TURN PROCUREMENT INTO YOUR VALUE MERCHANT

EXECUTIVE SUMMARY

Most suppliers claim to create value for their customers. Few can prove it.

When the value argument is vague, the customer's buyer, their procurement team, reverts to the one variable they can measure, compare, and report on immediately: price.
Suppliers then draw the wrong conclusion: "the buyer cares only about price". They are wrong.

The topic of price for a good or a typically ranks no higher than sixth on procurement's own performance scorecard.

Why the initial commercial conversation between supplier and customer often stays on this very topic is not because it matters most to the buyer, but because the supplier has failed to give them anything else to work with.

A commercial vicious circle.

The truth is, procurement evaluates supplier value across, in total, four levers, price is only one of them. Total cost of ownership, risk management, and the benefits a supplier creates to enable sales and growth for the company are the other three levers of equal or even higher importance.

This paper addresses each of these four levers in turn — what they mean to the customer, how procurement evaluates them, and how to address all of them as a supplier in a holistic value proposition that sells.

Let's turn procurement from an alleged price gatekeeper into your value merchant.

INTRODUCTION

Value — the most overused word in B2B. In boardrooms and annual reports, on sales calls and in customer meetings, 'value' is claimed to be generated everywhere.

And yet, when pressed, most suppliers cannot prove it.

Having spent over two decades on the procurement side of B2B relationships — assessing, selecting, and managing suppliers — we have observed the same pattern hundreds of times. Every supplier, every sales manager claims to create significant value for their customers. After closer inspection, the reality is usually very different. The claims appear hollow. The value is only vaguely explained, let alone proven. Buyers have learned to discount it before the sales pitch has even finished.

Part of the reason value is so hard to articulate for suppliers is that it is inherently subjective. We all assess value by weighing the benefits we receive, weighted by how much we subjectively care about those benefits, with the price we are happy to pay.

In B2B, the concept of value is approached in the same way but much more analytically.

Customer Value ≈ (Total benefits × how much they care) – (Total costs)

Most suppliers understand and apply this customer value formula conceptionally. What they lack is the capability to address each variable with the precision, evidence, and customer-specific context that makes the equation balance.

Nowhere is this gap more ruthlessly exposed than in the interaction with procurement.

WHAT PROCUREMENT IS ACTUALLY MEASURED ON — AND WHY IT MATTERS FOR YOUR VALUE PROPOSITION

Let’s tackle the elephant in the room head on. The assumption in most sales organisations is that procurement's job on the customer’s side is to get the lowest price from suppliers. Full stop. Independent of what their company goals may be.

That assumption is wrong.

Taking a closer look at the KPI scorecards procurement is assessed against reveals a very different picture.

Procurement teams are measured across a broad range of metrics. Savings (a lower price) — the KPI most instinctively associated with procurement's mandate — is rarely at the top of the list (Ulaga 2003).

Risk mitigation, supply assurance, and forecasting accuracy all rank above it — because their failure has consequences that are immediate, visible, and career-defining. A procurement professional who delivers savings but allows a supply chain failure to shut down production has not had a good year. Price cuts no longer gets a buyer promoted. Supply outages on the other hand will get them fired for sure.

The overall procurement scorecard with the respective KPI ranking is directly linked to company goals and business priorities.

Though, scorecards are also broken down to a supplier level. Meaning what a buyer wants to deliver with supplier A could be different to what they need to deliver with supplier B. For example, a “lower spend” supplier, which means a low contract value with the supplier relative to the overall company expenditure, would most likely be not in focus to support the buyer to drive sales and growth enabling projects or massive cost efficiency initiatives due to their size and importance. The key priority for the buyer most likely circulates around creating operational efficiencies here which is addressed under the “spend under management” KPI.

The procurement scorecard should shape every value conversation a supplier prepares for. A proposition that speaks only to price addresses a single KPI — and not even the most important one. A proposition that speaks to risk, supply continuity, innovation, or growth contribution addresses the KPIs the buyer is most seriously assessed against. A proposition that links customer goals with key procurement KPIs is the winning formula.

EXHIBIT 2: WHAT PROCUREMENT IS ACTUALLY MEASURED ON

Savings ranks sixth. The KPIs that define a buyer's career sit above it — and most suppliers never address them.

CARRER-DEFINING	01	Risk mitigation	Manage risk proactively — prevent any negative impact to the business	RISK
CARRER-DEFINING	02	Supply assurance	No production or service outages — the right quantity, quality, time, and place. Always.	RISK
CARRER-DEFINING	03	Forecasting	100% accuracy in forecasting cost developments into the future	RISK
GROWTH & STRATEGIC	04	Sales & growth contribution	Supplier actions that directly contributed to an increase in sales or growth	BENEFIT
GROWTH & STRATEGIC	05	Spend under management	100% of spend follows an auditable procurement process and is under contract	OPERATIONS
WHERE MOST SUPPLIER FOCUS	06	Savings	Cost reduction versus a predefined baseline — budget, previous contracted price, or market index	PRICE
WHERE MOST SUPPLIER FOCUS	07	TCO	Reduction of total financial impact to the business versus a previous period or benchmark	COST
WHERE MOST SUPPLIER FOCUS	08	Sustainability	Reduction of the company's environmental footprint year on year	BENEFIT
OPERATIONAL & COMPLIANCE	09	Innovation projects	Number of innovation projects initiated with the supply base and delivered successfully	BENEFIT
OPERATIONAL & COMPLIANCE	10	Speed to market	Meet or exceed internal SLA from business need alignment to supply chain implementation	BENEFIT
OPERATIONAL & COMPLIANCE	11	Cost avoidance	Avoidance of cost increases	COST
OPERATIONAL & COMPLIANCE	12	Diversity spend	A defined percentage of spend directed to minority-owned businesses	BENEFIT

Most suppliers start and end here

» **The opportunity:** a supplier who addresses risk, suply assurance, and growth contribution with evidence is speaking to the KPIs that define the buyer's career — not just the one that defines next quarter's negotiation. Price cuts will not get a buyer promoted. Outages in supply will get them fired.

PROCUREMENT BREAKS SUPPLIER VALUE INTO FOUR LEVERS

With the “elephant in the room” out of the way now and the procurement scorecard as context, we can turn to the actual question at hand: how does procurement assess the value proposition a supplier puts in front of them?

