WHITEPAPER

The Blindfold Negotiator

What over 20 years in procurement taught me about the difference between discussing prices and understanding costs.

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STRATEGIC COST MANAGEMENT
IN COLLABORATION WITH PROCUREMENT TACTICS
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01 The letter

It usually arrives in the last quarter of the year. A letter from your supplier, polite and professional, explaining that their overall costs went up by more than 5%, but that out of appreciation for the relationship they will limit the price increase to 3.2%, effective January 1st. The reasons listed are familiar: raw materials went up, transport got more expensive, energy costs increased, wages rose, and exchange rates were unfavorable. Five reasons, and no detail behind any of them.

Your Supplier B.V. October 14

Subject: Price adjustment per January 1st

Dear customer,

Due to developments in the market, our overall costs have risen by **more than 5%**. Out of appreciation for our partnership, we have decided to limit the price increase to **3.2%**, effective January 1st.

This adjustment is driven by:

- Increased raw material prices
- Higher transport costs
- Rising energy costs
- Wage increases
- Unfavorable exchange rates

We trust in your understanding.

Kind regards,
Sales Director

- **Which materials, and what share of the product cost?**
- **What percentage of components is actually imported?**
- **Which energy, in which country?**
- **How labor-intensive is this product?**
- **And when the market turns in your favor?**

The annual price increase letter: five reasons, no detail. The questions in the margin are where this whitepaper is heading.

Most of us respond the way we were trained to respond. We push back on the number. We say 3.2% is too high, that we were expecting something closer to 1%, and we ask for a revised proposal. Maybe we mention that we are exploring alternatives. And often that works, a little. The 3.2% becomes 2.5%, we report the saving internally, and everybody is happy.

Except that one question rarely gets asked afterwards: was 2.5% actually a good outcome? Based on what, exactly, would we know?

When the only argument on the table is that an increase feels too high, the supplier can manage the conversation with a small concession that was probably built into the letter from the start. The buyer walks away with a discount, the supplier walks away with most of the increase, and both call it a successful negotiation. Only one of them is right.

02 The uncomfortable truth

I have worked in procurement for over 20 years, first as a buyer, later as CPO for several companies in food and non-food. In all that time, one observation has stayed remarkably consistent. Every procurement professional agrees that costs are important. We talk constantly about cost reduction, cost control, savings, and margin improvement. Yet very few buyers are actually trained in costs.

Most of us are trained in sourcing, contract management, and negotiation techniques. What our training rarely covers is how a price is actually built.

WHAT BUYERS ARE TRAINED IN

- ☐ Sourcing and tendering
- ☐ Contract management
- ☐ Negotiation techniques
- ☐ Comparing offers

VS

WHAT SUPPLIERS KNOW

- Their own margins
- How their costs are evolving
- Where extra profit can be made
- Which figures and arguments to bring to the meeting

The information asymmetry at the negotiation table. Both sides are professionals; only one of them can see the numbers.

Early in my career, I considered myself a strong negotiator: confident, sharp, and well prepared. It took me years to admit that the suppliers across the table often had a deeper understanding of the numbers than I did. They knew their margins, how their costs were evolving, where they could generate additional profit, and precisely which figures and arguments to bring to the meeting. My role, whether I liked it or not, was to respond and to defend.

I was negotiating with a blindfold on. The frustrating part is that nobody put it there on purpose. My training simply never covered how to take it off.

03 Why the blindfold stays on

The mechanism that keeps most buyers blind is surprisingly simple. In procurement, we constantly mix three words that mean very different things: price, cost, and value. When you mix them, you lose control of the conversation, and that benefits your supplier rather than you.

The definitions are not complicated. Price is the amount you pay, the number on the invoice. Cost is what determines that price: materials, labor, energy, transport, overhead, and the margin your supplier wants to make. Value is what the product or relationship is worth to you in your specific situation, which includes risk and continuity, not just specs and features. A supplier that is critical for your operations carries a higher value even when the price and the costs are identical to those of an alternative.

Price	Cost	Value
The amount you pay. The number on the invoice.	What determines that price: materials, labor, overhead, and margin.	What it is worth to you, including risk and continuity.
SOUNDS LIKE *"We need 3%."*	SOUNDS LIKE *"Steel is up and wages increased."*	SOUNDS LIKE *"I need this delivered tomorrow, no matter what."*

Three angles on the same invoice. Keeping them separate is where control of the conversation begins.

