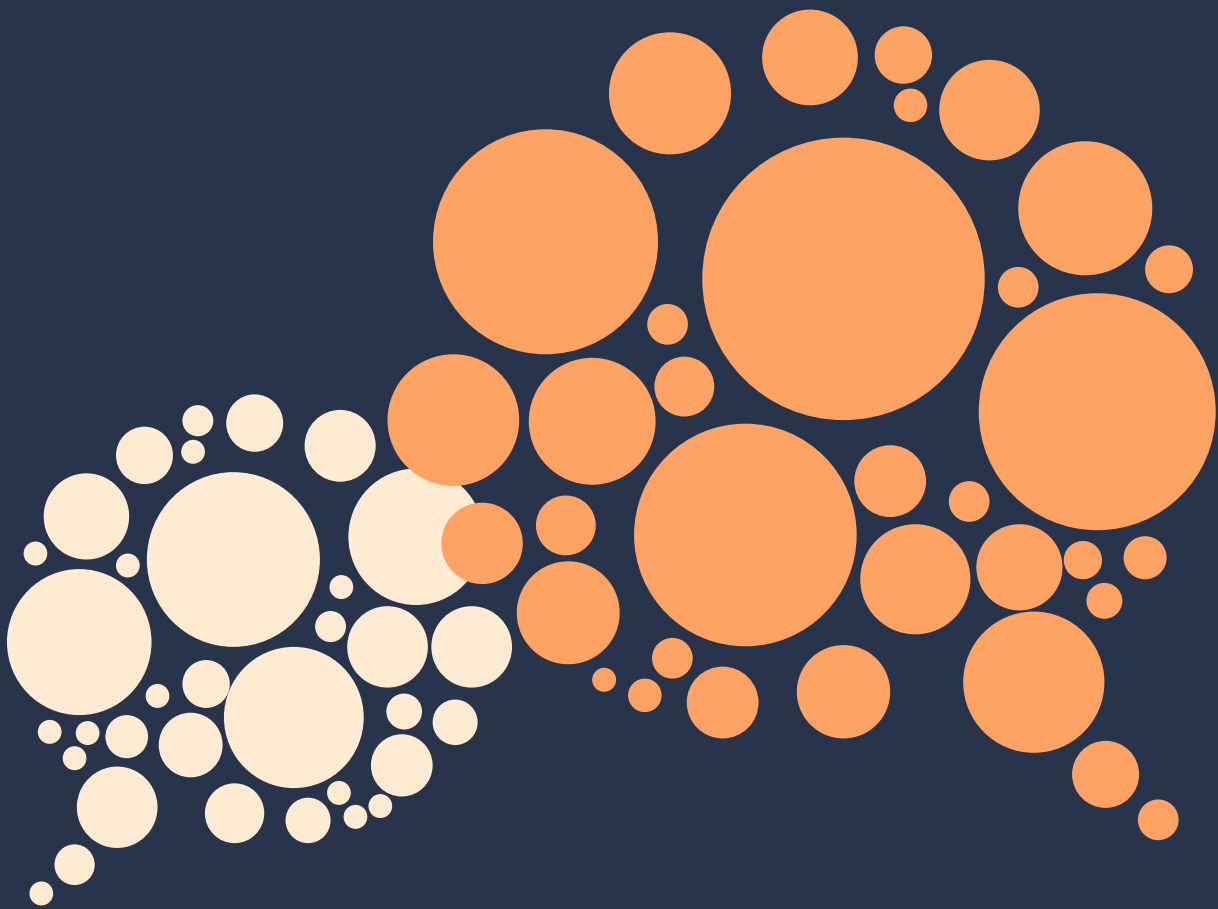
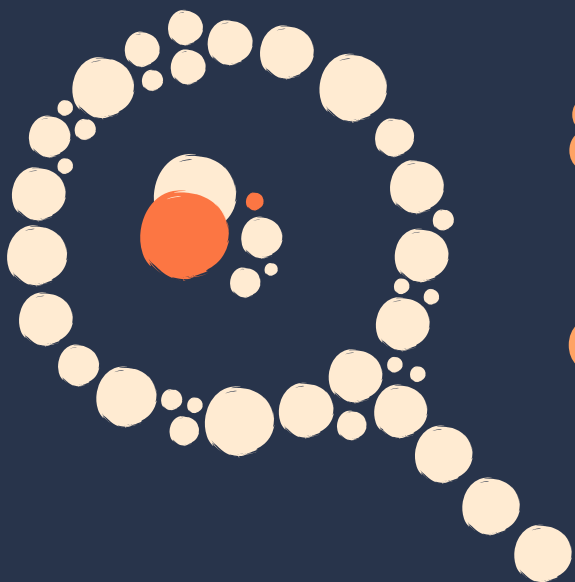


GUIDE TO: RENEGOTIATION PROCESS

Use this guide to get practical tips on how to ensure a successful renegotiation process.



