



HOW PROCUREMENT LEADERS CAN LEVERAGE A 'CONTRACT RESTRUCTURING NEGOTIATION SUMMIT' TO ACHIEVE IMMEDIATE SAVINGS WITH KEY VENDORS

*A PRACTICAL 4 STEP GUIDE TO NEGOTIATING IMMEDIATE
SAVINGS WITH KEY VENDORS*

Extract Of Clients Past & Present



NOKIA



MOTOROLA

NHS





SAMPLE KEY VENDOR CONTRACT RENEGOTIATION PLAN FOR PROCUREMENT LEADERS

The approach outlined in this document is a summary of a simple but effective approach that Jan Potgieter has used to assist procurement leaders to obtain rapid savings from implementing a 'Vendor Contract Renegotiation Summit'. You are welcome to use and customize this simple yet effective approach to pursue savings with your key vendors.

Step One – Identify Prime Targets For Immediate Savings Negotiations

You probably have your own linear or fractal criteria & process for identifying prime targets for savings negotiations, but I wanted to include an easy fractal way to identify targets for your consideration.

1. Identify the 20% of your spend categories that's responsible for 80% of your total spend.
2. Within these categories identify the 20% of the vendors that attract 80% of your spend per category.
3. On top of this, make sure you identify all sole & single source vendors in each category and add them to your list.

Step Two – Team Composition

Assemble a core team of experienced buyers with **collaborative negotiation experience & skills**. Where possible, select buyers that have a track record of good relationships with suppliers and/or good relationship skills.

This approach may at first seem counterintuitive as you may think that to get swift reductions you should be pursuing a hardcore, competitive approach. However, you will achieve the best results through the pursuit of a **compromising** or **collaborative** approach leveraging concessions and based on a relationship driven mode of engagement to provoke the right kind of reciprocity and break through resistance, particularly from sole & single source vendors.

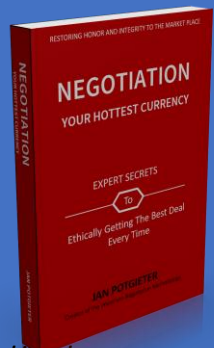


Jan Potgieter

JAN POTGIETER & ASSOCIATES LIMITED DBA
IMPERIUM NEGOTIATION SOLUTIONS

[Click Here To Book A 15 Min Discovery Call With Jan Potgieter](#)

www.bizneg.com





Step Three – Battle Plan

Convene your core team and set in motion the following key actions:

1. Set targets for savings per category and per vendor. Here we will be using solid negotiation best practice by using anchoring and reciprocity to manage your counterparts' experience and expectations:
 - Set ambitious savings targets per spend category – make sure to create a range split between your Aspiration Base (AB) at the top end and your Real Base (RB) at the bottom end. For example, in the Marketing Services Category, it is your AB to achieve a savings of 35% and your RB or minimum target for savings would be 25%.
 - Set savings targets for each vendor in the same way. Keep in mind that the way you will be positioning the savings target for each vendor when you engage will be in a way that your AB target for them will be positioned to be less than your overall AB for the category (this is why you should be ambitious in setting your AB for the category). This is important because it sets a frame for reciprocity which significantly enhances the likeliness of you receiving concessions from your vendors.

Important Note:

Make sure that you communicate your RB for savings in each category rather than your AB to your executive colleagues when discussing this project to enable yourself to also leverage reciprocity and create satisfaction in your internal negotiations.

2. Agree on a communication plan between members of the team and between team members and vendors that meet the following criteria:
 - No written communications between team members or between team members and suppliers. You don't want to create any opportunities for your written communications to be leaked to the press or other parties.
 - Create script outlines based on consistent application of business negotiation best and leading practices for initial phone calls and all subsequent communications with vendors that will be used by team members (*see sample basic scripts at end of document*).
3. Create a strong frame for each conversation with suppliers where you use at the very least a combination of a highly ambitious anchor, a concession and social proof. The frame for the engagement with each vendor is key to the successful outcome of negotiations (*see sample basic scripts at end of document*).



