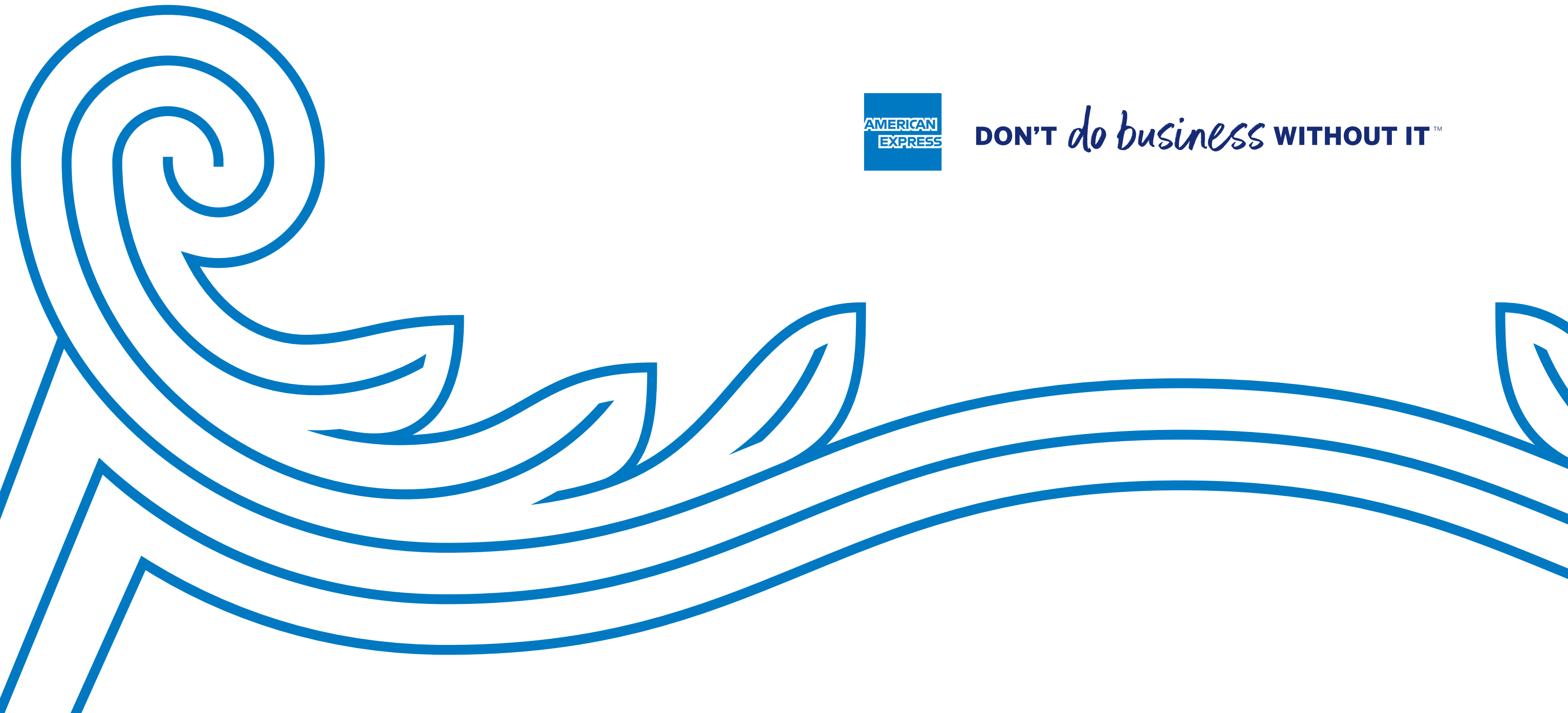




INSIGHT GUIDE SERIES:

CORPORATE PROCUREMENT





DON'T *do business* WITHOUT IT™

WELCOME TO CORPORATE PROCUREMENT

A GUIDE TO WINNING CONTRACTS WITH LARGE COMPANIES

Congratulations! You've decided to grow your business by contracting with large corporations.

