

# BOM COST MANAGEMENT *and* NEGOTIATION PREPARATION CHECKLIST

This Checklist is designed to guide sourcing professionals through the critical steps of analyzing BOM costs and preparing for successful negotiations with suppliers. Use it to ensure that you're fully leveraging your negotiation position and optimizing your BOM management strategy.

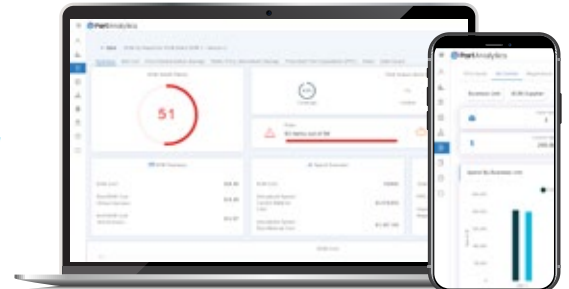


## Analyze BOM Costs

- Review the Complete BOM: Ensure all parts, components, and materials are accurately listed.
- Verify Current Pricing: Check the latest prices for each item in your BOM against market rates.
- Calculate Total BOM Cost: Sum the costs of all components to get a baseline for negotiations.

**\*PRO TIP\*:** Use historical data to track price trends for critical components. Identifying patterns can help you anticipate changes and negotiate better terms.

*Use Part Analytics to connect historical, market, usage, cost, and risk data and gain contextual insights, from part to BOM level, in a single source of truth.*



## Identify Key Negotiation Leverages

- Highlight Cost-Saving Opportunities: Pinpoint areas where costs can be reduced without compromising quality.
- Assess Supply Chain Flexibility: Evaluate the possibility of multi-sourcing components to reduce risks and costs.
- Determine Volume Discounts: Calculate potential savings from increased order volumes.

**\*PRO TIP\*:** Present a case for long-term partnerships to suppliers to secure more favorable pricing and terms.



## Prepare for Supplier Negotiations

- ❑ Set Clear Objectives: Know what you want to achieve from the negotiation, including target prices and terms.
- ❑ Develop Your BATNA (Best Alternative to a Negotiated Agreement): Have a clear alternative plan if negotiations don't go as expected.
- ❑ Compile Market and Supplier Data: Arm yourself with information on market conditions, supplier performance, and alternative suppliers.

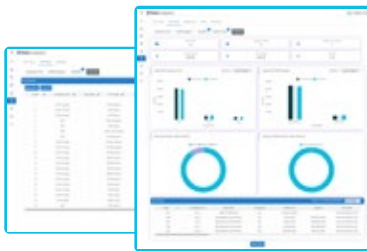
**\*PRO TIP\*:** Practice your negotiation scenarios with a colleague. This can help refine your strategy and anticipate counterarguments.



## Streamline Supplier Communication

- ❑ Create a Communication Plan: Outline how and when you will communicate with suppliers.
- ❑ Develop a Negotiation Script: Prepare key points and phrases to use during negotiations to stay focused on your objectives.
- ❑ Schedule Regular Follow-ups: Ensure continuous progress and maintain pressure on negotiations. Quarterly negotiations are recommended.

**\*PRO TIP\*:** Use visual aids like charts & graphs to clearly communicate points during negotiations.



*With Part Analytics, you can directly share information with your suppliers and CMs to make this step its most efficient and effective in supporting your sourcing strategy.*



## Future-Proof Your Sourcing Strategy

- ❑ Document Lessons Learned: After each negotiation, note what worked and what didn't for continuous improvement.
- ❑ Monitor Supplier Performance: Establish metrics for evaluating supplier performance post-negotiation.
- ❑ Review and Adjust BOM Regularly: Keep your BOM updated to reflect any changes in market conditions or business strategy.

**\*PRO TIP\*:** Engage in periodic reviews of your sourcing strategy with key stakeholders to adapt to changing market conditions and business needs.

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