Jan Potgieter

**JAN POTGIETER & ASSOCIATES LIMITED DBA
IMPERIUM NEGOTIATION SOLUTIONS**

[Click Here To Book A 15 Min Discovery Call With Jan Potgieter](#)

www.bizneg.com





4. Set a date 10 to 14 days in future for contract restructuring meetings with the identified vendors. Use video meetings as the mode of engagement for the scheduled contract renegotiation meetings rather than phone calls if possible as you want to be using a compromising or collaborative approach for negotiation and video is better than phone calls to this end.
5. Set dates for a pre contract restructuring meeting 'preparation call' with each vendor. Schedule this date to be 3 – 7 days before the contract restructuring meeting and no more than 4 or 5 days from your initial call. You will use these 'preparation calls' to effectively field your vendor's first offers and to confirm that they will have the authority to reach a binding agreement during the contract restructuring meeting.
6. Brainstorm and create a list of concessions that you will be able to offer to each vendor in return for them lowering their acquisition price (i.e. enhanced payment terms, increase in scope, referrals, testimonial videos, product development assistance etc.).

Step Four - Negotiate

Set up the contract restructuring negotiations with each supplier using a video call platform that can support multiple participants. Make sure that you have at least two negotiators present in each of your negotiations as one negotiator will be assuming a relationship role and one will be assuming a task focused role.

The relationship negotiator will lead discussions and will hand over to the task negotiator to discuss contract details. Whenever the going gets tough, it is the relationship negotiator's task to bring discussions back to a cordial footing using reframing. You should be fully prepared to make some concessions during this meeting to create momentum towards agreement. *For more detail, see 'Sample Run Of Play For Restructuring Meeting' at the end of this document.*

Important Note:

Make sure your negotiators start off the contract renegotiation meetings by sharing some personal biographical information to ensure more empathy & emotional engagement (*see sample scripts at end of document*).



Jan Potgieter

**JAN POTGIETER & ASSOCIATES LIMITED DBA
IMPERIUM NEGOTIATION SOLUTIONS**

[Click Here To Book A 15 Min Discovery Call With Jan Potgieter](#)

www.bizneg.com





SAMPLE SCRIPT FOR INITIAL OUTREACH CALL

“Hi John, I’m calling you today as here at ABC Company we need to aggressively consolidate our spend to make sure we survive these challenging times. [Vendor company] has been identified as one of the vendors in [category X] that attracts significant spend. It has become necessary for us to restructure all our vendor contracts in this category to achieve a savings of at least **39.3%** (*never use round numbers*) against budgeted spend for 2020. For [vendor company] however, we set a slightly lower target to achieve a saving of **33.45%** (*target for vendor must be lower than the target number for the overall category as this will be interpreted as a concession, never use round numbers*) on current prices (*your real target for savings for [vendor company] needs to be less than 33.45% - let’s say for the purpose of this example it is 25% so that you still leave yourself room to make further concessions as talks progress*).

We will be convening vendor contract restructuring meetings in approximately 10-14 days time via video call with all vendors in this category who agree to pursue discussions with us to reduce our spend. Unfortunately, those vendors who are not open to pursuing discussions will have their contracts terminated at the earliest opportunity and will be excluded from future sourcing plans for a minimum of X years. (*For sole suppliers you will highlight the fact that you may have to default on your terms and have been exploring options like vertical integration, insourcing etc. help you create leverage to bring them to the table. You will have to be creative in your positioning to sole suppliers but once you get them to the table this process is very likely to have a positive impact on the competitive positioning of their offer to you.*)

We need you to make sure that [vendor company] is represented in this meeting by someone that has the authority to commit the organization to the outcome of the discussions. We will need you to send across written confirmation of this person’s delegated authority to commit [vendor organization] on an official company letterhead, duly executed at least 5 days before the restructuring meeting.

In preparation for the upcoming contract restructuring meeting, we would like you to consider & share with us your feedback during a pre-meeting call scheduled for 3 days from now on the following items:

- Innovative ideas for how [ABC Company] can assist [vendor company] to further its business goals (*this communicates collaborative or compromising intent*).
- Your proposal for achieving a **33.45%** reduction in the price of your products/services/solutions with immediate effect (*extracting their first offer or AB*).