Now look at how most price discussions actually go. The supplier says they need 3%. The buyer answers that they were expecting closer to 1%. That is price versus price: two opinions about a number, where the side with the better information tends to win. Guess which side that usually is.

Compare that with a different response:

"Help me understand what has changed in your cost structure to justify the 3%."

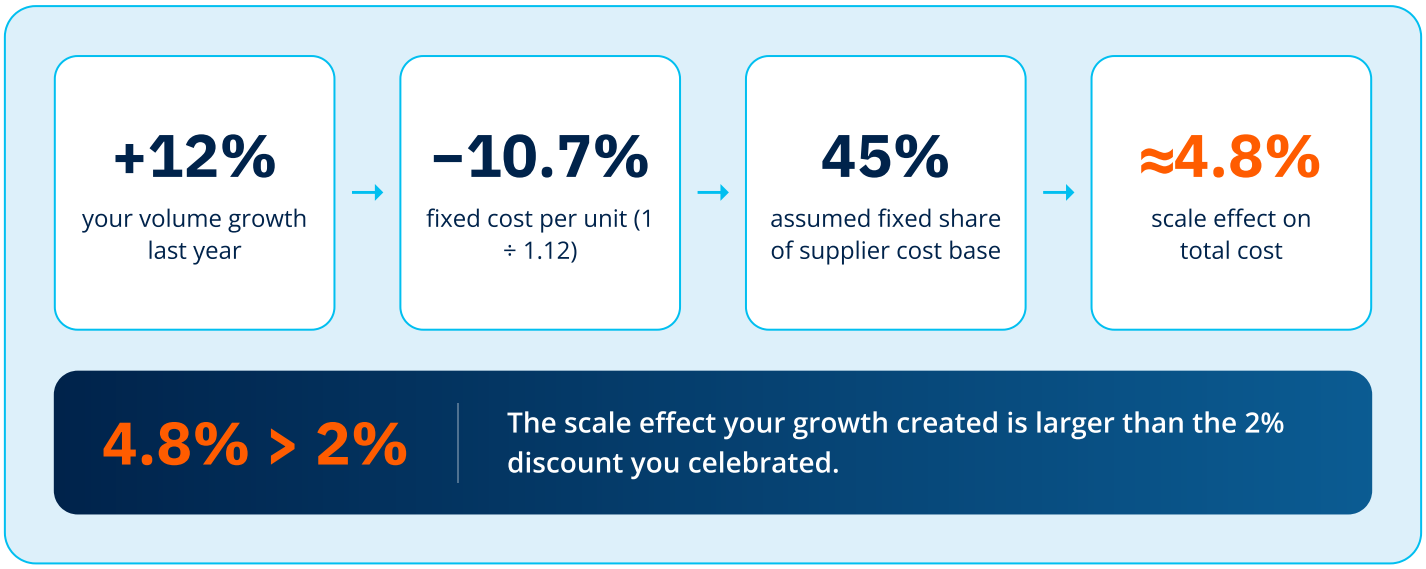
That single sentence changes the dynamic of the meeting, because now the supplier has to explain. Vague references to changed market conditions no longer hold up. They have to talk about which materials, what share of the product cost those materials represent, and which wage agreements apply. And the moment they explain, you can start checking.

Price is the outcome, never the explanation. As long as the conversation stays at the level of the outcome, the price is effectively determined by your supplier.

04 What the blindfold actually costs you

Negotiating blindly sounds abstract until you run the numbers on a situation most buyers will recognize. Say your business with a supplier grew 12 percent last year. You walk into the annual meeting expecting that this finally earns you a volume discount, and indeed it does: the supplier offers 2 percent. You lean back, accept, and report a 2 percent saving internally.

The uncomfortable question is whether 2 percent was anywhere near the right number, because when volume goes up, part of your supplier's costs behave in a very predictable way. A portion of their cost base is fixed: rent, depreciation, insurance, machines. Those costs stay stable in total whether the factory produces 500 units or 1,000, which means that per unit, they fall as volume rises.