CONTENTS



1.	Renegotiation is an important lever to drive cost reductions	3
2.	The opportunity window indicates the potential outcomes in a renegotiation process	4
3.	Six practical tips for a successful renegotiation process	5
4.	Always remember to leverage data to tip the scale in your favor	6
5.	Three different types of analysis for driving insights	7
6.	Four analyzes you could use in your renegotiations	8
7.	Timeline and process for conducting a renegotiation initiative	9
8.	Overall agenda to use in renegotiation meetings	10
9.	About Ignite Procurement	11

Renegotiation is an important lever to drive cost reductions

Commercial levers:



RENEGOTIATION

- Renegotiate with focus on lowering current prices
- Consider contract extensions to achieve lower prices



TENDER PROCESS



BUNDLING

Process levers:



OPTIMIZE SPECIFICATIONS



REDUCE CONSUMPTION



REDEFINE THE SUPPLY CHAIN



INSOURCING / OUTSOURCING



STRATEGIC PARTNERSHIPS

The opportunity window indicates the potential outcomes in a renegotiation process



1. LAA = Least Acceptable Agreements

Six practical tips for a successful renegotiation process

Renegotiation success factors

1.
Show respect

2.
Set clear-cut agenda

6.
Invest in analytics upfront

5.
Indicate possibilities

4.
Give specific feedback

3.
Create overall 'story'

1. SHOW RESPECT

- Act with integrity and show respect for the opposing parties
- Key in securing a future healthy and sustainable relationship

2. SET CLEAR-CUT AGENDA

- Agenda for the meeting including time indications and responsible
- Communicate agenda to supplier prior to the meeting

3. CREATE OVERALL 'STORY'

- State and share insights into why the meeting is being held
- Link process to an overall cost reduction program, if applicable

4. GIVE SPECIFIC FEEDBACK

- Provide details related to your demands or targets
- Ambitious, but realistic targets

5. INDICATE POSSIBILITIES

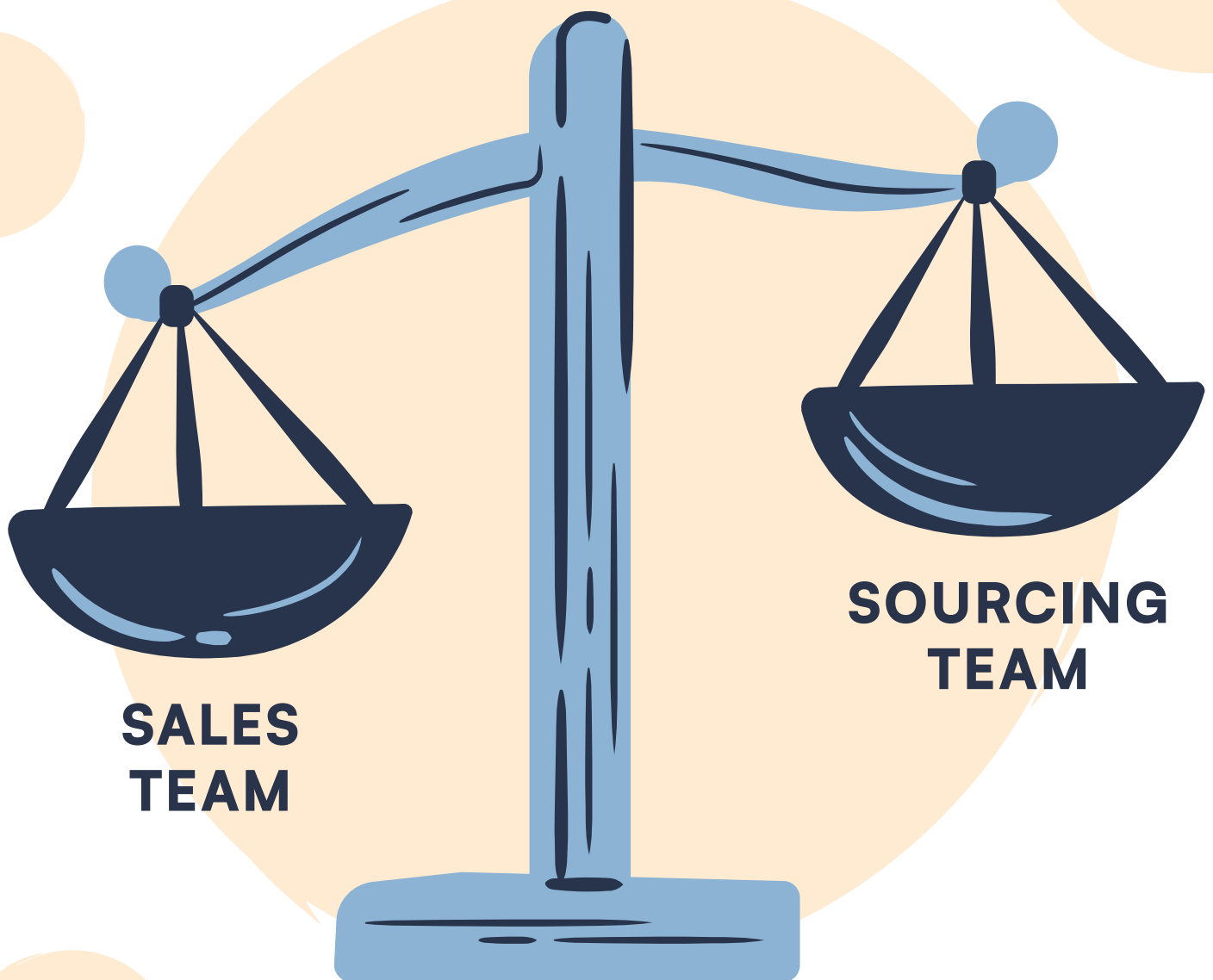
- All suppliers usually want to sell more, but: «What's in it for us?»
- Consider and indicate possible growth opportunities