The value formula introduced earlier on allows us to derive four levers procurement is taking into account when assessing a supplier proposal: price, cost, risk, and benefits. Let’s dissect the customer value formula more in detail to understand the interplay of these value levers better.

Customer Value ≈ (Total benefits × how much they care) − (Total costs)

The total costs of doing business with a supplier are comprised of three elements: the price paid, the direct and indirect costs incurred in using the product or service, and the costs associated with risk:

Total costs = price + direct costs + indirect costs + risk

Price itself is not a single number either:

Price = supplier cost + supplier margin

The more detailed customer value formula looks hence more like this:

Customer Value ≈ (Total benefits × how much they care) − (supplier cost + supplier margin + direct costs + indirect costs + risk)

This formula leads to the four value levers the buyer considers in their decision making process:

Value = Benefits – (Price + Cost + Risk)

Price — supplier cost plus margin. Immediately visible, directly comparable across suppliers, and requiring no cross-functional involvement to assess. For a procurement professional under time and resource pressure, price is the path of least resistance.

Cost — the direct and indirect costs the customer incurs as well as efforts in using the supplier's product or service, including operational, transaction, and switching costs. More meaningful than price alone, but harder to quantify and requiring broader stakeholder involvement to assess properly.

Risk — the financial and operational exposure the customer carries as a result of doing business with a particular supplier. Highly material to procurement's mandate, but often abstract, forward-looking, and dependent on scenarios that have potentially not yet occurred.

Benefits — the broader value a supplier creates beyond price, cost, and risk reduction: innovation, competitive advantage, market growth, sustainability, and strategic partnership. The most significant value lever of all — and the hardest to substantiate, requiring the most trust, the most data, and the longest time horizon to realise.

We ranked the four levers above from most to least tangible, from easiest to hardest to measure. This ranking matters enormously in practice. Price sits at one end of the spectrum — tangible, immediate, requiring minimal effort to measure and report. Benefits sit at the other — intangible, conditional, demanding significant engagement from multiple stakeholders on both sides of the relationship.

Every step away from price requires more work, more trust, and more capability from both buyer and supplier. That additional effort is not trivial and many procurement teams will not make it unless the supplier gives them a compelling reason to. This compelling reason is influenced and shaped by the quality of the value proposal.

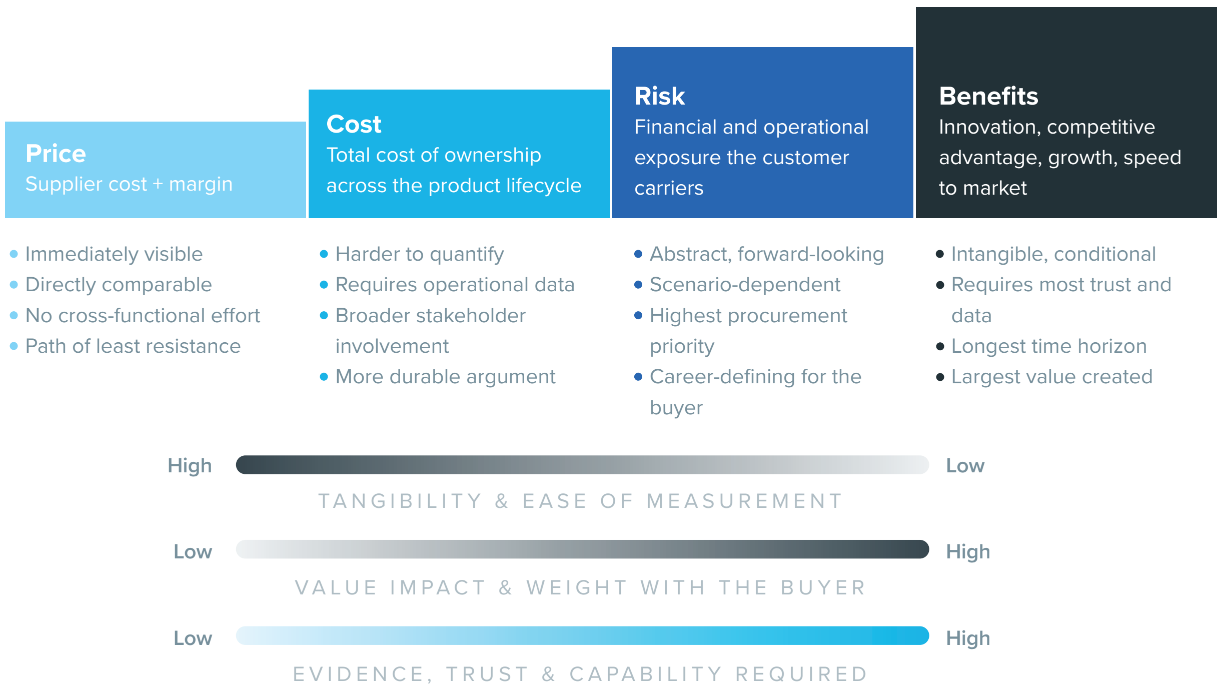
There is an undeniable gravitational pull that procurement exerts on every value conversation. This is not deliberate obstructionism.

It is a rational response to prioritizing their time and resources: when a supplier's value argument is vague, unconvincing, out of context, the buyer defaults to the lever they can measure quickly themselves, and report on with confidence: price. Price wins by default not because it is the most important value add or KPI they need to deliver, but because it is the easiest one to accept or dismiss to quickly move on to the supplier that actually creates value that matters.

The sections that follow address each value lever in turn what it means to the customer, how procurement evaluates it, and how to build the winning sales argument convincingly.

EXHIBIT 3: THE FOUR VALUE LEVERS

Procurement evaluates suplier value across four levers. Each step away from price requires more capability but carriers more weight with the buyer.



» **The gravitational pull:** when a supplier's value argument is vague, the buyer defaults to the lever they can measure and report with confidence. Price wins by default — not because it matters most, but because it is the easiest to defend. Every step to the right requires the supplier to give the buyer a compelling reason to make the effort.

VALUE LEVER 1 – THE PRICE:

We start with price. Not because it is most important (and risking of sounding repetitive here), price is where most commercial conversations normally begin. Unfortunately it is also where too many of them, unnecessarily, end.

