

7 Signs You Could Be Paying Too Much for Your Major Suppliers

Answer these 7 questions
to find out



OAKLAND

Introduction

Your biggest supplier could be delivering exactly what you asked for – and still be costing you more than it should.

Across a £500,000 or £1 million annual contract, you don't need a dramatic pricing problem for the numbers to become significant. Small increases, outdated specifications, weak renewal positions and unchallenged commercial terms can quietly accumulate.

The difficult part is that none of them necessarily looks like a problem on its own.

The supplier performs well.

The relationship is good.

Invoices get approved.

The contract gets renewed.

Everyone gets on with their jobs.

But there's one question that cuts through all of that:

If you were negotiating the same contract from scratch today, would you agree to the same supplier, specification, price and commercial terms?

If you can't confidently say yes, this guide will help you identify where to look.

For each of the seven signs below, answer **YES, NO or NOT SURE**.

At the end, you'll be able to see whether your major supplier relationships appear commercially healthy or whether there are areas worth investigating before your next renewal.

1. You can't remember the last time your supplier had to prove its value

A good supplier relationship is valuable.

They know your organisation. Your people know them. The service works. Changing supplier could mean disruption, additional work and risk.

But there's a danger in allowing "they're a good supplier" to become "there's no reason to challenge the contract".

Imagine a supplier originally won a £500,000 annual contract through a competitive process.

Three years later, the relationship is working well, so the contract is renewed.

Then it's renewed again.

Prices have increased. Requirements have changed. Additional services have been added.

But the competitive pressure that established the original deal has disappeared.

At what point do you know whether £500,000 became £550,000 because you're receiving £50,000 more value?

You don't need to replace a good supplier simply to test that.

Benchmarking the market can establish whether the existing arrangement remains competitive. It can also give you valuable evidence when negotiating with the incumbent.



Question 1

Has this supplier's pricing and commercial position been independently tested within the last three years?

YES / NO / NOT SURE

2. You're paying for the contract you built years ago, not the one you'd buy today

Supplier contracts have a habit of growing.

More users are added.

Another location needs support.

A temporary service becomes permanent.

Someone requests an additional feature.

A new requirement gets bolted on.

Individual changes may make perfect sense. The problem comes when nobody steps back and asks whether the overall contract still makes sense.

Because requirements don't only increase.

Things become unnecessary too.

Your organisation may now be buying significantly more from the supplier, giving you greater purchasing power.

Technology may have reduced the supplier's delivery costs.

Services may overlap.

Old pricing assumptions may still be buried in the agreement.

And parts of the specification may no longer be necessary at all.

On a major contract, these aren't minor administrative details.

They're commercial questions.



Question 2

If you were buying this service from scratch today, would you specify exactly what you're currently paying for?

YES / NO / NOT SURE

If you're not sure, the first opportunity may be hiding in what you're buying rather than the headline price.

3. Your supplier knows more about your negotiating position than you know about theirs

Your supplier knows its margins.

It knows its costs.

It knows which parts of the contract are particularly profitable.

It knows where it can negotiate.

It knows how valuable your account is.

And after working with you for several years, it may have a fairly good idea how likely you are to leave.

Now turn that around.

Do you know what comparable organisations are paying?

Do you know which credible alternatives exist?

Do you know where your supplier has room to move?

Do you know how badly they want to retain the business?

Could you challenge their pricing with evidence?

This matters enormously when a supplier proposes an increase.

Inflation, salaries, technology, materials and energy costs can all legitimately affect pricing.

But if one element of the supplier's cost base rises by 7%, it doesn't automatically follow that your entire contract should rise by 7%.

Without market information, it can be very difficult to distinguish a necessary increase from a negotiable one.



Question 3

If your supplier proposed a 7% price increase tomorrow, could you confidently establish whether it was justified?

YES / NO / NOT SURE

If your negotiation would begin and end with trying to reduce 7% to 5%, you may be negotiating on the supplier's terms.

4. Everyone says the supplier is “good”, but nobody can prove you’re getting good value

“They’re reliable.”

“We’ve never had a serious problem.”

“They understand our business.”

“We’ve got a good relationship.”

