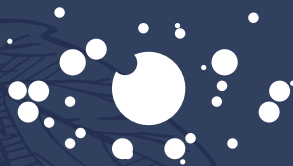




Food Buyers' Negotiation Checklist

**Transform purchasing &
procurement in 10 easy steps**



MINTEC

Contents



Introduction: It's not all about the price	03
The problem: common procurement challenges	04
The solution: meet the challenge head on	05
1. Be prepared	06
2. Access the right data	07
3. Understand what's driving price	09
4. Keep on top of market trends	11
5. Know your price history	12
6. Keep track of market events	13
7. Demonstrate value to stakeholders	14
8. Understand the price of finished goods	15
9. Mitigate the impact of weather	16
10. Stay ahead with market alerts	17
Negotiation checklist	18
Mintec	19

Introduction:

It's not all about the price



Which is more important when negotiating a good deal: personalities or evidence?

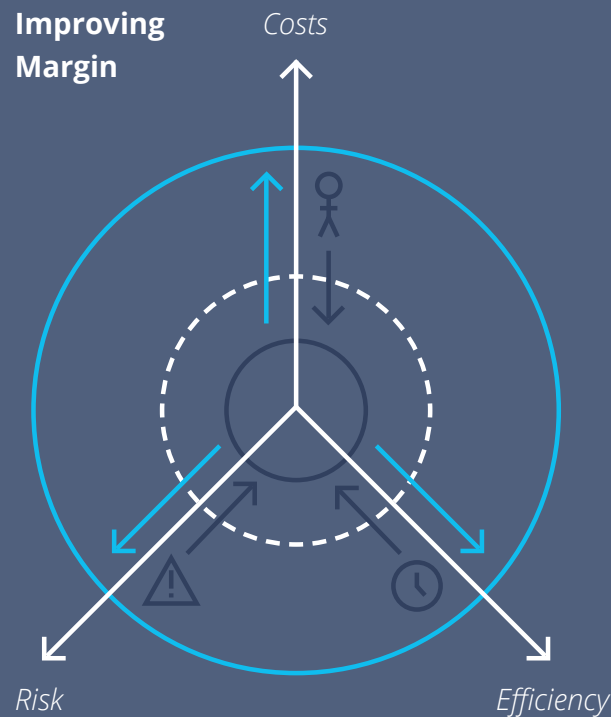
Successful negotiations are about so much more than achieving the best price. You're likely to be developing ongoing relationships with your customers and suppliers, and while charging them more or paying less will have a short-term impact on your bottom line, in the longer-term it's likely to result in bad deals.

Negotiating a good deal is as much about mutual respect as it is about price. It's really important that egos don't get in the way, which is why longer-term business relationships are forged when deals are based on evidence rather than what each party thinks they can get away with.



The problem:

Common procurement challenges



With a greater emphasis on controlling costs, maintaining margins, ensuring efficiency and managing risk, procurement teams operate in an increasingly complex environment. Often teams are expected to achieve value across larger portfolios, and with a greater diversity of suppliers and greater market uncertainty, it's not always possible to replicate the level of research needed across all categories and products. Chief procurement officers and executives want to drive efficiencies across the procurement function, and there's an increasing focus on embedded best practice to ensure knowledge isn't lost when team members change. For a team to be both efficient and effective, it's important that all functions are aligned – that analysts, buyers and category managers are sharing market insights to positively influence supplier and customer negotiations.

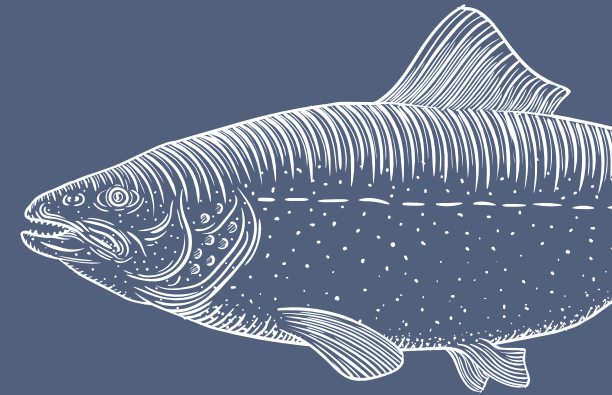
The solution:

Meet the challenge head on



**Mintec Analytics
empowers procurement
to automate
the discovery of
opportunities and make
significant cost savings.
What would that mean
for you?**

It's challenging controlling costs and maintaining margins, while you're also trying to make efficiency gains. It's tough, but not impossible. Follow the ten tips below, and meet the challenge head on.



1.

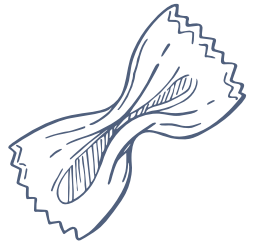


The typical buyer has less than 10% of their time available for research. As a result, the buyer is forced to focus on the top 5 or so spends; the rest are largely ignored. This often results in many missed opportunities.