Our preparation call is scheduled for [date & time] and will take place via video call.”



Jan Potgieter

JAN POTGIETER & ASSOCIATES LIMITED DBA
IMPERIUM NEGOTIATION SOLUTIONS

[Click Here To Book A 15 Min Discovery Call With Jan Potgieter](#)

www.bizneg.com





SAMPLE SCRIPT FOR PREPARATION CALL

“Hi John, welcome to this preparation call for our upcoming contract restructuring meeting. As a reminder, it is necessary for ABC Company to achieve overall savings of **39.3%** in this category and we have set [vendor company] a target of **33.45%** which is less than the overall category target due to your market positioning (**emphasizing concession against target for category**).

How this call will go is that you'll start off by presenting your discounts & other ideas for sustained savings in line with achieving your target for a **33.45%** reduction in acquisition price. We will then most likely ask you some questions to make sure that we have clarity and provide you with some feedback to refine your approach before our upcoming contract restructuring meeting.

Please go ahead and present your suggestions.”

Here it is important that their suggestion(s) are met with a silent response in the first instance. A silent response is often interpreted as displeasure and the silence is often filled with concessions by your counterpart potentially moving them some distance from their AB towards their RB. It will be your objective to get the vendor to agree a price as close as possible to their RB during the contract negotiation meeting.

Sample questions to ask in response to their suggestions if they are reasonable:

- In what ways do you believe we could be even more aggressive in pursuit of savings for ABC Company?
- How could you further improve your offer?
- What risks do you believe we have to manage proactively and collaboratively?

Sample questions to ask in response to their suggestions if they are unreasonable:

- Have you convened a brainstorming session with key stakeholders to come up with fresh ideas?
- Is there a way that we could help you be creative in coming up with solutions?
- Are you aware that whether we like it or not we will have to go to market to find new suppliers in this category if you are unable to meet your savings target?



Jan Potgieter

JAN POTGIETER & ASSOCIATES LIMITED DBA
IMPERIUM NEGOTIATION SOLUTIONS

[Click Here To Book A 15 Min Discovery Call With Jan Potgieter](#)

www.bizneg.com





SAMPLE RUN OF PLAY FOR CONTRACT RESTRUCTURING MEETING

- Make sure that you have two negotiators representing you in each of the contract restructuring meetings. Assign the role of relationship negotiator to one and task negotiator to the other.
- The meeting is led by the relationship negotiator who starts off by introducing their team member and themselves. Make sure to use the introductions to accomplish the following:
 - Share some biographical information to establish a connection with your counterparts. This is particularly important in remote, video or phone-based negotiations. For example, you could send some information out before the meeting to introduce yourselves or you can take a few minutes to introduce yourselves and establish rapport & authority before starting discussions. You want to use this opportunity to establish 'liking' between participants as well as to set yourselves up to be credible counterparts.
 - Establish a strong frame for the meeting. Ensure that the frame includes an anchor, at least one concession and social proof. For example:
 - “At the end of this meeting we would like to conclude an agreement restructuring your current agreement to meet the following objectives:
 - A 33.45% reduction in acquisition price rather than the category target of 39.3%.
 - A guarantee of no interruption of service or degradation of quality.
 - It is important to also note that we’ve already concluded several successful meetings with other vendors and we’re happy to report a great willingness to collaborate with us to ensure our long term viability.”

Notes:

You will have to be prepared to make some concessions including but not restricted to:

- Reducing your expectation of a **33.45%** (AB) reduction in price to a **25% (RB)** reduction *in a tapered concession strategy*.
- Your preparations for the meeting including the preparation call will have to explore other opportunities for you to move in your counterpart’s direction through extending contract agreements, providing access to additional opportunities etc. It is highly recommended that you run a creative brainstorming session to compile a list of potential concessions that can be traded.



Jan Potgieter

JAN POTGIETER & ASSOCIATES LIMITED DBA
IMPERIUM NEGOTIATION SOLUTIONS

[Click Here To Book A 15 Min Discovery Call With Jan Potgieter](#)

www.bizneg.com

