

Building & Deploying a Negotiator's Should Cost Model 8-Point Summary

- The only variable is raw materials – typically accounts for 40% to 60% of the price you pay.
- Everything else is held constant – fair to supplier: preserves overhead coverage & margins.
- It's dynamic: moves over time, from a 'Start Date' (when price was agreed to) to the present.
- The 1st pass is for discussion purposes only - you never get it right the first time!
- Show it to your sales rep, explain it's driven by their raw material costs, and ask for feedback.
- Re-run model with supplier's changes, *as is*. This ensures *they own* the revised model's results.
- Deploy by accepting your supplier's changes, *as is*. You now *both own* the revised model.
- The result - a mutually agreed-to, enduring Negotiator's Should Cost Model.