The volume reality check: ten minutes of math that changes your starting position before the meeting begins.

That does not automatically mean the product must become 4.8 percent cheaper. What it does mean is that part of the cost pressure your supplier is claiming may already be compensated by the scale your growth created, and that changes your starting position completely. The 2 percent discount you celebrated may well have been paid for by your own growth, with room to spare.

This is what the blindfold costs. Without a basic understanding of cost behavior, a buyer cannot tell a fair outcome from a mediocre one, and ends up grading their own negotiations with information selected by the other side. It might also explain why so many suppliers love to talk about your revenue growth.

05 Taking the blindfold off: a first glimpse

The good news is that seeing clearly does not require perfect information. In my experience, a structured way of asking questions, combined with a rough sense of what is plausible, already gets you remarkably far.

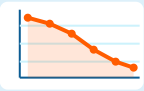
A story from my own career illustrates how far. I used to buy one of the most basic products imaginable: rubber bands. Using common sense, I assumed material had to be a major cost element, and that the bill of materials consisted essentially of rubber plus a few chemicals. I had been tracking commodity prices, so I knew the rubber price had dropped 50% over six months. I sent my supplier an email containing a single attachment, the graph of that price drop, without any explanation or demands. Within an hour I received a new price, 20% lower than before.

NEW MESSAGE

To: sales@yoursupplier.com

Subject: Rubber market development

(no message text)



rubber_price_index.png
rubber price index · 6 months

–50%

SUPPLIER REPLY, ONE HOUR LATER

–20%

A new price, without a meeting, a model, or a negotiation. One public data point connected to one question the supplier could see coming.

The rubber band email: the shortest fact-based negotiation of my career.

There was no cost model behind that email, no spreadsheet, and certainly no open-book agreement. One public data point, connected to one question the supplier could see coming, was enough.

Take that same way of thinking back to the price increase letter from the beginning. Five claims were made, so each of them deserves its own question.

The supplier's claim	Your question
"Raw materials went up."	→ **Which materials exactly, and what share of the product cost do they represent?**
"Transport got more expensive."	→ **What percentage of the components is actually imported?**
"Energy costs increased."	→ **Which energy are you using, and what happened to those prices in your country?**
"Wages went up."	→ **How labor-intensive is this product in the first place?**
"Exchange rates were unfavorable."	→ **What happens to my price when the market turns in your favor?**

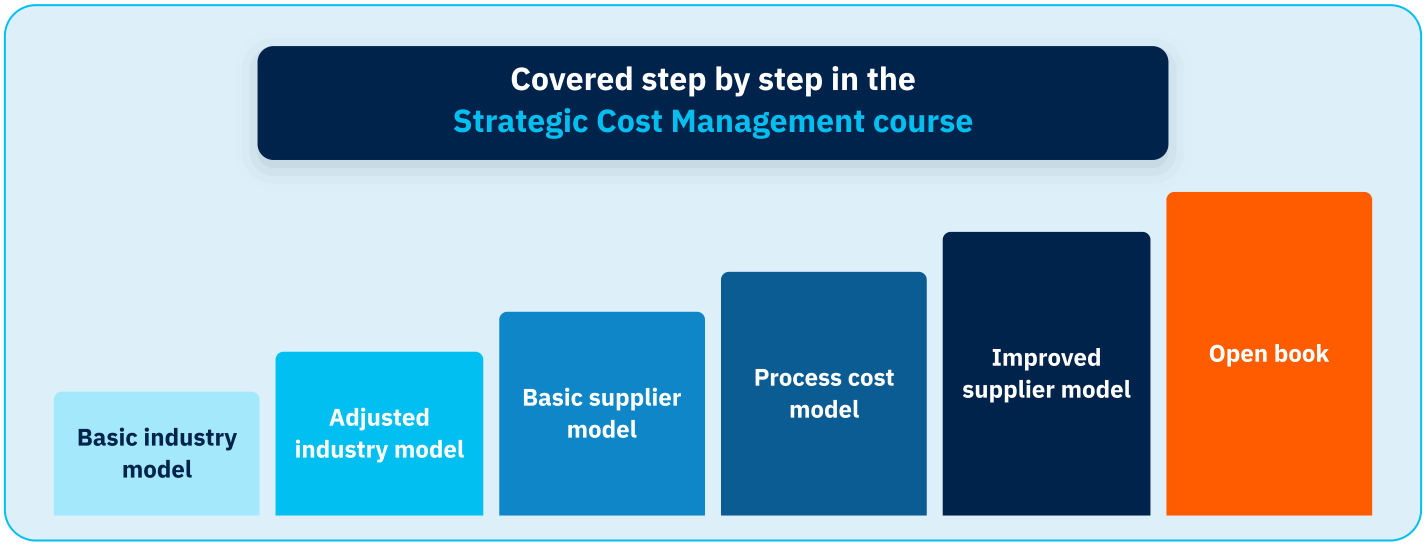
Ask these questions after doing your volume homework, and the conversation is no longer about whether 3.2% feels high. It becomes a discussion in which the supplier's claimed increases are netted against the scale effect your growth created, driver by driver. The supplier now has to respond with substance rather than a story, and in my experience the quality of the outcome changes accordingly. The difference is between a one-time concession of a percent and structural results that compound over years.