Those are all perfectly good reasons to value a supplier.

They’re not evidence that the commercial deal is competitive.

Price alone isn’t the answer either.

A cheap supplier that causes delays, absorbs management time or creates operational problems can prove extremely expensive.

Good value means looking at the whole relationship.

What are you paying?

What are you receiving?

Does performance match what was promised?

How does the price compare with the market?

What risks are you carrying?

How much internal resource does managing the supplier consume?

What alternatives exist?

And what would changing supplier actually cost?

Without those answers, it becomes very easy to confuse familiarity with value.



Question 4

Could you demonstrate to your board, with evidence, that this supplier still represents good commercial value?

YES / NO / NOT SURE

“We’re happy with them” isn’t quite the same answer.

5. The supplier starts the renewal conversation before you do

A major contract is approaching expiry.

Then the supplier calls.

They'd like to talk about renewal.

The relationship is working. Your team is busy.

Running a competitive process would take time.

So the conversation begins.

The problem is that some of your negotiating power may already have disappeared.

Going to market takes time.

Changing supplier takes time.

Internal approvals take time.

Transition takes time.

The closer you get to expiry, the less credible the possibility of changing supplier becomes.

Your incumbent knows that too.

Now imagine having that same conversation nine or twelve months before expiry.

You have time to benchmark the market.

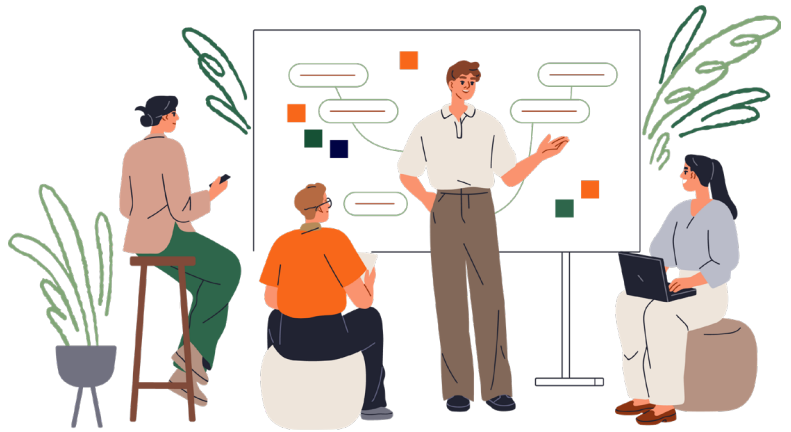
You can review what you actually need.

You can identify credible alternatives.

You can decide whether a tender is worthwhile.

And if you decide to negotiate with the incumbent, they know that going elsewhere remains a realistic option.

Time gives you choices. Choices strengthen your negotiating position.



Question 5

Look at your most significant supplier contracts.

Do you have a commercial plan for every major agreement expiring within the next 6-18 months?

YES / NO / NOT SURE

If not, those dates deserve attention now, rather than when the renewal notice arrives.

6. You know the market should be tested, but nobody has time to do it properly

This is where a lot of potentially valuable supplier reviews stop.

Finance wants to know whether there's a better commercial deal available.

IT or operations wants to protect service quality.

Senior management wants confidence that the right decision is being made.

Everyone agrees the contract should probably be reviewed.

Then somebody has to do it.

Requirements need defining.

The supplier market needs researching.

Potential bidders need identifying.

Tender documents need preparing.

Questions need managing.

Proposals need evaluating.

Commercial models need comparing.

Negotiations need running.

And the people best placed to contribute to those decisions already have full-time jobs.

The path of least resistance becomes renewing the incumbent.

That may ultimately be the correct decision.

But there's a significant difference between:

"We renewed because the evidence showed this was our best option."

and:

"We renewed because we didn't have the resource to properly investigate the alternatives."

External procurement support can remove much of that workload while keeping the important decisions firmly with your internal team.

Your specialists contribute their knowledge where it matters.

They don't have to become a temporary procurement department to get the job done.



Question 6

Is a significant supplier likely to be renewed because properly reviewing the alternatives would consume too much internal time?