The starting point for successfully navigating this point in the value equation as the supplier is understanding that price is never measured in absolute terms. It is always compared to something and evaluated against a specific baseline.

The initial question a buyer is asking themselves is never "is this supplier price reasonable?". It is always "is this price better than my reference point?" – that is where the value is for procurement.

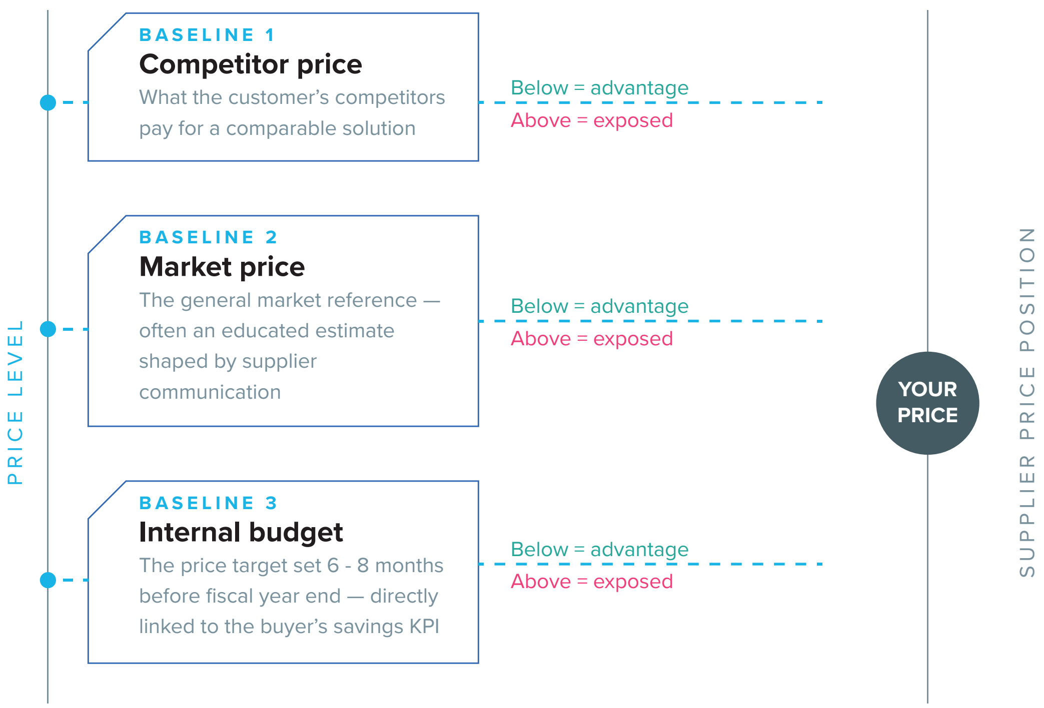
There are generally three reference points, or baselines as we will call them, that matter to procurement.

- The price a competitor pays
- The current market price
- A price they budgeted for

Suppliers want to find out what the baseline is the buyer is measuring success against. Showing that the supplier price is touching or even below that baseline is tangible value that can be easily measured, reported by the buyer, and realized in the short-term.

EXHIBIT 4: THREE PRICE BASELINES

Price is never evaluated in absolute terms. It is always comapred to a reference point the buyer is measured against.



» **The supplier's task:** identify which baseline the buyer is measuring against — then demonstrate that the price sits at or below it. The baseline a supplier can most directly influence is the budget: engage early, shape the assumptions.

BASELINE #1 – THE SUPPLIER PRICE BEATS COMPETITION

The most direct form of price value is demonstrating that a supplier's price is more competitive than what the customer's competitors are paying for a comparable supplier solution.

This value is difficult to prove in reality because competitor pricing is generally not transparently available to either party.

One way to provide that assurance is a most favoured nation clause in a commercial agreement: a commitment that the same product, at the same specification and volume, will not be sold to a competing customer at a lower price.

The instinctive reaction from sales teams is, understandably, resistance. Restricting oneself to certain commercial conditions with one particular customer feels wrong and unjustified. But, when applied in reality, these clauses normally cover only genuinely comparable situations, making the commitment more bounded than it first appears. Suppliers who have offered this guarantee consistently report stronger customer trust and higher contracted volumes while still being able to offer similar commercial conditions to other customers by simply changing certain parameters.

Most favoured nation guarantees are not always possible or advisable. Legal advise is always required. The commercial context, the competitive landscape, and the supplier's own cost structure all need to support it. But where they are feasible and well-constructed, few tools do more to shift a price conversation onto different ground.

BASELINE #2 – THE SUPPLIER PRICE BEATS THE MARKET

A buyer's greatest exposure is being held accountable for having procured a good or a service above the general market price — effectively handing a financial competitive disadvantage to their organisation. This anxiety is real, and shapes how procurement approaches every pricing conversation.

Providing a price that is below that market price is addressing this anxiety and creates real value for the buyer.

The problem is: what is the market price the buyer uses in their comparisons?

Outside commodity markets, no public index exists. The buyer’s market view is typically an educated estimate, formed over time through exchanges with market participants — including suppliers.

Suppliers who inform their customers consistently on market conditions throughout the year are able to shape the buyer’s reference point before it hardens into a negotiating position. By communicating market price movements, explaining the factors that drive price brackets, such as volume, geography, input costs, and sharing data proactively, a supplier establishes a price anchor in the buyer's mind well before a formal negotiation begins. When the commercial discussion arrives, the baseline has already been conditioned.

Beating a market reference point that the supplier has helped define is a very different conversation from being benchmarked against an unknown index. The first is a dialogue between informed parties. The second is a competition the supplier enters blind.

BASELINE #3 – THE SUPPLIER PRICE BEATS THE BUDGET

A third baseline is rarely discussed openly with suppliers but is always present in the buyer's mind: the internal budget — the price target the company has set for goods and services it needs to purchase.

Interestingly, it is procurement that typically sets these budgets within the customer organization. They do this six to eight months before their fiscal year end, forecasting input costs based on inflation expectations, market-specific supply and demand dynamics, and internal efficiency targets set by the business.

One of the primary inputs buyers use to construct that budget is the information their suppliers provide. As with the market price baseline, sales professionals who engage their counterparts early and consistently — sharing market intelligence, discussing supply and demand dynamics, maintaining a regular commercial dialogue — are in a position to influence the customer's budget assumptions before they are set.