Corporations are often seen as difficult to break into, and there is truth to that, but there are strategies you can tap into for success in this 16 trillion dollar market opportunity. Doing so can be lucrative. Corporate procurement offers tremendous growth opportunities for small and midsize businesses across every industry. The key is to be prepared. It is critical to understand the corporate procurement landscape, target the right opportunities, and position your company to win. You can do so by focusing on mitigating the inherent risk (business, financial and execution) and demonstrating a strong value proposition, financial stability and a track

record of superior performance. This guide covers these topics and more, for the benefit of those just getting started and those who are further along. And while the process may seem intimidating, the good news is that large corporations are actively looking for companies like yours in order to diversify their supplier portfolio. After all, the inherent risks of contracting with small and midsize businesses are outweighed by their ability to drive supply chain competitiveness, unlock innovation, provide access to new markets and deliver socioeconomic impact in their local markets. So winning a contract is a matter of being informed and prepared.

We wish you much success as you venture into this growth opportunity!



What you'll learn:

- **The Opportunity for Small and Midsize Companies** pg. 5
Explore large corporation spend on external purchases and the revenue potential for small and midsize companies.
- **Lay of the Land: Corporate Procurement Today** pg. 6
Gain insight into how the role of procurement has changed over time and what that means for you.
- **How to Find Corporate Contracting Opportunities for Your Company** pg. 8
Stridently pursue these four methods to get your business's foot in the door.
- **Positioning Your Company to Win** pg. 12
Be ready to compete by managing your risk profile, developing your value proposition and more.
- **Preparing to Land Your First Corporate Client** pg. 14
How to be sure your company is well capitalized and using the right e-business tools for seamless integration.
- **Closing the Deal** pg. 16
Five ways to keep the deal you've just won.
- **Beyond the Insight Guide** pg. 17
Additional resources.

THE OPPORTUNITY FOR SMALL AND MIDSIZE COMPANIES

TAPPING INTO A \$16 TRILLION MARKET

Large corporations spend a lot on external purchases—as much as 30 to 50 percent of total revenue, depending on the industry. The Forbes Global 2000—the world’s largest public companies as ranked by *Forbes*—spend more than \$16 trillion annually with suppliers across multiple industries.¹ This represents a significant opportunity for small- and middle-market companies that are interested in and prepared to pursue corporate procurement.

The benefits of doing so are clear, with many small and midsize businesses getting a serious revenue boost—one study found an average revenue growth of more than 250 percent within two years of winning a contract with a large corporation.²

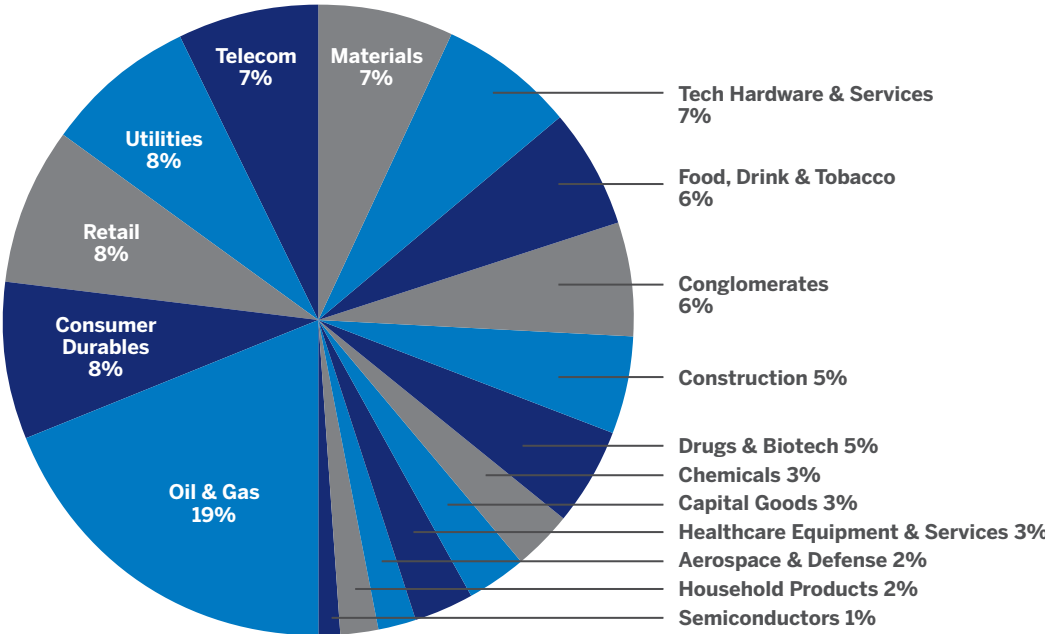
Next, we will take a look at the current procurement landscape and the criteria used to evaluate suppliers.

