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PRODUCT AND SERVICE LIFE CYCLE IN PROCUREMENT

How to Read the Market and Negotiate Smarter

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Executive Summary

Procurement teams spend significant time understanding the importance of a product or service to their own business. Far fewer spend time understanding the importance of that same product or service to the supplier. Yet this single insight often determines pricing flexibility, negotiation leverage, commercial terms, supplier responsiveness, and long-term partnership potential.

To understand this, procurement professionals need to understand where the supplier's product or service sits in its lifecycle.

There is a question that does not get asked enough in procurement planning meetings. *Where is this product or service in its life cycle right now?*

It sounds simple. In practice, most teams skip it entirely. They focus on specifications, budgets, and timelines. They call suppliers, collect quotes, and run the negotiation. And somewhere in that process, they miss one of the most powerful signals available to them: the life cycle stage of what they are buying.

Because the life cycle stage of a product or service tells you something that no RFQ can surface on its own. It tells you the balance of power between buyer and supplier at this particular moment in time. And if you understand that, you negotiate very differently.

In the building blocks of procurement, the first to be covered would be BATNA, your best alternative to a negotiated agreement, and why it determines who actually has leverage at the table. If you have not read it yet, it is worth a look before continuing here: BATNA in Procurement: The Building Block That Decides Who Has the Power at the Table.

The life cycle lens builds directly on that concept. Where BATNA asks "what are my alternatives," life cycle asks "what does the market actually look like for what I am buying." Together, they give you a far clearer picture of your real negotiating position.

What you will take away

- Life cycle stage determines how much genuine pricing flexibility a supplier has to offer.
- Introduction: high margins, low volume and trade early adoption for long-term protections, not day-one price.
- Growth: suppliers are racing for scale so decisiveness and volume commitment earn real concessions.
- Maturity: the stage most sourcing tools are built for where structured competitive events pay back best.
- Decline: suppliers concede heavily to protect volume, but continuity and obsolescence risk both rise.

The Four Stages of a Product or Service Life Cycle

Every product and every service moves through four stages: Introduction, Growth, Maturity, and Decline. Each stage creates a different market dynamic. And each dynamic hands more leverage to one side of the negotiation than the other.

Stage 1: Introduction

This is when a product or service enters the market for the first time. Supplier investment is high. Production costs are high. The supplier is recovering development costs and building market presence simultaneously. Awareness among buyers is limited, and in many cases the supplier is still figuring out what pricing the market will accept.

Think about the early days of cloud computing services. When AWS and Azure were first establishing themselves in enterprise markets, their pricing was anything but competitive. They were setting the frame for an entirely new category. Buyers who adopted early paid premium rates and had very little negotiating room. There was no comparable benchmark, no established competitor landscape, and in some cases no clear alternative at all.

The same pattern plays out in industrial procurement. When a manufacturer launches a new generation of precision tooling, the first buyers are paying for novelty, reliability uncertainty, and the supplier's recovery of tooling development costs. The supplier has no reason to compete aggressively on price. Their position is strong because alternatives are few and the product is not yet proven enough to attract imitators.

What this means for the buyer: your leverage in the Introduction stage is low on price, but higher than you think on other dimensions. Suppliers at this stage are desperate for reference customers, case studies, and volume commitments that validate the product in the market. That is your card to play. A smart buyer in this stage negotiates hard on long-term pricing protections, first-mover discounts tied to commitment, extended warranties, co-development rights, or priority access as the product evolves. You may not win on day-one price. But you can win on the terms that matter over a three-year horizon.

A useful internal question before engaging: is this Introduction-stage product something we genuinely need now, or are we being pulled in by early-adopter enthusiasm? In many cases, waiting six to twelve months into the Growth stage costs you very little and improves your position considerably.

Stage 2: Growth

This is where the market starts to open up. The product or service has proven itself. Awareness is growing. More buyers are entering. And critically, competition among suppliers is beginning to emerge as new entrants see an opportunity.