The buyer's savings KPI is a result of setting this budget baseline. Their target is to hit this number.

Most importantly, this baseline can sit above the price the customer is currently paying for a good or a service — creating an opportunity for a supplier, if known, to deliver tangible financial value simply by coming in at or below that internal benchmark, a number the customer has already committed to internally.

The practical implication is straightforward: engage early to influence the customer's budget.

Throughout the year ask procurement what the savings target is — and whether it has been delivered against yet.

Buyers will not always answer directly, but the conversation almost always reveals useful information about price ranges, the degree of pressure they are under, and how far they are from hitting their targets. A buyer who has already delivered in line with their budget has very different flexibility from one who is still chasing savings in the final quarter.

What is a price formula or price model?

Suppliers commonly resort to offering a price-formula or price model to the customer in the hope to address the buyer's price anxiety and to illustrate the price value they create.

A price formula / model makes the product price fluctuate over time. The price the customers pays changes depending on various input factors that make up the final product or service price. The supplier argument here is that the price is in line with the market movements of the input costs (e.g., labor, commodities, energy, inflation) and is hence competitive since it is in line with the market reflecting market movements in near real time.

There are many flaws with this approach though. The input costs are generally so called "commodity pass throughs" that are linked to spot price indices. These spot prices are not always publicly available and do not reflect the prices the supplier generally pays for ongoing supply of these commodities. This leaves ample room for hidden markups and value destruction from your customer's point of view.

While these price models are transparent on the surface and fluctuate with certain market movements, they are mainly a value add to the supplier, who can manage input cost risks by passing on price hikes onto the customers through the agreed pricing formula.

The result: the buyer is no way smarter to determine if the supplier's price is actually of value. To the contrary, the supplier made it harder for them to compare prices to their baselines while creating additional work on their side (price tracking, price changing, invoice reconciliations. etc).

A price formula is a pricing vehicle, not a value argument. It needs to be carefully constructed and transparently explained to serve the customer rather than just the supplier.

IS YOUR PRICE FAIR?

The three baselines discussed above share a common characteristic: they are all comparative. The pricing value that the supplier creates is assessed against a competitor, a market index, or a budget. Receiving satisfying responses from the supplier on these baselines will make procurement feel more at ease in the continued value conversation.

Though, more sophisticated buyers will eventually push beyond these benchmarks to a more fundamental question: is the price being charged actually fair relative to the value the supplier claims to create and the costs they say they incur?

This conversation typically takes the form of a should-cost analysis presented to the supplier, a breakdown of the estimated cost components that make up the supplier's product or service, including an assumed margin.

Supplier costs are generally the first area that are approached in this discussion by the buyer since easier to determine, debate and reconcile.

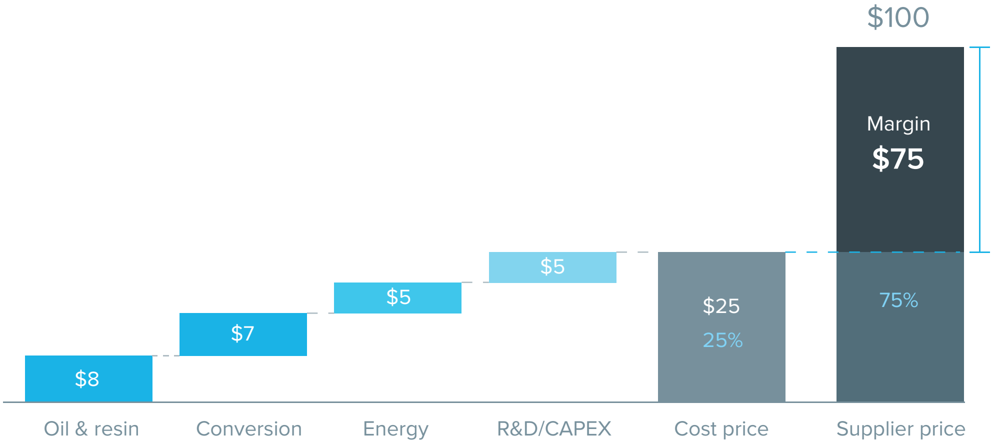
The point many buyers will push on in this space is: are the supplier costs justified. Are there possible ways to reduce these costs either implemented by the supplier or through “help” the customer can offer. This help translate into, for example, the customer to step in and leverage their market position to buy input materials for their supplier, a so-called second level buying setup, which can benefit both sides.
These cost structural conversations can be quite intense since the supplier’s side might feel hesitant, rightly or wrongly, to confirm the buyer’s assumptions on their underlying cost structure and often leading in to a more principle discussion of sharing confidential information between the two parties.

As sales managers it is important to diffuse this commercial tension as much as possible. Challenge yourself what information is really confidential and important to you. Consider how your organisation might benefit from a customer’s view on cost structural improvement ideas. This does not mean to give in on all information disclosure requests but to evaluate where a closer collaboration on cost structural improvements can be actually beneficial financially while solidifying the B2B relationship. Expert support where to engage and where to refrain from a should cost debate is key.

The more contentious point of this whole exercise that will be raised eventually during a should cost analysis is the supplier margin. A procurement professional will push on this exact point: does the supplier margin justify the value that the supplier claims to create? Is 5% a reasonable margin? Is 300%? Should it be 0.5%?

EXHIBIT 5: THE SHOULD-COST ANALYSIS

Procurement breaks the supplier price into its components — then challenges the margin.



›› The buyer’s question:
Does a 75% margin justify the value being created? Redirect to the value the margin enables.

What makes this conversation particularly charged is that it runs in two directions simultaneously. On one side, the buyer may feel that the supplier is taking advantage of a potential dependency by charging a higher margin precisely because they can since the customer has limited supply alternatives. On the other, many customers believe they create significant value on the supplier's side through volume, stability, brand association, or market access. They feel that this customer value contribution should be reflected in a lower price, which means a lower supplier margin. The question of margin fairness is at its core a philosophical one — and suppliers need to be prepared for it rather than surprised by it. It is a test by the buyer to see how convinced the supplier is that their margin is fair and reasonable.

The answer to this “test” is to avoid a combative conversation on who has the more accurate numbers, margin assumptions or arguments and to rather redirect the conversation to the “why”. Why this supplier margin makes absolute sense.