¹ PRGX Global Analysis, World Bank, Global 2000 Data, available in PRGX November 2018 investor presentation.

² Center for an Urban Future, available at https://nycfuture.org/pdf/Giving_Small_Firms_the_Business.pdf.

TOTAL OF ALL PURCHASES BY INDUSTRY

100% = \$16.6 Trillion



Source: World Bank, PRGX analysis and estimates based on Forbes Global 2000 data.

LAY OF THE LAND: CORPORATE PROCUREMENT TODAY

HOW THE FIELD IS EVOLVING AND WHAT LARGE COMPANIES WANT MOST FROM VENDORS

In leading companies, the role of procurement has transformed from a tactical, reactive process to a more proactive, strategically focused process with a much wider scope.

Historically, the criteria for selecting suppliers was limited to cost, quality and service. The focus was on procuring goods and services at the lowest price without sacrificing quality or service.

While cost, quality and service are still very important today, the increasing importance of environmental, social, and governance (ESG) issues means that diversity, ethics, sustainability and financial health and risk are now part of a companies' procurement criteria. Next-generation consumers want to buy from companies aligned with their values, so they're demanding greater supply chain transparency.



In response, corporate procurement professionals are charged with capturing more data on supplier attributes that will ultimately inform holistic insights that are then used to choose suppliers aligned with supply chain and corporate objectives. This creates opportunity for small and emerging companies that already embrace these values or are building their companies with these attributes in mind.

What criteria, then, are executives using to evaluate potential suppliers like you? There are five questions large companies typically ask themselves:

1. **Capability.** Do your capabilities match our needs?
2. **Cost.** Is your product or service priced competitively, based on our volume and specifications?
3. **Quality, service and delivery.** Will you be able to consistently deliver a quality product or service?
4. **Financial health and risk.** Do you have the relative financial strength and stability to grow with us?
5. **Environmental, social and governance.** Are you environmentally and socially conscious as evidenced by commitments?
 - For example, are you committed to sustainability programs aimed at the preservation of the environment (e.g., clean energy, green building, sustainable agriculture and so on)?
 - Do you have diversity/inclusive contracting programs in place, aimed at supporting the growth of small and midsize businesses and benefiting the local economy?



These are all considerations to be aware of, even if you're not yet large enough to have formal diversity contracting programs in place. Working to meet these criteria and possessing certifications and credentials, such as diversity (minority- or women-owned), International Standards Organization (ISO, a quality certification), or Leadership in Energy and Environmental Design (LEED), can help you distinguish your business from the competition.

Next, we will take a look at the current procurement landscape and the criteria used to evaluate suppliers.

