**MOMENTUM SPORTS**

*Built for the Journey*

**SUPPLIER CONTRACT NEGOTIATIONS**

**& PRICING MATRIX**

Strategic Procurement Framework

January 2026

**CONFIDENTIAL & PROPRIETARY**

*For Internal Use Only*

# EXECUTIVE SUMMARY

**Purpose & Scope**

This Supplier Contract Negotiations & Pricing Matrix provides strategic guidance for procurement negotiations at Momentum Sports. Managing $109.8M in annual revenue across 397 SKUs spanning four product categories (bikes, components, clothing, accessories) requires sophisticated supplier relationships and pricing strategies. This framework supports the Supply Chain & Procurement Manager in optimizing costs, ensuring quality, and building lasting partnerships with global suppliers.

**Key Business Context**

• Annual Revenue: $109.8M across 121,253 transactions

• Product Portfolio: 397 SKUs (125 bikes, 189 components, 48 clothing items, 35 accessories)

• Annual Volume: 274,776 units sold

• Distribution Model: B2B (73%, $80.5M) and B2C (27%, $29.4M)

• Geographic Reach: North America, Europe, Pacific regions

• Reseller Network: 701 partners (238 VAR, 232 Warehouse, 231 Specialty)

**Strategic Objectives**

1. Cost Optimization: Achieve 5-8% annual cost reduction through strategic negotiations

2. Quality Assurance: Maintain zero-defect standards with less than 0.5% return rates

3. Supply Security: Diversify supplier base to reduce single-supplier dependencies

4. Partnership Excellence: Build long-term strategic relationships aligned with brand values

5. Operational Efficiency: Maintain >95% on-time delivery across all supplier categories

# 1. SUPPLIER CATEGORIZATION MATRIX

Momentum Sports categorizes suppliers based on strategic importance and annual spend, enabling tailored negotiation approaches and relationship management strategies.

|  |  |  |  |
| --- | --- | --- | --- |
| **Category** | **Annual Spend** | **Strategic Value** | **Negotiation Approach** |
| **Strategic (Tier 1)** | $5M+ (Top 5-8 suppliers) | Critical to core business (Bikes, key components) | Partnership model, annual strategic reviews, co-innovation |
| **Preferred (Tier 2)** | $500K-$5M (15-20 suppliers) | Important product lines (Components, clothing) | Collaborative negotiation, quarterly reviews, volume commitments |
| **Transactional (Tier 3)** | $50K-$500K (30-40 suppliers) | Standard products (Accessories, consumables) | Competitive bidding, annual contracts, performance-based |
| **Spot Buy (Tier 4)** | <$50K (Ad hoc suppliers) | Low complexity items (Packaging, misc. supplies) | Price-focused, purchase orders, market rates |

## Product Category Breakdown

|  |  |  |  |
| --- | --- | --- | --- |
| **Product Category** | **SKU Count** | **Annual Revenue** | **Primary Supplier Type** |
| **Bikes** | 125 | $94.6M (86%) | Strategic (Tier 1) |
| **Components** | 189 | $11.8M (11%) | Strategic/Preferred (Tier 1-2) |
| **Clothing** | 48 | $2.1M (2%) | Preferred/Transactional (Tier 2-3) |
| **Accessories** | 35 | $1.3M (1%) | Transactional (Tier 3) |
| **TOTAL** | **397** | **$109.8M** | Mixed |

# 2. VOLUME-BASED PRICING TIERS

Volume-based pricing structures enable Momentum Sports to leverage our scale (274,776 annual units) while maintaining flexibility for both bulk reseller orders and direct consumer purchases.

## Bikes - Volume Pricing Structure

**Mountain-200 Series (Flagship Product Line)**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Volume Tier** | **Unit Range** | **Cost/Unit** | **Discount** | **Payment Terms** |
| **Tier 1 - Strategic** | 5,000+ | $850 | Base | Net 60, 2/30 |
| **Tier 2 - High Volume** | 2,000-4,999 | $875 | +3% | Net 45, 2/30 |
| **Tier 3 - Standard** | 500-1,999 | $910 | +7% | Net 30 |
| **Tier 4 - Small Batch** | 100-499 | $950 | +12% | Net 30 |
| **Tier 5 - Spot** | <100 | $995 | +17% | Net 15 |

## Components - Volume Pricing Structure

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Component Type** | **Tier 1 (5000+)** | **Tier 2 (1000+)** | **Tier 3 (500+)** | **Tier 4 (<500)** |
| **Wheelsets** | $85 | $92 | $98 | $105 |
| **Drivetrain** | $120 | $128 | $138 | $148 |
| **Brakes (Set)** | $65 | $70 | $75 | $82 |
| **Suspension Forks** | $180 | $195 | $210 | $228 |
| **Handlebars/Stems** | $28 | $32 | $35 | $38 |