The Growth stage is one of the most interesting stages to buy in, and most procurement teams do not fully exploit it. The reason is that buyers at this stage often still behave as if they are in the Introduction phase. The product feels new, the supplier feels important, and the default is to treat them carefully.

But the dynamics have shifted. In a Growth market, suppliers are fighting for share. They want volume. They want reference accounts. They want to grow faster than their competitors. That urgency is your leverage.

Think about the electric vehicle component supply chain in the early 2020s. Battery suppliers, charging infrastructure vendors, and power electronics manufacturers were all in aggressive Growth mode. Companies that moved decisively to consolidate volume, lock in long-term supply agreements, and negotiate pricing caps found themselves in a fundamentally different position than those who waited. The suppliers needed scale to compete, and a committed large buyer was worth real commercial concessions.

The same plays out in services procurement. When a new category of consulting or managed service is gaining traction, Growth-stage providers will negotiate in ways they simply will not once they are established. A CPO had locked in a three-year rate card with a cybersecurity managed services firm in 2021 when that firm was actively building its client base. By 2023, that same firm was turning away business. The rate card the CPO had negotiated looked extraordinary in hindsight. It was not luck. It was timing.

What this means for the buyer: the Growth stage rewards decisiveness and volume commitment. Suppliers want to grow. Give them a pathway to growth in exchange for commercial terms that protect you as they scale. Lock in pricing structures, request most-favored-nation clauses, and negotiate volume-based pricing bands while they still need you to win.

This is also the stage where your relationship with the Kraljic Matrix matters. Products in the Growth stage that have multiple emerging suppliers often sit in or near the leverage quadrant. Your BATNA is strengthening. Use it. Use the Kraljic Matrix to classify your spend categories in simple steps supplier objective: gain market share, acquire customers, build references, establish market credibility.

Procurement Opportunity: Better pricing, pilot programs, extended support, customized commercials.

Stage 3: Maturity

Maturity is where most procurement categories sit most of the time. The product or service is well understood. Multiple suppliers have established positions. Specifications are largely standardized. Pricing is transparent and benchmarkable. The market is competitive but not intensely so, because suppliers have found their equilibrium.

This is the stage that most procurement frameworks are built for. Competitive bidding, RFQs, reverse auctions, structured negotiations: these tools work best in a mature market because the conditions for genuine competition exist.

Standard industrial components are the clearest example. Bolts, bearings, electrical fittings, pneumatic components. The supplier landscape is well established, specifications are interchangeable across vendors, and every procurement professional knows that the market will respond competitively to a structured sourcing event. Savings here come from process discipline, not market timing.

But Maturity also creates a trap that sophisticated buyers avoid. The trap is complacency. Because the market feels stable, teams default to incumbents and allow pricing to drift upward without challenge. We have seen companies paying 20 to 25 percent above market rates for mature-category products simply because they had not run a competitive event in three years. The supplier had quietly moved pricing upward in small increments, and no one noticed because the product felt too routine to scrutinize.

The Maturity stage is also where total cost of ownership becomes the most powerful negotiating dimension. Price per unit is already under competitive pressure. The real value is in payment terms, delivery frequency, inventory management, warranty conditions, and the cost of switching. A supplier who offers vendor-managed inventory, for instance, can carry more on the unit price in exchange for a fundamentally lower total cost for the buyer.

The IT software licensing market is a good illustration. Enterprise software in mature categories like ERP, productivity suites, and HR platforms is a Mature-stage market. Every large supplier knows what their competitors charge. Price negotiations are hard-fought but bounded. The real leverage for buyers lies in license structure, user limits, renewal terms, support tiers, and exit clauses. A CPO who only negotiates on license price in a mature software category is leaving the most important value on the table.

What this means for the buyer: in Maturity, your leverage is at its most predictable and your tools are well matched. Run structured competitive events regularly. Do not allow incumbency to become an unofficial moat. And go beyond price: negotiate every dimension of total cost of ownership with the same rigor you apply to unit price.

This is also the stage where building and maintaining a strong BATNA matters most. With multiple capable suppliers available, your alternatives are credible and your walk-away point is well-defined.