HOW TO FIND CORPORATE CONTRACTING OPPORTUNITIES FOR YOUR COMPANY

FOUR TRIED-AND-TRUE STRATEGIES TO FOCUS ON

1 Network with corporate procurement officials

As a business owner, networking and getting your brand in front of procurement officials in your target industry should be priority number one. The best way to meet new people and build relationships is to have introductions made by people already in your network. A warm introduction is much more effective than a cold call. Aside from harnessing your personal network for introductions, attending conferences for organizations that focus on procurement, such as National Minority

Supplier Development Council (NMSDC), Women's Business Enterprise National Council (WBENC), Minority Business Development Agency (MBDA), Institute for Supply Management (ISM) and Procurement Leaders could lead to valuable contacts. This is where it pays to have a well-connected board of advisors and mentors that can make introductions that put you on the radar of the key players. Online platforms such as [American Express® Contract Connections](#) aggregate contract opportunities and facilitate connecting corporate and government procurement officials with small and mid-sized businesses.



2 Respond to Request For Proposals (RFP)

For many small and mid-sized businesses, the first opportunity to break into a large corporate supply chain comes through an invitation to participate in an RFP process. While RFPs are typically time-consuming, responding to an RFP is a great way for a business to showcase the unique value of its products and services. Responding also provides a glimpse into the future, as corporate RFPs often map out an organization's future needs, which could help to inform the product road map of your business. Ideally, you'll be invited to participate because someone in the organization is aware of your product or service and deemed it worthy. Here are six tips for successfully pursuing large corporate opportunities via RFP:

1. **Get invited to the RFP party.** Unlike open government RFP opportunities, corporate RFPs have historically been a private, invitation-only process. Once a corporate procurement organization decides to put an opportunity out for RFP, a search is initiated to generate a list of potential bidders or respondents. Depending on the product or service, the list may start as high as 15 potential vendors with a goal of shortlisting 10 to respond. Your goal is to make sure that you are included on the list of businesses invited to participate. Once you win your first large corporate contract, it will be easier to show up on the radar, but prior to that it will be important to leverage your network for introductions and focus on building relationships among key stakeholders. They have to know you exist before they can invite you to the party. This is also where resources such as [American Express Contract Connections](#) and other online platforms can bring more transparency to the corporate procurement process, by aggregating contracting opportunities in one place and enabling suppliers to be discoverable by multiple corporate buyers from a single portal.

2. **Read the RFP thoroughly.** Before you start answering the RFP's questions, take a step back to make sure you understand the bigger picture of what the customer is trying to accomplish with the project. The RFP may also reveal how this project relates to future strategic initiatives. Create a detailed checklist to make sure you capture all of the data required to complete the proposal.
3. **Determine if the opportunity is truly a fit.** It's vital to gain a solid understanding of the project's requirements. You may find that while the opportunity could be extremely lucrative, many of the requirements fall outside of your core capabilities. Knowing when to walk away from an opportunity is difficult, but sometimes necessary for sustainable growth.
4. **Be open to partner collaboration.** Opportunities often arise when a business is invited to partner with a larger business in responding to an RFP. In many cases, the small business has a specialized knowledge or expertise that can contribute to an extremely competitive RFP response. If the smaller business happens to represent a certified minority-owned, women-owned or other classification (e.g., Minority Business Enterprise or MBE, Women Business Enterprise or WBE, Small Business Enterprise or SBE), this could further differentiate the bid from other competing bids, and this second-tier diversity solution could prove quite appealing to the corporate buying organization.
5. **Draft the RFP proposal in accordance with instructions.** It's imperative that the RFP is completed in its entirety and in accordance with the specific instructions to avoid disqualification. Beyond that, bidders are often given an opportunity to provide a summary proposal or presentation of all of the requested elements. This is your chance to tell your story and show why your company is the best choice. Be sure to incorporate case studies and examples of how you or your company has successfully helped other customers; for many business owners looking to penetrate large corporate supply chains, your industry experience is part of your ticket for admission.

6. **Build an RFP repository.** If you want to break into large corporate supply chains, you will likely have to respond to many RFPs, and you will not win them all. However, the more you respond, the more you increase your chances of winning. Each RFP (win or lose) will provide you with insights that could inform your business strategy and product road map. Building a knowledge repository of RFPs will enable you to capture data that might allow you to identify trends. It will also help you build a more efficient RFP response engine that makes it easy for you to respond to more RFPs.