So, the most effective response to a margin challenge is a confident, evidence-based statement about the value the margin enables. Reaching for easy justifications — "we invest heavily in R&D, which is why our margin is what it is" — will not satisfy a determined buyer. What will is a specific, substantiated case for how the supplier's product delivers outcomes worth multiples of the price being paid. Margin becomes a footnote to a much larger story — but only if that story has been told with specificity and evidence.

That story is what the remaining value levers are designed to tell which we will cover in the following paragraphs.

VALUE LEVER 2 – THE COSTS

As the supplier you may struggle to deliver value on price in the eyes of procurement. You might be more expensive than your competition, charge above the market price, higher than the customer's budget, or carrying a margin that raises eyebrows. In the worst case, all of the above.

The cost lever offers a different footing to provide value. Sitting alongside price in the value formula — **Value** = **Benefits – (Price** + **Cost** + **Risk)** — it shifts the conversation from what the customer pays to what the customer spends across the full lifecycle of using a supplier's product or service.

The logic is straightforward. A higher per-unit price can be more than compensated by a lower total cost of ownership (TCO), the costs the customer incurs in applying and using the product as part of their operational processes. When the cost of use is lower with one supplier than with a cheaper alternative, the potentially even more expensive solution becomes the more financially rational choice. That is the argument the cost lever is designed to make.

A WORD ON WHAT TCO COSTS PROCUREMENT

Proving value through cost reduction requires thorough preparation — and not only on the supplier's side. It demands genuine engagement and leadership from procurement as well.

Assessing total cost of ownership is not a solo exercise. Operational stakeholders from the customer's side need to be made available and involved, meaning people with access to production data, maintenance records, energy consumption figures, and quality metrics, etc. It requires time, internal alignment, and a willingness to look beyond procurement's immediate mandate. And someone has to project manage such an initiative, bringing together operational teams from both sides of the relationship. In most organisations, that is not a trivial ask.

The timeline adds another layer of complexity. TCO value often materialise over time rather than immediately. There may be upfront investment required, for example, in new machinery, tooling, testing, or line time, before any return is visible. The buyer needs to understand that timeline for an cost reduction initiative and be able to communicate it internally before committing to the process.

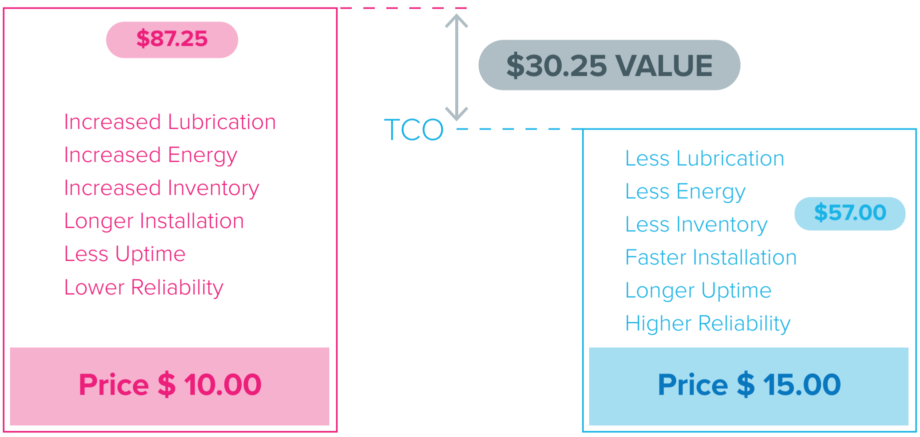
There is also a trust dimension that should not be underestimated. Business cases not developed jointly with the customer will receive scrutiny, in particular where assumptions cannot be independently verified. The more a supplier can build the case around the customer's own data and operational reality, the more credible the argument becomes. More on how to present a TCO case further down below.

The supplier's role is to lead with both the opportunity and a concrete plan how to execute it: what the assessment involves, what it requires from procurement and the customer, and how long it will take. A supplier who does that is far easier to champion internally than one who presents a concept and leaves the buyer to work out the rest.

MAKING THE TCO CASE

1 The SKF bearing company offers a well-documented TCO example. SKF's solutions carry a price premium of approximately 50% over competing alternatives. The commercial case they make to customers is not about price — it is about the reduced running and maintenance costs their products generate over their operational lifetime, which they demonstrate amount to approximately 200% of the purchase price. The net result is a TCO saving that turns a price disadvantage into a clear bottom-line benefit for the customer.

2 Packaging company MM took a similar approach when it identified a quality problem with the printing of best-before dates and QR codes on high-gloss pharmaceutical packaging — an issue causing smearing, production line slowdowns, and significant finished product losses for their customers. MM developed a laser printing solution that reduced quality outages, increased line throughput, and lowered energy requirements. The one-off investment in the new technology was justified by the operational savings and scrap rate reductions it delivered — making MM's higher-priced solution the more rational commercial choice for the long-run.



Source: Vitasek, K et al 2017

THE MOST COMMON TCO ITEMS TO ADDRESS

The cost components most relevant to a TCO initiative vary by industry and context but generally cover the below areas (Vitasek et al 2017).

The discipline is in identifying which items are most material to a specific customer and building the argument around those, not presenting an exhaustive list and hoping something lands.

• *Design and development costs*
• *Hard costs (e.g., labor and assets)*
• *Operating costs (e.g., energy and maintenance costs)*
• *Soft costs (e.g., overhead, "corporate allocations", training)*
• *Installation and Commissioning costs*
• *Governance costs (e.g., cost to manage the relationship)*
• *Software costs*
• *Supply chain support costs*
• *Retirement, disposal costs or residual value*
• *Opportunity costs, including reduced downtime, increased production yield*
• *Transaction costs, including cost of switching suppliers and contracting process*
• *Environmental or sustainability costs or savings*

BUILDING THE BUSINESS CASE FOR CREATING VALUE THROUGH COST

Reducing costs can be a strong value lever in the conversation with procurement.

The challenge lies in proving that the assumptions around reducing costs actually hold true (see SKF and MM examples). Many of the TCO items listed above are forward looking, meaning a cost reduction will only materialize in use after the purchase has been effectuated – at a potentially higher per unit price or upfront investment. So there is inherent risk from the customer's and buyer's perspective to buy-in to the TCO assumptions that potentially later fail to materialize.