One honest warning before you get enthusiastic. The first time you bring cost logic to the table, some suppliers will try to kill your data. They will tell you your numbers are not correct and your assumptions are wrong, and they will partly be right, because your numbers are built on market averages rather than a live view of their factory. That is fine. Your numbers do not need to be perfect to do their job. It is better to be roughly right than precisely wrong.

06 What you still can't see

I want to be straight about what this whitepaper has and has not given you.

You now know the blindfold exists, why it stays on, what it costs you, and what starts to change when you take it off. What you do not have yet is the method. Building a structured view of how a supplier's price is built up, what I call a cost model, is a skill in itself. So is deciding how detailed that view needs to be for a given supplier, because the answer is very different for a strategic partner than for a supplier of rubber bands. And using that view at the negotiation table without getting stuck in a debate about whose spreadsheet is right is yet another skill.



There is a method behind all of this: six steps of cost model maturity, from industry averages to open book.

All of these are learnable. Not in an afternoon, but certainly not in the 20+ years it took me, because I learned them the slow way: through experience, through mistakes, and through collecting my own data long before anyone offered a course on the subject.

07 Reading the letter again

Picture that letter arriving again next October, with its five familiar reasons and its increase generously limited to 3.2%. Only this time, you know how much your volume grew and roughly what that did to the supplier's fixed costs per unit. You know which two cost elements dominate this product and what happened to them in the market. You have prepared one question per claimed cost driver, and none of them can be answered with a story.

That shift, from defending against a number to examining the logic underneath it, is the reason I built the Strategic Cost Management course. In three modules we move from cost fundamentals, to building practical cost models, to fact-based negotiation at the table, step by step, with real cases, and with the mistakes I already made so you don't have to.

Take the blindfold off for your own categories

The Strategic Cost Management course takes you from cost fundamentals to practical cost models to fact-based negotiation, in three modules built on real procurement cases. Taught by Robert Driessen, Founder of WTP Buynamics and former CPO.

Discover the course



Robert Driessen

FOUNDER WTP BUYNAMICS
FORMER CPO

Robert spent over 20 years as a Chief Procurement Officer (CPO) in the international purchasing world before founding his own software company. Across roles in negotiating, performance improvement, supply chain efficiency, cost reduction, strategic sourcing, private label, and should-costing, he delivered multi-million-dollar bottom-line impact for the food and non-food businesses he led. He now brings that operator's perspective, plus his work building fact-based cost models, to teaching real-world buying. He is the subject matter expert behind Procurement Tactics' Strategic Cost Management course, developed exclusively for the platform.



Marijn Overvest

FOUNDER PROCUREMENT TACTICS

Marijn has upskilled over 200+ procurement teams from all over the world, with clients ranging from Fortune 500 companies to small businesses. He is the founder of Procurement Tactics and a recognized expert in the field of negotiations, sustainability, and strategy building. Marijn brings deep industry experience across procurement, FMCG (both retailers and suppliers), aviation, and pharmaceuticals. His practical, data-driven approach has helped organizations at every scale transform their procurement processes and achieve long-term value through smart, sustainable strategies.