3 Attend trade shows and conferences

Trade shows and conferences are an efficient way to reach multiple targets at a single event, a great place to build on existing customer relationships, and an opportunity to showcase your offerings to potential customers. While they can be costly, it is potentially a valuable investment if executed strategically. The last thing you want to do is show up without a plan or goal, so before you go, create both in order to maximize outcomes.

Here are five questions to consider when evaluating which conferences to attend:

1. What is the goal in attending? To fuel a pipeline of potential customers or to close deals?
2. Will I be able to network with key influencers in my industry?
3. Do typical conference attendees represent my target customer base?
4. What is the total cost of attendance relative to the number of deals needed to break even?
5. How will I measure success?

4 Leverage partnerships or second-tier relationships

Partnerships or second-tier (subcontract) relationships are often a path for smaller businesses to gain access to large corporate supply chains without taking on the inherent risks associated with a first-tier relationship. For example, let's say a large consumer goods company has contracted with a large general contractor for the construction of a multimillion-dollar manufacturing facility. The project will require subcontractors across several categories or divisions of labor, including site construction, concrete, masonry, metals and equipment. As a smaller contractor, you're not equipped to manage the entire project, but you're well qualified to subcontract in the areas of concrete and masonry. This is just one example of a smaller business partnering with a larger business to gain experience while building capacity.

In this age of the internet, digital marketing and social media, the playing field for small businesses is more level than ever.

When Opportunity Knocks

How to get key players to come to you.

SHOW OFF YOUR THOUGHT LEADERSHIP.

Do you have a unique value proposition? Then you no doubt have a point of view that enables you to develop a unique solution in your target market. As such, you have the ability to establish yourself as a thought leader or influencer in the market and among your target customers. Demonstrate your thought leadership and attract interest by seeking out speaking engagements at events or conferences as well as publishing articles on your subject.

INVEST IN MARKETING AND BRANDING.

The most important activity of any business is to clearly identify the very best (translation: most profitable) customers for your product or service and then focus all of your marketing, advertising and sales efforts on this particular type of customer. In this age of the internet, digital marketing and social media, the playing field for small and midsize businesses is more level than ever, and these businesses have an unprecedented opportunity to connect directly to their target customer—so having a digital marketing strategy is pivotal.

POSITIONING YOUR COMPANY TO WIN

HOW TO BE THE OBVIOUS CHOICE

Certifications and credentials

Business certifications and credentials can further differentiate your business from the competition.

The most popular certifications for small and midsize businesses looking to break into large corporate supply chains are diversity certifications. The most widely accepted third-party diversity-certifying organizations are the National Minority Supplier Development Council (NMSDC) and the Women's Business Enterprise National Council (WBENC). The NMSDC certifies U.S. businesses across ethnic minority classifications, including Asian, Black, Hispanic and Native American, and validates that a business is at least 51 percent owned by minority individuals. Meanwhile, WBENC validates that a U.S. business is at least 51 percent owned by women. These certifications are integral to many corporate supplier diversity programs aimed at increasing spending with small and midsize businesses.

A diversity certification can be the difference maker for a small business in pursuit of that large corporate contract. For example, imagine you are a finalist in an RFP competing with a larger company. You are a certified minority-owned enterprise (MBE) and the other company is not. The RFP stated that supplier diversity was an important component of the selection criteria. In this case, your diversity certification has provided an advantage. There are also industry-specific certifications and credentials related to areas such as quality (ISO), sustainability (LEED), project management and risk that can enhance your business profile.

Proven track record

Once a corporation has decided to accept the business and financial risk of working with a small or midsize business, it must then determine if it can accept the execution risk, which is assessed based on the business's track record of performance. A proven track record of performance is a key requirement for any business vying for a large corporate contract. This is especially true for small and midsize businesses. The track record of a business is often tied to the experience and reputation of the business owner or founder and other key employees. In addition to any relevant customer references, leverage the experience, expertise and track record of key employees.