The strongest way to at least lower the perceived uncertainty is to build a TCO reduction **business case entirely on the customer's own data.**

Where there is visibility into their processes, production lines, or operational costs, that data should be the foundation. A case study constructed from the customer's specific numbers, showing current costs and the savings a solution would generate, is the most persuasive argument available and makes the TCO argument credible rather than theoretical.

Access to customer data is not always available though particularly in newer business relationships.

Where direct access is limited, an **industry-based case study** from a comparable customer environment can be equally effective, provided the similarities and differences between the two contexts are made explicit. Transparency about assumptions builds more credibility than a polished but opaque presentation.

As a last resort, a **generic business case** built on realistic industry hypotheses can still move the conversation forward — particularly when the assumptions are presented transparently and the buyer is given the ability to adjust the parameters themselves.

The basic elements that make a TCO value proposal land should include the following:

• An executive summary of the initiative.
• A succinct description of the project: situation, proposed solution, anticipated outcomes, why now.
• Benefits and costs associated with the project.
• Risks and what if scenarios.
• Resources required on the customer's and the supplier's side.
• Timelines.
• Next steps with clear owners.

VALUE LEVER 3 – THE RISK

Price and cost dominate most commercial conversations initially. But there is a third value lever that is often more important to procurement's mandate and consistently underexploited: risk.

While price and cost are key, mostly measurable financial value drivers, risk management is what procurement professionals are most seriously assessed against (see KPI scorecard). A buyer who allows a supply chain failure to disrupt production, damage their organisation's market position, or expose the business to reputational, regulatory or financial penalties will not be forgiven by citing a competitive price. And yet most suppliers address risk with a single, vague assurance: "We take risk seriously, and if something goes wrong, we will support you."

That is not a risk argument. It is a placeholder. And buyers know the difference.

The reason suppliers underdeliver is a lack of understanding of what risk actually means for the specific customer they are talking to.

UNDERSTANDING THE CUSTOMER'S RISK PROFILE

Before a credible risk argument can be made, two things need to be established. First, what is the customer's current risk profile — where are they exposed, what has gone wrong in the past?

Second, what scenarios concern them most looking forward — supply disruption, quality failures, geopolitical exposure, regulatory change, financial instability in their supply base?

The answers shape everything that follows. A risk argument that addresses the wrong risks is no argument at all. One that speaks directly to the scenarios keeping the customer's leadership team and their procurement teams awake at night is worth considerably more than a lower per-unit price.

MAKING THE RISK ARGUMENT SPECIFIC

Once the customer's risk profile is understood, the task is to build precise, evidence-based answers to two questions: how does the supplier's setup — inbound and outbound supply chain, operations, and the supply chains of their own suppliers — prevent issues from occurring compared to the incumbent or a competing alternative? How has the supplier successfully managed supply chain risks for this or other customers in the past?

This means moving well beyond general assurances. It means explaining specifically how operations are designed to maintain continuity under stress, pointing to past situations where supply was successfully protected, and presenting those as business cases with concrete outcomes.

Where past examples are limited — particularly in newer relationships — a scenario analysis is the next best tool.

Consider how the supplier would respond if a primary production site were offline for six months following an unforeseen incident, or if a key component supplier were blocked due to a disruption in a major shipping corridor, or if a logistics strike grounded the primary freight network, or if a new tariff regime made the current supply chain financially unviable overnight. Walking a buyer through each of these scenarios with a specific, prepared response demonstrates something no price reduction can: that the supplier has thought through the hard situations before they arise.

Your procurement counterpart is not expecting every risk to be eliminated. What they need to know is that there is a plan: specific, credible, and prepared in advance rather than improvised under pressure. Ideally this takes the form of a formal business continuity plan (BCP) that maps out the actions that would be taken in the hours, days, weeks, and months following a supply chain event.

The value of uninterrupted supply — no production shutdowns, no penalty payments, no loss of market share, no brand damage — is difficult to overstate. In many industries it outweighs a meaningful price premium with ease.

COMMITMENT TO ADDRESSING THE RISK

Even the most compelling risk argument faces one final obstacle: scepticism.

Procurement experience is full of cases where suppliers presented robust risk management plans that failed entirely when tested. Buyers have seen this before, and they are not inclined to take assurances at face value. The most effective way to address that scepticism is to make risk commitments contractual. Agreeing in writing to specific interventions signals that the supplier believes in their own plan enough to be held accountable to it.

A word of caution: penalty clauses alone are often insufficient from a buyer's point of view. If a supply chain failure causes a customer to lose market share or suffer reputational damage, a financial supplier penalty is cold comfort.

It is also worth being clear-eyed about how much risk a supplier can realistically absorb — no customer benefits from a commitment so large it puts the supplier's viability at risk. The goal of procurement is not to sue or ruin the supplier during a supply chain issue. It is to get their product.

The more constructive form of commitment is getting operationally embedded in the customer's supply chain in ways that make failure less likely in the first place.

GP Cellulose, a cellulose fibre company, offers a strong example of exactly this approach. The company was shipping fluff pulp from the United States to Poland for a customer producing baby diapers — a long, complex, multi-modal supply chain that required constant communication and precise coordination. Recurring miscommunication between the two parties was leading to emergency airfreight shipments at significant cost to prevent production shutdowns. Rather than managing the problem reactively, GP Cellulose proposed and implemented a supply chain hub in Poland that took full responsibility for ordering and inventory management — removing the customer from the process entirely. The result was faster reaction times, fewer disruptions even during demand spikes, and a supply chain relationship that became a genuine competitive advantage for both parties rather than a persistent source of anxiety.

That is what a risk value argument looks like when it is done well: not a promise, but a structural commitment that makes the risk materially smaller.

VALUE LEVER 4 – THE BENEFITS

The three value levers discussed so far — price, cost, and risk — share two common characteristics: they are all, in essence, about the reduction of something and a comparison to an as-is situation or next best alternative the customer has available to them. Reducing what the customer pays, today, reducing what they spend, tomorrow, reducing what they are exposed to with other suppliers. They are arguably defensive arguments, but important ones. No procurement would not first assess these table stakes before considering potential benefits from a supplier relationship.

But price, cost, and risk do not capture the full picture of the value a supplier can create.

