Introduction

In the ever-evolving business landscape, organizations allocate a substantial portion of their revenue—often more than 50%—toward purchasing goods and services. From raw materials to expedited shipping services, optimizing procurement strategies for cost reduction is crucial to enhancing profits.

This course is designed to propel participants toward world-class performance in **cost reduction** by providing a deep understanding of the effective purchasing and negotiation methods. Through practical engagement, attendees will explore strategies to realize tangible supply management savings while optimizing procurement processes.

Targeted Groups

This course is ideal for professionals involved in purchasing and procurement functions, including:

- **Purchasing Supervisors**
- **Purchasing Managers**
- **Buyers**
- **Senior Buyers**

It is tailored for individuals who want to deepen their understanding of the **purchasing function** and improve their procurement skills.

Course Objectives

By the end of this course, participants will be equipped with the knowledge and skills to:

- Embark on the path to achieving **world-class cost reductions** in purchasing and procurement.
- Master the processes involved in **data mining** and developing **strategic purchasing plans**.
- Identify and leverage methods for **cost improvement** and **purchasing cost reduction** techniques.
- Establish and understand the role of the **purchase price index** in cost reduction strategies.
- Report and track **cost improvements** through a structured program.
- Differentiate and evaluate **cost reduction** vs. **cost avoidance** strategies.
- Analyze and negotiate **supplier prices** using advanced purchasing negotiation techniques.
- Eliminate **non-value-adding processes** while focusing on core competencies.
- Implement **best practices** in supplier qualification and procurement cost reduction.
- Understand the importance of **planning** and **rating issues** in successful

negotiations.
- Effectively negotiate **contract clauses**, including payment terms and warranties.

Targeted Competencies

Upon completing the course, participants will develop competencies in:

- **Crafting detailed spending profiles**
- **Prioritizing procurement duties** for maximum effectiveness
- Identifying **cost reduction opportunities**
- **Evaluating and negotiating prices** with suppliers
- Understanding **supplier pricing structures**
- Formulating **strategic purchasing plans**
- Preparing comprehensively for **negotiation processes**
- Defining **negotiation issues**
- Understanding the **Total Cost of Ownership (TCO)**
- Executing successful **purchasing negotiations**

Course Content Outline

Unit 1: Continuous Improvement in Cost and Productivity

- Recognizing the impetus for **change** in purchasing negotiation strategies
- Viewing the purchasing function from a **cross-functional perspective**
- A model for **purchasing savings** and its impact on cost reduction
- Understanding **Total Cost of Ownership (TCO)** models
- Identifying the **critical skill sets** for continuous improvement
- Reporting **cost savings** effectively
- Techniques in **data mining** for procurement negotiation
- Conducting **spend analysis** using **ABC analysis**
- Embracing modern methods for **analyzing procurement expenditures**

Unit 2: Defining Cost Reduction Opportunities

- Engaging **user groups** to identify purchasing cost reduction opportunities
- Developing company **purchase price indexes** and benchmarking against external standards
- Understanding the **supply market dynamics** and **supplier pricing methodologies**
- Techniques for **benchmarking** in procurement
- **Mapping processes** to eliminate low-value activities
- Developing a **strategic purchasing plan** for materials and services
- Strategies for **resisting price increases**
- The importance of **supplier performance measurement**
- Identifying **cost-saving methods**
- Tactics for **fostering a cost reduction strategy**

Unit 3: Methods of Price Evaluation

- Understanding **price justification**
- A model for selecting appropriate **price analysis methods**
- Analyzing **competition** and **historical prices**
- Understanding how much **profit** is fair
- Methods of **cost analysis**
- Breaking down **elements of cost**
- Developing a **“should cost”** model

Unit 4: Successful Negotiations

- Understanding the role of purchasing professionals as **agents**
- Key **negotiation skill sets**
- Steps in **negotiation preparation**
- Methods of **persuasion**
- Defining the concept of **win-win** negotiation
- Identifying and defining **negotiation issues**
- Negotiating specific **contract provisions**: payment terms, warranties, spare parts
- **Rating and valuing issues** in negotiations
- Adhering to **ethics** in **Purchasing and Contracting Conduct**

Unit 5: Determining Strengths and Weaknesses

- **Self-evaluation** of negotiation positions
- Assessing the **Best Alternative to a Negotiated Agreement (BATNA)**
- Analyzing the **counterparty’s position** to optimize negotiation outcomes
- Using a **negotiation objectives diagram**
- Utilizing **negotiation planning forms**
- Preparing the **negotiation team** effectively
- Tips for achieving success during the **negotiation process**

Certification

Upon completing the course, participants will be awarded a **Purchasing and Negotiation Strategy for Cost Reduction Certificate**, validating their expertise in procurement and negotiation strategies aimed at cost reduction. This certification will empower professionals to take on more strategic roles in cost management and enhance their organization’s supply chain efficiency.