## Clothing & Accessories - Simplified Pricing

|  |  |  |  |
| --- | --- | --- | --- |
| **Category** | **Bulk (500+)** | **Standard (100+)** | **Small (<100)** |
| **Cycling Jerseys** | $28 | $32 | $38 |
| **Shorts/Bibs** | $42 | $48 | $55 |
| **Gloves** | $12 | $15 | $18 |
| **Helmets** | $55 | $62 | $72 |
| **Lights (Set)** | $22 | $26 | $32 |
| **Locks** | $18 | $22 | $28 |

# 3. NEGOTIATION STRATEGIES BY SUPPLIER TIER

Tailored negotiation approaches maximize value while building sustainable partnerships aligned with Momentum Sports' core value of Partnership Excellence.

## Tier 1 Strategic Suppliers - Partnership Approach

*Target: 5-8 key bike and component manufacturers ($5M+ annual spend)*

**Key Leverage Points:**

• Volume commitment: 90,000+ bikes annually across North America, Europe, Pacific

• Multi-year contracts (3-5 years) with annual escalation clauses

• Joint product development and market insights from 701 reseller network

• Forecast visibility: rolling 12-month projections with 6-month firm commitments

• Payment reliability: AAA credit rating, Net 60 terms, early payment discounts

**Negotiation Tactics:**

• Position as preferred distribution partner across three continents

• Emphasize operational excellence: 99%+ order accuracy, <2% stock-out rate

• Offer exclusive regional distribution rights for flagship products

• Propose co-marketing initiatives leveraging our mature customer base (avg age 52)

• Request preferential treatment during supply constraints

• Annual strategic business reviews with executive participation

**Target Cost Reduction: 5-8% annually through efficiency gains, not margin squeeze**

## Tier 2 Preferred Suppliers - Collaborative Approach

*Target: 15-20 component and clothing suppliers ($500K-$5M annual spend)*

**Key Leverage Points:**

• Consistent quarterly orders: 12,000-16,000 units per category

• Annual contracts with quarterly volume commitments

• Growth potential: access to 701 resellers for supplier expansion

• Streamlined ordering: EDI integration, automated replenishment

**Negotiation Tactics:**

• Volume-based tiering: offer to increase order size for better pricing

• Payment term optimization: request extended Net 45 or Net 60 terms

• Quality incentives: bonus payments for maintaining <0.5% defect rates

• Delivery performance: SLA with penalties for >5% late deliveries

• Competitive positioning: leverage multi-supplier strategy without threats

**Target Cost Reduction: 3-6% annually through volume consolidation**

## Tier 3 Transactional Suppliers - Competitive Approach

*Target: 30-40 accessory and commodity suppliers ($50K-$500K annual spend)*

**Negotiation Tactics:**

• Competitive bidding: RFQ process with 3-5 qualified suppliers

• Annual contracts: 12-month fixed pricing with option to renegotiate

• Performance-based renewals: continuation depends on quality/delivery metrics

• Market rate benchmarking: leverage industry data for competitive pricing

• Strategic multi-sourcing: maintain 2-3 suppliers per category for leverage

**Target Cost Reduction: 2-4% annually through competitive pressure**

# 4. PAYMENT TERMS FRAMEWORK

Strategic payment terms optimize working capital while maintaining strong supplier relationships. Current business operations: $109.8M annual revenue, 121,253 transactions.

|  |  |  |  |
| --- | --- | --- | --- |
| **Supplier Tier** | **Standard Terms** | **Early Payment Discount** | **Strategic Incentives** |
| **Tier 1 Strategic** | Net 60 | 2% Net 30 | Quarterly rebates for volume targets |
| **Tier 2 Preferred** | Net 45 | 2% Net 30 | Annual volume bonuses |
| **Tier 3 Transactional** | Net 30 | 1.5% Net 15 | Quality performance bonuses |
| **Tier 4 Spot Buy** | Net 15-30 | None | Standard market terms |

## Working Capital Optimization Strategies

**1. Days Payable Outstanding (DPO) Target: 45-60 days**

Maintain extended payment terms with strategic suppliers while offering attractive early payment discounts to optimize cash flow cycles.

**2. Dynamic Discounting Program**

Offer suppliers option for early payment at sliding discount rates: 2.5% for Net 10, 2% for Net 20, 1.5% for Net 30. Supplier selects best option based on their cash needs.

**3. Currency Management**

Multi-currency operations (AUD, USD, EUR): Negotiate USD pricing for international suppliers to reduce FX risk. Utilize forward contracts for large commitments (>$1M).