Benefits are the value a supplier generates beyond price, cost, and risk — the ways in which a product, service, and partnership help a customer grow, innovate, and compete more effectively. This is where the largest value potentially is created. It is also where the capability gap between what suppliers claim and what they can actually prove is widest.

In the value formula — **Value = Benefits – (Price + Cost + Risk)** — benefits sit on the positive side of the equation. The important point suppliers need to make in their value proposal is the argument if their provided benefit is greater than price, cost, and risk combined.

SELECTIVITY OVER VOLUME

The most common mistake suppliers make when presenting benefits to especially procurement counterparts is trying to cover too much ground. Faced with a sceptical buyer, the instinct is to list as many benefits as possible in the hope that something will resonate. The effect is the opposite of what is intended. A long, undifferentiated list of benefits signals that the supplier does not understand what the customer actually cares about — and makes it easy for procurement to discount the entire argument.

The discipline here is selectivity. Benefits only land when they are connected directly to the outcomes the customer's stakeholders need to see. A benefit that addresses an outcome the customer’s stakeholders are under pressure to deliver is worth ten generic claims about innovation or sustainability. The starting point is identifying the two or three benefit areas most relevant to this customer's specific value focus and building the argument around those.

The table below provides a reference overview of the benefit dimensions most commonly relevant in B2B supplier relationships. It is a starting point for that selection process — not a checklist to be presented in full (Vitasek et al. 2017).

Benefit area	What it means for your customer
Sound governance & leadership	Predictability and reliability in how suppliers deliver on strategic commitments
Environmental sustainability	Enables customer to access markets, grow sales, and meet regulatory requirements
Commitment to competitiveness	Confidence that suppliers will stay competitive across price, service, and innovation over time
Responsiveness & support	Ability to step up quickly when market conditions change — in the right format, language, and timeframe
Diversity programs	Sourcing practices that support the customer's diversity commitments and consumer positioning
Social responsibility	Conduct and standards that protect the customer's reputation with consumers, investors, and regulators
Business interface efficiency	Seamless data exchange, digital integration, and ease of doing business that reduces friction and cost
Brand & reputation	The supplier’s standing that influences consumer confidence, investor trust, or regulatory goodwill
Speed to market	Ability to support launches, innovation rollouts, and process changes in the customer's required timeframe
Supply chain dominance	Scale, logistics relationships, and sourcing flexibility that ensure supply assurance and agility
Competitive market advantage	Capabilities, technologies, or workforce skills that give your customer a market edge
Technological advancement & innovation	Access to the supplier’s innovation pipeline — first access, co-development, or preferred partner status
Cultural competence	Ability to operate effectively across geographies, languages, and business cultures
Growth capability	Capacity and scalability to support the customer's future growth without becoming a constraint
Cash management	Payment terms, inventory ownership, or incoterms that improve your customer's working capital position
Financial stability	Balance sheet strength that signals your ability to invest, attract talent, and sustain the relationship
Collaboration & connectivity	Openness to joint projects, cross-industry ideas, and genuine partnership beyond the transactional
Continuous improvement	A proactive mindset that addresses issues before they occur and consistently raises the bar

HOW TO COMMUNICATE BENEFITS

Identifying the right benefits is only half the challenge. The other half is making them credible. Most benefits are intangible, forward-looking, and conditional on factors that have not yet materialised. That combination makes them easy to claim and easy to dismiss — and procurement professionals are well practised at dismissing them.

Four principles separate a benefits argument that lands from one that does not.

Connect benefits to outcomes, not features. A benefit is only meaningful when it is linked to a specific outcome the customer is trying to achieve. "We give you first access to our innovation pipeline" is a feature. "Our innovation pipeline has enabled customers in your sector to reduce time to market by an average of four months, directly supporting their speed-to-market KPI" is a benefit. The difference is the connection to what the customer actually needs.

Quantify wherever possible and be transparent about assumptions. It is entirely acceptable to make assumptions in a benefit calculation. What is not acceptable is presenting those assumptions as facts or hiding them. A benefit argument that clearly sets out its logic, its assumptions, and the conditions under which the benefit will materialise is far more credible than one that presents a headline number without explanation. Sharing the calculations and inviting scrutiny signals confidence rather than evasion.

Make benefits communicable beyond the room. Any procurement professional convinced of a benefit will need to convince other stakeholders: peers, superiors, finance teams, leadership. The clearer and more straightforward the argument, the easier it is to carry forward. Complexity that impresses in a presentation becomes an obstacle when the buyer tries to replicate it internally. Build for the second and third conversation, not just the first.

Use case studies and choose them carefully. The most powerful substantiation of a benefit claim is a case study from a customer environment similar enough to the one at hand. The similarity matters as much as the outcome — a case study from a different industry or a different scale of operation will be discounted unless the comparability is explicitly addressed. Where access to the customer's own data is available, build the case study around their environment entirely. Where it is not, a well-constructed generic case with transparent parameters and the ability for the customer to adjust the assumptions themselves is the next best option.

Here are two examples how to position benefits as tangible value to the customer:

#1 – SPEED TO MARKET

A supplier's ability to compress the customer's time to market is only a benefit if the customer is under pressure to launch faster.

Consider a consumer goods manufacturer preparing to launch a reformulated product line ahead of a competitor entering the same category. Internal lead times for packaging changeovers had historically added six to eight weeks to every launch cycle.
By proposing to embed a dedicated project management interface directly into the customer's NPD process the supplier could reduce that window to under two weeks.
Across three launches in a single fiscal year, the customer would then reach retail shelves four to six weeks ahead of their previous average.

The argument is not "we are fast." It is: here is the specific bottleneck in your launch process, here is how our setup removes it, and here is what that compression has been worth to customers in comparable situations.

Making that argument credible requires translating time saved into financial outcomes the customer can recognise, internalise, and report upwards. The logic runs in two steps. The first is to establish a baseline. How long does the customer's current launch cycle take, and by how much does the supplier's involvement compress it? That delta — expressed in weeks, not in process descriptions — is the unit of value being claimed. In the example above, a six-week changeover reduced to two weeks yields four weeks per launch as the starting point for every calculation that follows.