Be prepared

Being prepared is fundamental to successful negotiations. But with the range of raw materials and supplier options increasing, it's tough for buyers to be briefed and ready to achieve the best deals across larger product portfolios. Inevitably certain products take priority, which often means savings achieved on the top five lines are watered down by higher cost across other categories.

But it is possible to achieve value across all lines. By using preformatted data from consistent sources, category managers can be prepared to negotiate the best deals across their entire portfolio. And if they access this data via user-friendly and responsive analytical tools, they can invest the time saved on improving margins.



2.



Access the right data

While access to data is essential, it's crucial to access the right data in the right format. Data is readily available from numerous sources, ranging from producers to traders, from industry experts to public bodies. But if you're spending time standardising this data, then what are you neglecting? You could be conducting precise analysis, creating customised price change reports to reflect top spends, or tracking risk exposure in increasingly volatile markets.

To truly understand the products your company buys, it's also crucial your analysts have access to the broadest range of data sets possible – data on raw materials, packaging, transportation, labour costs, weather forecasts, market fundamentals, currency exchange rates and more. But pulling all these different sources together is both challenging and extremely time consuming.

2.



“Without data you’re just another person with an opinion”. According to W. Edwards Deming, who helped develop the sampling techniques still used by the US government.

Obtaining clean high-quality data in a ready to use format not only allows you to focus on defining your procurement strategy, but it’s also the fundamental foundation for reliable analytics which can drive decision making. And, by aggregating your data with the breadth and depth of quality third party data sets, you’re more likely to develop robust and precise analysis to power your procurement strategy.

“Having access to the right data means - comprehensive coverage and key insights - from retail to consumer price indexes all the way to inflation data and cost modelling”.

Mintec customer



3.



Understand what is driving price

Having data is great, but only if it helps you act. To truly add value, data needs to provide actionable insight – insight which allows analysts and buyers to quickly assess raw materials and finished goods volatility and turn this into savings. Buyers and finance leaders are often confronted with situations that require placing bets on the future. Should they buy now? Should they wait? Or, given the expected market volatility, should they consider hedging their position or locking in long term contracts, or just agreeing short term ones? These decisions can have a significant impact on your bottom line, and unfortunately the research required to provide the answers is both time consuming and difficult to pull together without a standard methodology.

When conducting research, you need a simple way of analysing data, to quickly understand if current market conditions are more stressful than normal.

3.



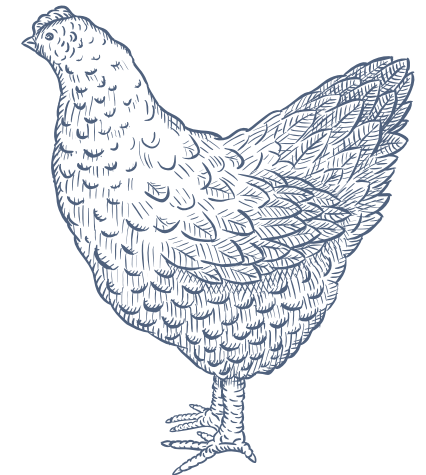
Did you know that the global food industry spends an estimated +£8 trillion per year?*



How would identifying the cost drivers contributing to price changes improve your decision making?

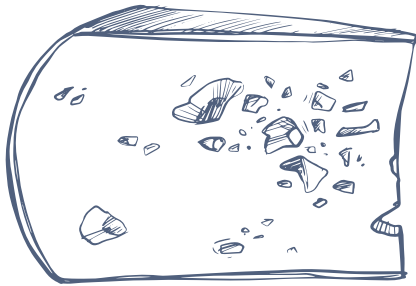
You need to understand why a price is above or below what's considered normal, and you need to be able to quickly assess a market to determine the probability of future price increases. Having this information at your fingertips dramatically reduces the time needed to make critical decisions.

Using 'should-cost' modelling is particularly helpful. Buyers can quickly assess the price movements of any raw material or finished good and compare them to 'should-cost' models, with instant access to price change summaries. Price change reports can also help analysts act decisively, with actionable insight into the current and historic prices of commodities in each of the largest major producing and exporting countries.



4.

Keep on top of market trends



Spotting trends early can help you to identify price drivers and anticipate future market movements.

While knowing the current price is an essential element of negotiating a deal, it's often just the starting point. It's also important to understand how the current price has been reached, tracing back pricing trends for additional insights and potential new opportunities.

Trend analysis is fundamental to understanding when a particular price movement began, where it may go, and when it might change or even end. By keeping on top of market trends you're better able to quantify your cost pressures, determine supply options and make more informed buying decisions. You'll also be informed to make more strategic decisions – trend analysis will help you avoid reacting too quickly to short term price moves, and avoid long term contract lock ins.

5.



