

Successful Negotiating Using FREEBENCHMARKING.COM

The prices paid for electronic components vary widely from company to company and region to region, creating tremendous opportunities for cost savings.

Commodity managers must assure that their companies achieve fair pricing, while at the same time ensure adequate supply of components with acceptable quality and terms that meet their requirements. This is not an easy task, made more difficult by the lack of price transparency within the electronics industry. The secrecy associated with component pricing has most commodity managers working blind.

FREEBENCHMARKING.COM was designed to create transparency and to support the difficult task of purchasing negotiations. It does this in three important ways:

1. It benchmarks current regional and global pricing competitiveness,
2. It establishes competitive target pricing for the most out-of-line components, and
3. It provides drop-in alternatives to existing components, enabling alternative quotations

All of this is done in a secure, confidential and independent way to ensure customer contracts or agreements are not violated. (See FREEBENCHMARKING.COM's website for more details).

Reliable price benchmarking is a critical step to take in preparation for a successful contract negotiation. Knowing what others are paying for devices helps one assess if pricing is fair. Not everyone can achieve "Best-in-Class" pricing, but a reliable and accurate understanding of best-in-class and average pricing will help you to negotiate better pricing than you have today!

Are all of your commodities uniformly competitive or are one or two lagging significantly? Where should you focus to get the best cost reduction results? The FREEBENCHMARKING.COM Premium Gold Report gives you this information across all of your commodities. In fact, you define the commodities. You could have a commodity as broad as passives or as narrow as high voltage electrolytic capacitors. You could go wider or narrower if you wish. Have as many as you need to make the benchmarking process meaningful and specific to your negotiations.

Well-defined target pricing is critical to any successful negotiation. If you don't know what a good target price should be, or which of your components are priced out-of-line, we

can tell you! Based on our analysis of your bill of materials, we provide you with a detailed list of your 25% worst-priced components. Our target prices are calculated based on what you have already proven you are capable of achieving. We are not going to give you a target that only the largest corporations with the best relationships might achieve on a good day. We calculate your targets based on the competitiveness rating that you already have achieved in the commodity by moving each out-of-line component to that level of competitiveness. Now that's not a bad way to start negotiations!

Component alternatives help with negotiation even if they are not on your approved vendor or component list. FREEBENCHMARKING.COM can provide lists of alternative components from a variety of suppliers that are high probability drop-in replacements for your parts. This will allow you to get quotations for drop in replacements that can be used for negotiation leverage, even if you have no intention of qualifying the devices in your application! However, if the price is good, why not qualify them to increase your security of supply while lowering your cost?

Three simple steps involving FREEBENCHMARKING.COM can make a big difference in your negotiation. Lytica stands ready to support you with FREEBENCHMARKING.COM reports and component engineering services. Together, let's make your negotiations a success!

This whitepaper is part of a series of supply chain articles looking at security of supply, supplier risk and cost. These papers are available at our website at www.lytica.com and www.freebenchmarking.com

If you have any comments on this paper, please email to ken_bradley@lytica.com