The second is to convert that time into revenue. This is the bridge most suppliers fail to build. Four weeks earlier on shelf has a financial value; it simply needs to be made explicit. The inputs required are not complex: the average weekly revenue a new product generates during its launch window, and the number of launches per year in which the supplier is involved. A product generating $500k per week in its launch window, brought to shelf four weeks earlier across three launches in a year, represents $6M in incremental revenue opportunity. At a conservative capture rate of 30% — accounting for the fact that not all of that window translates directly to incremental sales — the figure attributable to speed is $1.8M.

That number should be presented transparently, with its assumptions visible and its parameters available for the customer to adjust. A benefit calculation the customer can interrogate is far more credible than one they are simply asked to accept.

#2 CONTINUOUS IMPROVEMENT

As before, continuous improvement is only a benefit if the customer believes in it and if it can be proven that it will happen. This benefit is among the most frequently promised and least frequently delivered commitments in any supplier relationship. The antidote is not a stronger promise. It is a structure that makes improvement visible, measurable, and accountable before the contract is signed.

Consider a packaging supplier working with a food and beverage manufacturer where recurring inefficiencies in inbound logistics — specifically inconsistent pallet configurations — were generating disproportionate handling costs and a measurable uptick in damaged goods on arrival. By proposing a quarterly joint review process — a standing agenda at which both parties would examine operational data from the previous period, identify the top two or three friction points by cost impact, and agree specific actions with owners and deadlines on both sides — the supplier could create a structure in which improvement was not left to goodwill but built into the rhythm of the relationship.

This setup can be presented pro-actively as additional benefit to a new customer or as a value intervention to an existing supplier-customer relationship.

In comparable customer environments, the supplier could argue, that model has reduced damaged goods on arrival by over 60% and lowered handling costs by an amount equivalent to roughly 1.5% of annual contract value within eighteen months. On a contract valued at $10M annually, a 1.5% handling cost reduction alone represents $150k recovered in the first cycle.

The argument is not "we are committed to getting better." It is: here is the specific process we are proposing, here is the structure that makes it accountable, and here is what it has delivered for customers in comparable situations.

ADDRESSING THE COMMITMENT QUESTION

Benefits introduce a specific credibility challenge that previous value levers, especially price and cost, do not: probability.

A price is certain. A TCO saving can be modelled with reasonable confidence. A benefit — particularly one that depends on market conditions, consumer behaviour, or the customer's own actions — is inherently uncertain.

Buyers will challenge this directly. Not just "is the benefit calculation right?" but "how likely is it that these conditions will actually materialise?" A sensitivity analysis — presenting a best case, base case, and worst case for benefit projections — goes some way toward addressing this. It demonstrates that the argument has been stress-tested and that the downside scenarios are not being hidden.

More powerful still is a willingness to commit. A supplier who signals confidence in a claimed benefit by linking part of the commercial arrangement to its delivery is making a fundamentally different statement than one who presents a forecast and asks the customer to take it on faith.

Performance-based pricing models — where the customer pays a premium if a claimed benefit is realised — are not suitable for every situation, but where they are feasible they transform the credibility of a benefits argument entirely. They signal that the supplier believes what they are saying. That signal, in a world saturated with unsubstantiated value claims, is worth more than most suppliers realise.

IMPLICATIONS FOR YOUR VALUE PROPOSITION

Three shifts separate the suppliers who win the value conversation with procurement from those who remain stuck on price.

First, understand the customer's value focus before building the proposition. Identify their business priorities, which business goals are under pressure, and which procurement KPIs carry the most weight for the specific relationship. The above KPI ranking gives a fairly good general overview.

Second, build your case across all four value levers — not just the one or two that are easiest to articulate. Price and cost are necessary but rarely sufficient. Risk and benefits are where the strongest differentiation exists, and where most competitors are weakest. The discipline is not in covering all four exhaustively, but in leading with the levers that connect most directly to what this buyer is accountable for delivering.

Third, make every claim specific, quantified, and transparent in its assumptions. A benefit calculation the customer can interrogate is more credible than one they are asked to accept. A risk plan they can hold the supplier accountable to is more persuasive than an assurance. The standard is not whether the supplier believes the argument — it is whether the buyer can carry it forward to their own leadership with confidence.

CONCLUSION

Value is the most important word in B2B — and the least trusted.

It has been claimed so often, so vaguely, and with so little evidence that buyers have learned to discount it before the sentence is finished. The supplier who opens a commercial conversation with "we create a lot of value for our customers" is not making an argument. They are making a noise that procurement has been trained to filter out.

The problem is not awareness. Most suppliers know they should be talking about value better. The problem is capability — the capability to understand what value actually means in the eyes of the customer, to address each element of the value equation with specificity and evidence, and to do so in terms that connect directly to what procurement is accountable for delivering.

The formula at the heart of this paper is deceptively simple:

Customer Value ≈ (Total benefits × how much they care) − (supplier cost + supplier margin + direct cost + indirect costs + risk)

Dissecting it reveals a clear pathway of four value levers customers and their buyers consider. Price is the starting point but rarely the strongest argument. Cost — the total cost of ownership across the product lifecycle — is more powerful and more durable. Risk is procurement's highest priority and most suppliers' most underexploited lever. And benefits, the broadest and most significant dimension of value, carry the greatest weight when they are specific, quantified, and connected to the outcomes the customer's stakeholders actually need.

Most suppliers address one or two of these levers adequately. Few address all four with the consistency and precision that shifts a commercial conversation from negotiation to partnership.

What makes the effort worthwhile is this: procurement professionals do not want to spend their careers talking about price. They are measured on risk mitigation, supply assurance, innovation, sustainability, and growth contribution. They want suppliers who can help them deliver against those KPIs — suppliers who arrive prepared with evidence, insight, and a genuine understanding of the customer's business. When a supplier can do that, procurement stops being an obstacle and becomes something far more valuable: an advocate.

That is what the title of this paper means. A procurement professional who understands and believes in the value a supplier creates does not just award the contract. They communicate that value internally. They champion the relationship with their leadership. They become the supplier's most credible voice inside the customer organisation — precisely because they are not the supplier.

Turning procurement into a value merchant is not a negotiating tactic. It is the outcome of doing everything in this paper consistently and well.

The journey begins not with a better product or a lower price. It begins with a question every sales professional should be able to answer before walking into a customer meeting: can I explain, with evidence and across all four value levers, exactly how we make this buyer's job easier and their business more successful? If the answer is yes, the conversation that follows will not be about price.

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