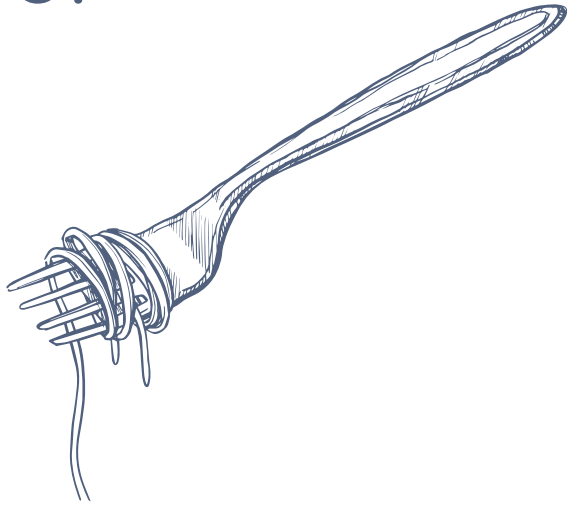
Know your price history

Knowing when and why prices changed in the past is crucial to understanding how they might move in the future. Identifying how prices have changed over time can also help you spot patterns and get ahead of seasonal trends. But price history is also crucial evidence when negotiating advantageous deals – the better your understanding of what’s happened in the past, the better you’ll be able to push back on opposing points of view.



Use price history to understand trends, inform decisions and drive your negotiation strategies.

6.



**“Research is what I’m doing when I don’t know what I’m doing.”
Wernher von Braun,
father of rocket
technology and space
science in the US.**

Keep track of market events

Proper deal preparation takes considerable time, but a typical buyer faces significant time pressures and often has less than four hours a week for research. Add to this the likelihood that the buyer has responsibility for purchasing a large number of items across numerous markets, and it becomes even more crucial to access timely and reliable news on the market events impacting their portfolio.

While it’s important to prioritise the information that’s relevant to their negotiations, with access to concise and targeted news and analysis, they’ll also be able to broaden their focus beyond the five or so top products in their portfolio.

7.

Demonstrate value to stakeholders



Cost forecasts often lack independent verification.

Buyers today face increasing scrutiny from their finance teams, as they prepare to anticipate changing prices in line with forecasting budgets and target setting requirements. More often than not, cost forecasts come to buyers directly from suppliers, and as such lack independent verification.

Gaining the support of finance and other internal stakeholders is an important aspect of agreeing a successful deal, and buyers therefore need to ensure the targets they set are both credible and achievable. With access to independent cost forecasts, buyers are quickly able to demonstrate value and confidently agree targets with internal stakeholders.



8.



Understand the price of finished goods

When buyers are too focused on the cost of a specific raw ingredient, it's much easier for suppliers to negotiate unwarranted price increases. Take for example orange juice – while the price of oranges may have increased, reductions in labour and packaging costs could mean that the overall price of orange juice is unchanged. It's therefore crucial that buyers understand the complex factors which determine the price of finished goods – not only raw ingredients, but other key inputs that influence price. With the support of analysts and armed with cost models that explain the complex factors which determine the price of finished goods, buyers can avoid falling into this trap.

9.

Mitigate the impact of weather



New data confirms increased frequency of extreme weather events.



Cost of extreme weather risen from <\$10Bn to >\$20Bn in the US alone since 1980.

Predicting the weather accurately has always been notoriously difficult, but with extreme weather events on the rise, the role of forecasting is even more important. Despite the increasing complexity of forecasting, simple, easy to digest analysis of current weather patterns - and their actual and potential impact on the growing seasons for different agricultural and soft commodities - is essential.

Analysing weather data alongside other market drivers allows buyers to quickly visualise and compare the impact of weather patterns on crops. With access to weather pattern analysis, analysts are better able to identify potential flaws in published government statistics and more likely to be able identify potential alternative sources when yields are down.



10.



Stay ahead with market alerts

Missing opportunities can be costly. Failure to lock in supply at a lower price can erode margins and result in increased pressure from competitors. Timely market intelligence is therefore crucial, as it allows buyers to adapt quickly to shifting prices, adapting their strategies to save money. When buyers have access to alerts informing them when individual commodity prices move beyond a predefined threshold, they are better able to make decisions promptly and ultimately save money by reacting quickly to changes in the market.



Negotiation checklist

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MINTEC

Supercharge your food price negotiations

Mintec is the world's leading provider of market intelligence for food manufacturers and retailers. For more than 30 years we've been helping procurement teams achieve value, keeping them informed with market insights and more than 11,000 independent global prices for soft commodities and food ingredients.

WWW.MINTECGLOBAL.COM





“Using MINTEC brings a range of benefits to us - from cost savings through securing the best price, to more effective planning & category management”.

“MINTEC helps us gauge the true level of price increases - allowing us to have an independent view, rather than relying solely on suppliers or market prices”.

“We’ve managed to unlock some great deals using MINTEC’s trend analysis and data - we love that it’s all there and available 24/7, at your fingertips”.

Trusted by the world’s leading food retailers





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