YES / NO / NOT SURE

If the answer is yes, internal resource may already be influencing the commercial decision.

7. You're negotiating the price when you should be negotiating the deal

Imagine you're paying a supplier £600,000 a year.

After a tough negotiation, you secure a 3% reduction.

That feels like a win.

It might be.

But what if the bigger opportunity wasn't in the headline price?

Commercial value can sit in:

Payment terms.

Volume commitments.

Indexation.

Contract length.

Break clauses.

Implementation costs.

Minimum spends.

Pricing tiers.

Service levels.

Service credits.

Renewal mechanisms.

Specification.

Risk allocation.

A supplier may strongly resist reducing its headline price while being willing to make concessions elsewhere that are considerably more valuable to your organisation.

That's why experienced procurement isn't simply about asking suppliers to charge less.

It's about understanding where the value sits, what matters most to each side and where genuine negotiating room exists.

Remember, your supplier's commercial team negotiates agreements all the time.

Your Finance Director or IT Director may renegotiate this particular category once every three or five years.

That experience gap matters.



Question 7

Before your last major supplier negotiation, did you have a written commercial strategy covering more than the headline price?

YES / NO / NOT SURE

If not, you may have secured a discount while still leaving valuable concessions on the table.

Your Supplier Cost Check

Count how many times you answered **NO** or **NOT SURE**.

0-1

Your major supplier relationships appear to be receiving regular commercial scrutiny.

That doesn't guarantee every contract is optimal, but there are no obvious warning signs from this initial check.

Keep a particularly close eye on forthcoming renewal dates so you preserve enough time to assess your options properly.

2-3

There are areas worth investigating.

This doesn't mean you're definitely paying too much.

It does mean there are gaps that could make it difficult to know whether you're getting the commercial outcome you should be.

I'd start with your highest-value supplier contract or the next major agreement approaching renewal.

4-7

We'd recommend taking a closer look.

Again, this doesn't mean your suppliers are necessarily overpriced.

It means there are several areas where you currently may not have enough information to know.

And when significant annual supplier spend is involved, uncertainty deserves attention.

The £500,000 question

Choose one significant supplier contract.

Now imagine the existing agreement disappeared overnight and you had to buy the service again tomorrow.

Would you deliberately choose:

- **The same supplier?**
- **The same specification?**
- **The same contract structure?**
- **The same commercial terms?**
- **The same price?**

If you're confidently answering yes, that's a good position to be in.

If you're thinking "probably", "I'd need to check" or "I'm actually not sure", you've identified something worth investigating.

That doesn't mean launching a tender.

You may discover that your current supplier is already offering excellent value.

You may find there are specific terms worth renegotiating.

You may discover you're buying more than you need.

Or there may be enough commercial opportunity to justify testing the market.

The important part is finding out **before** you're under pressure to renew.

Request a Major Supplier Cost Review

If you've answered NO or NOT SURE several times, the next step doesn't need to be a tender.

Start with one supplier.

Oakland's Major Supplier Cost Review begins with an initial conversation about a significant supplier relationship, particularly one approaching renewal or where you have concerns about cost or commercial terms.

We'll look at the current arrangement, your renewal position and the areas that may warrant closer examination.

The purpose is to answer a much simpler question:

Is there enough commercial opportunity here to justify doing anything?

You may find that your current arrangement is competitive.

If it is, that's valuable reassurance.

If it isn't, you'll have a clearer idea of where the opportunity may lie and whether the right next step is benchmarking, renegotiation or a competitive procurement process.

Oakland is an independent procurement consultancy with more than 16 years' experience helping organisations make significant supplier and procurement decisions.

Gordon McKenzie has led procurement programmes involving organisations including Viridor, Anglo Beef Processors and G4S.

Where further action makes commercial sense, Oakland can support everything from market analysis and procurement strategy through to supplier selection, tender management, evaluation and negotiation.

You don't need to decide to run a tender before speaking to us.

You just need one supplier contract you're no longer completely certain about.

Talk to Gordon McKenzie

If you've got a major supplier approaching renewal, you're considering renegotiating an existing agreement, or this guide has raised questions about one of your current contracts, speak directly to Gordon.

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