Negotiating with Leverage Suppliers - Maximize Savings Without Overplaying Your Hand Supplier Objective: Maximize revenue and margins.

Procurement Opportunity: Volume commitments, bundling, long-term agreements.

Stage 4: Decline

Decline is the most underestimated stage in procurement. Most teams treat it as a wind-down. In reality, it is one of the highest-leverage stages for a buyer who knows how to read it.

When a product or service enters Decline, the supplier is managing a shrinking business. They are facing the inevitable: investment will stop, customer numbers will fall, and eventually the product will be retired or replaced. Their priorities shift dramatically. Volume becomes precious. Long-term commitments become valuable. Any buyer who is still purchasing represents continuity in an increasingly uncertain revenue picture.

That shift in supplier priority is the buyer’s opportunity.

Legacy technology procurement is the clearest modern example. Think about companies still running on-premise enterprise software that the vendor is transitioning away from, or industrial machinery that uses a component generation that has been superseded. The supplier of that legacy product has one overriding goal: maintain revenue from the installed base while managing the transition. A buyer who can offer continued volume, even modest volume, has considerable leverage on pricing, support terms, and transition timelines.

I recall a situation where a procurement team was sourcing replacement parts for aging industrial equipment. The OEM had moved on to a new product generation and was managing the legacy line on a skeleton basis. The buyer assumed this meant parts would be scarce and expensive. In reality, the OEM was delighted to find a buyer who would take a bulk commitment. The buyer ended up with a three-year parts supply at a 30 percent discount in exchange for a committed volume order that solved the OEM's inventory problem. Neither party started the conversation expecting that outcome.

The Decline stage also creates a different kind of leverage: the leverage of being the last committed buyer. In niche markets, the final buyer for a declining product often has more power than any buyer did in the Maturity stage, simply because the supplier has no one else to turn to for that volume.

The flip side of Decline, and it is worth being honest about this, is supply risk. A supplier managing decline may reduce investment in quality, lead time reliability, and customer service. The cost of a supplier exiting the market entirely falls on the buyer who has not developed an alternative. This is where the Bottleneck category in the Kraljic framework becomes critical: a Decline-stage supplier with no viable alternative is one of the most dangerous procurement positions to be in. Plan for it early. Negotiating with Bottleneck Suppliers: Secure Supply Without Giving Away Control. What this means for the buyer: in Decline, your commercial leverage on price and terms can be surprisingly strong if you offer commitment. But manage supply risk in parallel. Develop alternatives. Understand the supplier's transition timeline. And never mistake a supplier's eagerness to sell as evidence that the supply chain is healthy.

Supplier Objective: Harvest remaining value.

Procurement Opportunity: Significant discounts, inventory clearance opportunities, transition support.

The Missing Question in Most Procurement Strategies

Most procurement frameworks focus on supplier risk, spend value, market conditions, and business impact. All of these are important. However, there is another dimension that is often overlooked:

- What is the supplier trying to achieve with this offering?
- Are they maximizing profits?
- Growing market share?
- Entering a new geography?
- Launching a new technology?
- Defending against competitors?
- Or monetizing a mature product before investing elsewhere?

The answers can significantly change your sourcing and negotiation strategy.

One of the practical challenges with life cycle thinking is that suppliers rarely announce which stage they are in. You must read the signals. Life Cycle is not always obvious:

In the Introduction stage, look for limited competitive alternatives, active supplier marketing and education investment, pricing anchored on value rather than cost, and a supplier eager for your endorsement or case study.

In the Growth stage, look for increasing numbers of qualified competitors, pricing starting to standardize, suppliers offering volume incentives, and active investment in capacity and capability.

In the Maturity stage, look for a stable, competitive supplier landscape, transparent pricing, commoditized specifications, and supplier differentiation shifting toward service, terms, and total cost rather than product features.

In the Decline stage, look for supplier investment slowing, product innovation absent, competitors exiting the market, legacy-focused customer bases, and pricing pressure that the supplier accommodates more readily than expected.

None of these signals are definitive on their own. But taken together across a category, they paint a clear enough picture to inform your negotiation approach.