**4. Letter of Credit (LC) Strategy**

For new suppliers or high-risk regions:

• Initial orders: Irrevocable LC at sight

• After 3 successful shipments: Transition to 30-day LC

• After 12 months: Move to open account terms

## Payment Term Negotiation Scripts

**Requesting Extended Terms:**

*"Given our projected annual volume of [X units] and flawless payment history, we'd like to discuss extending terms to Net 60. This aligns better with our distribution cycle and allows us to commit to larger order quantities, which benefits both organizations."*

**Offering Strategic Partnership:**

*"We're consolidating our supplier base and looking for long-term partners. In exchange for Net 60 terms and a 5% volume discount on orders over [X units], we can commit to a 3-year agreement with quarterly minimums and co-marketing support through our 701-reseller network."*

# 5. QUALITY STANDARDS & COMPLIANCE REQUIREMENTS

Quality Without Compromise is a core Momentum Sports value. All suppliers must meet stringent quality standards aligned with our brand promise to 18,485 direct customers and 701 reseller partners.

## Acceptable Quality Levels (AQL) by Category

|  |  |  |  |
| --- | --- | --- | --- |
| **Product Category** | **Target AQL** | **Maximum Defect Rate** | **Inspection Protocol** |
| **Bikes (Complete)** | 0.25% | 0.5% critical defects | 100% functional testing |
| **Safety Components** | 0.15% | 0.25% critical defects | 100% inspection + certification |
| **Components (General)** | 0.5% | 1.0% major defects | Statistical sampling (AQL 1.0) |
| **Clothing** | 1.0% | 2.5% major defects | Visual inspection + sizing |
| **Accessories** | 1.5% | 2.5% major defects | Random sampling (AQL 2.5) |

## Mandatory Certifications & Standards

**All Products:**

• ISO 9001:2015 Quality Management System certification

• Compliance with Consumer Product Safety regulations (US CPSC, EU standards, Australian Competition & Consumer Act)

• Material safety documentation (REACH compliance for EU, California Prop 65 for US)

**Bikes & Safety Components:**

• EN ISO 4210 bicycle safety standards (Europe)

• CPSC 16 CFR Part 1512 (United States)

• AS/NZS 1927 Pedal Bicycles - Safety Requirements (Australia/New Zealand)

• Annual factory audits for Tier 1 & 2 suppliers

**Helmets & Protective Gear:**

• CPSC 1203 Bicycle Helmet Standard (US)

• EN 1078 Helmets for Pedal Cyclists (Europe)

• AS/NZS 2063 Bicycle Helmets (Australia/New Zealand)

## Quality-Based Contract Clauses

**1. Right to Inspect**

Momentum Sports reserves the right to conduct unannounced factory inspections at supplier facilities with 48 hours' notice. Third-party inspection agencies may be utilized at Momentum Sports' expense.

**2. Defect Remediation**

• Defect rates exceeding AQL thresholds trigger:

- First occurrence: Root cause analysis and corrective action plan within 7 days

- Second occurrence: 100% inspection at supplier's expense

- Third occurrence: Contract termination clause activated

**3. Warranty & Returns**

• Supplier provides minimum 12-month manufacturer warranty on all products

• Defective products returned within 90 days: full credit including freight costs

• Field failure rates >2%: supplier liability for all warranty costs and customer compensation

**4. Product Liability Insurance**

• Tier 1 suppliers: Minimum $5M product liability coverage

• Tier 2 suppliers: Minimum $2M product liability coverage

• Momentum Sports named as additional insured on all policies

# 6. DELIVERY & LOGISTICS TERMS

Global operations spanning North America, Europe, and Pacific require reliable delivery performance. Target: >95% on-time delivery across all supplier tiers.

## Lead Time Requirements by Category

|  |  |  |  |
| --- | --- | --- | --- |
| **Product Category** | **Standard Lead Time** | **Rush Order (10% premium)** | **Delivery Window** |
| **Bikes - Standard Models** | 45-60 days | 30 days | ±3 days |
| **Bikes - Custom Orders** | 90-120 days | 60 days | ±5 days |
| **Components - Tier 1/2** | 30-45 days | 21 days | ±2 days |
| **Clothing** | 60-90 days | 45 days | ±5 days |
| **Accessories** | 30-45 days | 21 days | ±3 days |