Managing your risk profile

For a large corporation, contracting with a small or midsize business can be a risky proposition. The resulting benefits of innovation, cost savings, superior performance and socioeconomic impact often far outweigh the risk. Even so, businesses must do everything possible to mitigate risk and further ease the decision process.

For example, consider a start-up software firm on the verge of landing its first large corporate contract with a global quick-service restaurant chain. This small innovative technology start-up successfully made it to the final stages of a competitive RFP process, but the large corporate customer had reservations about contracting with a relatively new company primarily because of financial instability. The company was able to overcome this concern by providing letters of support from its impressive group of equity investors, a commercial bank, and a reputable team of advisory board members.

Developing a strong value proposition

Your value proposition is the most important element of your overall marketing message. It should clearly indicate why a customer prospect should buy from you rather than your competition and make the benefits of your product or service extremely clear. A simple online search can find strong examples of value propositions for any industry, but the key is to keep yours simple and concise.



PREPARING TO LAND YOUR FIRST CORPORATE CLIENT

TWO THINGS TO ACCOMPLISH FIRST

1 E-business systems

To successfully penetrate large corporate supply chains, small and midsize businesses need to be prepared to digitally interact with the customer's process and systems. The good news is that there are lots of digital tools and resources—in the areas of customer relationship management (CRM), marketing automation, supplier relationship management (SRM) and automated billing that businesses can tap in order to help accelerate efficient growth. Most of these integrate easily with the kinds of large enterprise systems used by larger corporations.

If you're grappling with which e-business system is right for you, you may want to consult with mentors or a trusted peer group of other business owners who have already dealt with these issues.

Here are some other resources to consider in navigating this process:

- **Networking with other experienced business owners.** As mentioned earlier, networking with other business owners is one of the best sources of input as they have likely assessed your available options.
- **Accounting firms.** Accounting firms are a great resource because they work with many businesses of all sizes, and they've got the inside scoop on what works well and what does not.
- **Law firms.** Similar to accounting firms, law firms work with many businesses and have built a base of knowledge and contacts that could benefit your decision process.
- **Bankers.** Bankers may be able to provide recommendations, but most important, they may be helpful in providing insight from a financial perspective.

Winning a large corporate contract can be extremely exciting for a small or midsize business because of its potential to boost revenue but coming up with the capital to finance the contract can be challenging.



2 Access to capital

Financial instability is often a key risk factor that makes it difficult for businesses to gain access to corporate supply chains. Winning a large corporate contract can be extremely exciting for a small or midsize business because of its potential to boost revenue, but coming up with the capital to finance the contract can be challenging. Having pre-existing relationships with capital providers will therefore be reassuring to your new client.

Determining if debt (bank) or equity (venture capital) is the right capital for your business is largely dependent on the asset base of your business. If plant and equipment are key drivers, bank debt may be most appropriate. If you're a software and technology business, equity may be the best path. Regardless, the quality of your capital sources is important. Large corporations need to be assured that if you are awarded a contract, you are supported by reputable institutional or individual lenders and investors who are vested in your long-term success.

CLOSING THE DEAL

FROM ASSESSING YOUR VALUE TO NEGOTIATING THE FINE PRINT

Imagine: You've just learned that your business has been selected as the preferred vendor, but the deal is not closed yet. This means that the corporation has reserved the right to go back to one of the other shortlisted suppliers if you're not able to negotiate mutually agreeable terms (final pricing, contract duration, etc.). At this point you must focus your efforts on securing mutually beneficial terms.