6. INVEST IN ANALYTICS UPFRONT

- Procurement analytics to identify potential renegotiation candidates
- Internal vs. external analysis to get insights into tactical measures

Always remember to leverage data to tip the scale in your favor

Use your data to conduct more data-driven and fact-based discussions.



Three different types of analysis for driving insights



ANALYSIS	PURPOSE	CONTENT (e.g.)
Internal analysis (e.g., spendanalytics)	Overview of current suppliers in terms of spend development, prices and supplier dependence	<ul style="list-style-type: none">• What goods and services do we buy?• Spend development• Unit prices• Share spend in category
External analysis (e.g., supplier financials)	Understanding the supplier's current situation, e.g., insights into supplier profitability and potential bargaining power	<ul style="list-style-type: none">• Revenues and/or share of wallet• EBIT (and development)• ROCE (and development)
Market analysis (for internal use)	Understanding the market and alternative suppliers, and what costs that could potentially arise when changing supplier	<ul style="list-style-type: none">• Alternative suppliers• Switching costs

EXAMPLE

Four analyzes you could use in your renegotiations



**HISTORICAL
SPEND DATA**



**EXTERNAL
ANALYSIS OF
SUPPLIER**



**PRICE
COMPARISONS**



**PRICE
BENCHMARKS /
COST MODELING**

EXAMPLE

Timeline and process for conducting a renegotiation initiative



1. Should be continuously monitored going forward

EXAMPLE

Overall agenda to use in renegotiation meetings

1.

OVERALL STORY

EXAMPLE:

Extensive process initiated for [your company]

1 | Analytics & Insights

- [Analyze market and identify alternative suppliers]
- Compare prices from different suppliers
- Select and invite suppliers for renegotiation meetings

2 | Negotiation meeting

- [Renegotiate with selected suppliers]
- Evaluate offers and compare with competitors
- Discuss potential improvement areas for the collaboration

3 | New/updated offers

- [Update analyzes of the different offers and options]
- [Suppliers are given the opportunity to adjust offers after the renegotiation meeting]

4 | Contract & collaboration

- [Analyze new offers to find the best total solution for [your company]]
- Sign and communicate contract new agreements internally — and track performance & contract loyalty
- Establish closer collaboration with supplier

Today's negotiation meeting is an important step of the process



2.

UPDATE FROM SUPPLIER

Update from [supplier]



Ignite Procurement



3.

PROCUREMENT ANALYTICS AND MARKET INSIGHTS

EXAMPLE:

Procurement analytics and market insights



Historical spend data



External analysis of supplier



Price Comparison



Price benchmarks / cost modeling



4.

SUMMARY AND GOING FORWARD

EXAMPLE:

Summary and going forward

[[Your company] is now [implementing a comprehensive program to ...]]

- [Several improvement measures have been implemented and will be implemented in the future to drive cost reduction]
- [Suppliers who deliver competitive prices and contribute to reduced costs will be prioritized going forward]
- [[Category X] is a key component of [your company's] spend and is highly prioritized in the process]

Spend from [supplier] has [increased significantly in recent years without this being reflected in the current unit prices]

- [[Your company] anticipates additional growth going forward, and expects contract terms and unit prices to reflect this]
- [Despite increase in volume and spend, unit prices have not improved]
- [Unit prices vary between departments and business units]

[We need help] from our suppliers to ensure that [your company's] is competitive going forward

- [We are satisfied with the quality of your services and the collaboration so far, but the prices are not competitive]
- [We are looking for a [XX%] price reduction applicable from [date]]
- [Please note that we are also considering other available options for the category, including a RFx/tender process]

You will have the opportunity to submit an updated offer until [date]





About Ignite Procurement

We empower organizations to unlock the full power of strategic procurement.

Ignite Procurement's value comes from being a best-of-breed spend management platform with industry-leading technology and expertise.

Ignite Procurement supports your strategic procurement efforts through Procurement Analytics, Data Management, Category Management, Contract Management, Supplier Management, and Initiatives and Tasks Management.

From procurement professionals to business owners, Ignite Procurement helps organizations beat their everyday challenges.

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