Life Cycle Thinking and Negotiation: The Direct Connection The reason life cycle matters so much in negotiation comes back to a simple truth: every negotiation is shaped by the balance of need between buyer and supplier. Life cycle stage is one of the most reliable indicators of where that balance sits at any given moment.

A supplier in the Introduction stage needs market validation more than volume. A supplier in Growth needs committed buyers to scale. A supplier in Maturity needs to defend share against competition. A supplier in Decline needs revenue continuity in a shrinking market.

Each of those needs is a lever. The buyer who understands which lever is active in a given negotiation has a structural advantage that no amount of tactical negotiating skill can fully compensate for.

The preparation that happens before the conversation starts determines most of the outcome. Reading the life cycle is part of that preparation. Why procurement value is created in negotiation, not processing and for procurement leaders building a professional team, this is exactly the kind of thinking that separates a process manager from a category expert. The ability to read a market, understand the supplier's position, and time procurement decisions accordingly is a core skill, not an advanced one. A common misconception is that life cycle thinking applies to products but not services. That is not accurate. Services go through exactly the same stages, and the procurement implications are just as significant.

Take outsourced logistics. In the early years of third-party logistics as a category, buyers had limited choices and limited benchmarks. The Introduction stage gave suppliers strong pricing power. As the market grew and more providers entered, Growth dynamics improved buyer leverage. Today, in most markets, 3PL services are a Mature category with transparent pricing, competitive alternatives, and standardized service definitions. A buyer negotiating 3PL contracts today has tools and benchmarks available that simply did not exist fifteen years ago.

Or consider AI-powered analytics services. This category is moving from Introduction into early Growth in most industries. Pricing models are not yet standardized. Suppliers are actively competing for reference clients. Buyers who understand this and negotiate accordingly, pushing for pricing protections, platform flexibility, and exit rights, will be in a meaningfully better position in three years than those who sign standard supplier-drafted agreements at today's early-market rates.

The principle is the same regardless of whether you are buying a physical component or a professional service. What stage is the market in? What does the supplier need from a buyer right now? And how do you align your negotiation strategy with those realities?

Appendix I: Author Details

Anupam Aggrwal is the Chief Executive Officer and Co-Founder of procurEngine, the AI-powered Source-to-Pay platform built by AgileApt Solutions. He has spent more than 25 years handling commercial negotiations and helping organizations improve procurement performance through process transformation, digitalization and strategic sourcing. That work spans manufacturing, EPC, construction and services, where he has helped procurement teams simplify operations, improve spend visibility, strengthen supplier relationships and turn sourcing decisions into measurable business value.

Alongside the executive role, he teaches. He is a guest lecturer to supply chain students at the Mays Business School at Texas A&M University and at the Eli Broad Graduate School of Management at Michigan State University, drawing on live negotiation and category management practice rather than textbook theory. He is based in Austin, Texas.

Appendix II: About procurEngine

procurEngine is an AI-powered Source-to-Pay (S2P) platform that helps enterprise procurement teams streamline procurement operations, improve supplier collaboration, and achieve measurable business outcomes. Developed by AgileApt Solutions, procurEngine brings sourcing, procurement, supplier management, contract management, purchasing, invoicing, and analytics together on a single, connected platform.

Category intelligence, including understanding where a product or service sits in its life cycle, is one of the capabilities that separates high-performing procurement teams from average ones. But it requires visibility: visibility into your spend patterns, your supplier landscape, and how your sourcing events are performing relative to the market.

procurEngine with its AI powered Source to pay platform with procurement transformation services, helps you structure sourcing events, track supplier performance over time, and maintain a live picture of your category landscape so that decisions like when to go to market and how to negotiate are informed by data, not instinct.

Whether organizations are digitizing procurement for the first time or modernizing legacy processes, procurEngine provides the flexibility, scalability, and integration capabilities required to support global procurement operations.

Global Offices

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Product: procurEngine – AI-Powered Source-to-Pay Platform for Enterprise Procurement

Developed by: AgileApt Solutions