Here are five key tips and resources to help guide you through the process:

- 1. Understand supply market dynamics.** Grasping the dynamics of the market you're competing in is critical because it will help you price your product or service appropriately. This includes understanding the competitive landscape, key market incumbents, and any emerging competitors. The more differentiated you are, the more pricing power you're likely to possess.
- 2. Know your unit economics.** You are in business to earn a profit. Be sure you understand your gross profit margins (revenue minus the cost of goods sold). If it costs you \$10/unit to deliver the product, but you priced it at \$8/unit, you generate a negative gross margin of \$2/unit. However, if you price at \$30/unit and the cost is \$10/unit, you generate a \$20/unit gross profit. An understanding of unit economics and supply market dynamics will be useful in developing your negotiation strategy.
- 3. Understand your unique value proposition.** If your company is truly differentiated from the competition, this should be reflected in your pricing. Your differentiation might be lower in price than the competition because you use a hyper-efficient technology-driven process that enables you to deliver at a much lower cost. Or it might be priced higher than the competition if your product is premium.
- 4. Determine the long-term value of the potential customer relationship.** Sometimes landing your first major customer creates a ripple effect in the market. That customer's influence in the market might lead to many follow-on customers. As a business owner, sometimes the long-term value of landing that first major customer outweighs the value of maximizing profit on that first deal. Understanding your market and knowing your unit economics will help you make the right call with confidence.
- 5. Develop a negotiation strategy.** Understanding the market and competitors as well as knowing your unit economics and your differentiated value proposition are key components of developing a solid negotiation strategy. Understanding the market and competition will be key inputs to your pricing proposal. Knowing your unit economics and the long-term value of the customer relationship will help you determine your best and final pricing. Ultimately, you know best whether or not to accept the deal.



BEYOND THE INSIGHT GUIDE

There's a lot to know about corporate procurement, and you're likely to have more questions as you navigate the process. The good news is there are a number of resources at your disposal to help along the way.

Additional Resources

- [National Minority Supplier Development Council \(NMSDC\)](#)
- [Women's Business Enterprise National Council \(WBENC\)](#)
- [U.S. Small Business Administration \(SBA\)](#)
- [Billion Dollar Roundtable](#)
- [Procurement Leaders](#)
- [Institute for Supply Management \(ISM\)](#)
- [Sourcing Industry Group \(SIG\)](#)
- [American Express Business Trends & Insights](#)

AMERICAN EXPRESS: PROVIDING POWERFUL BACKING TO HELP GROW YOUR BUSINESS

American Express has a long history of helping businesses do more business. Over the past decade, American Express Business Advocacy has offered a suite of programs and resources to help businesses identify growth opportunities and take their venture to the next level. Whether providing invaluable network connections and mentorship opportunities, educational resources like this Insight Guide, or providing financial solutions and beyond, American Express remains committed to providing the powerful backing needed to help all businesses thrive.

The programs span across four categories, including:

Corporate Procurement: The large companies on the Forbes 2000 list spend \$16.6 trillion¹ in annual purchases and provide pathways for small and mid-sized companies to do business with them via vendor relationships and teaming opportunities.

Government Procurement: The U.S. Government is the world's largest buyer of goods and services, spending more than \$500 billion² annually on contracts with businesses of all sizes.

Exporting: Currently only 1% of small businesses and 7% of middle market companies export,³ yet 95% of the world's customers live outside the U.S.⁴

Business Know-Hows: Fundamental business practices critical at every stage of a company's journey including different ways to grow your business.

Whether your story is just beginning, or you are already reaching new heights, American Express is grateful to have your back and be a part of your journey.

Learn more today at www.amex.co/businessadvocacy.



¹ USAspending.gov: <https://datalab.usaspending.gov/contract-explorer.html>

² PRGX Global: <http://investors.prgx.com/static-files/514845e6-099b-43f3-ae3a-fc060a73f2f0>

³ 2017 Middle Market Power Index: <http://about.americanexpress.com/news/docs/middle-market-power-index-2017.pdf>

⁴ U.S. Chamber of Commerce: <https://www.uschamber.com/ad/95-worlds-consumers-live-outside-united-states>