## Incoterms & Shipping Responsibilities

|  |  |  |  |
| --- | --- | --- | --- |
| **Supplier Location** | **Preferred Incoterm** | **Minimum Order** | **Freight Responsibility** |
| **Asia (China, Taiwan, Vietnam)** | FOB Port | Full Container (FCL) | Momentum arranges ocean freight |
| **Europe** | DDP Warehouse | Varies | Supplier delivers to warehouse |
| **North America** | DDP Warehouse | Varies | Supplier delivers to warehouse |
| **Australia/NZ** | DDP Sydney | Varies | Supplier delivers to warehouse |

## Delivery Performance Metrics & Penalties

**On-Time Delivery (OTD) Requirements:**

• Tier 1 Strategic: 98% OTD required (within delivery window)

• Tier 2 Preferred: 95% OTD required

• Tier 3 Transactional: 90% OTD required

**Performance-Based Penalties:**

• OTD 90-95%: Written warning, corrective action plan required

• OTD 85-90%: 2% rebate on quarterly purchases

• OTD <85%: 5% rebate + contract review for potential termination

• Critical delivery failures (>14 days late): Emergency expedite fees paid by supplier

**Inventory Management Collaboration:**

• Tier 1 suppliers: VMI (Vendor Managed Inventory) with weekly replenishment

• Rolling 6-month forecasts provided monthly with 3-month firm commitments

• Safety stock agreements: 30-day supply for A-items, 45-day for B-items

# 7. STANDARD CONTRACT TERMS TEMPLATE

Core contract provisions for all supplier agreements, customized by tier level and product category.

## Essential Contract Clauses

**1. TERM & TERMINATION**

• Tier 1 Strategic: 3-5 year terms with annual renewal options

• Tier 2 Preferred: 1-2 year terms with automatic renewal

• Tier 3 Transactional: Annual agreements

• Termination for convenience: 90 days' notice (Tier 1), 60 days (Tier 2), 30 days (Tier 3)

• Termination for cause: Immediate upon material breach, quality failures, or delivery issues

**2. PRICING & ADJUSTMENTS**

• Fixed pricing for contract term with CPI-indexed annual adjustments (maximum 3-5%)

• Material cost fluctuations >15%: renegotiation clause with 60 days' notice

• Volume rebates: Quarterly reconciliation based on actual purchases vs. commitments

• Most Favored Customer clause: Supplier warrants pricing equal to or better than competitors

**3. INTELLECTUAL PROPERTY & CONFIDENTIALITY**

• Momentum Sports retains all IP rights to product designs, branding, and specifications

• Non-disclosure of pricing, forecasts, and business information (5-year obligation)

• Prohibition on manufacturing for competitors using Momentum-developed specifications

• Joint development IP: Co-ownership with royalty-free licensing

**4. INDEMNIFICATION & LIABILITY**

• Supplier indemnifies Momentum Sports against product liability claims arising from defects

• IP indemnification: Supplier warrants products don't infringe third-party patents/trademarks

• Liability cap: Lesser of annual contract value or $5M (except fraud, willful misconduct)

**5. COMPLIANCE & ETHICS**

• Code of Conduct: Compliance with labor laws, environmental regulations, anti-bribery laws

• Social compliance: No child labor, forced labor, or human trafficking in supply chain

• Environmental standards: ISO 14001 or equivalent, conflict minerals disclosure

• Right to audit: Annual social compliance audits for Tier 1/2 suppliers

**6. FORCE MAJEURE**

• Definition: Natural disasters, war, pandemic, government actions beyond reasonable control

• Notification: Supplier must notify within 5 business days with mitigation plan

• Termination right: If force majeure persists >90 days, either party may terminate without penalty

**7. DISPUTE RESOLUTION**

• Escalation: Operational disputes escalated to executive management within 30 days

• Mediation: Good faith mediation required before arbitration (60-day process)

• Arbitration: ICC International Court of Arbitration, seat in Singapore

• Governing law: Australian law (for Australian suppliers), international commercial law (others)

# 8. SUPPLIER PERFORMANCE KPIs & SCORECARD

Comprehensive supplier evaluation framework aligned with operational excellence value. Quarterly scorecards drive continuous improvement and inform sourcing decisions.

## Weighted Scorecard Framework

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **KPI Category** | **Weight** | **Target** | **Acceptable** | **Measurement Method** |
| **Quality (Defect Rate)** | 30% | <0.5% | <1.0% | Defects per 1000 units received |
| **On-Time Delivery** | 25% | >98% | >95% | Deliveries within agreed window |
| **Cost Competitiveness** | 20% | Market -5% | At market | Quarterly market benchmarking |
| **Responsiveness** | 10% | <24hr | <48hr | Average response time to inquiries |
| **Innovation/Collaboration** | 10% | 2+ projects | 1 project | Joint development initiatives/year |
| **Compliance & Certification** | 5% | 100% | 98% | Audit pass rate, cert renewals |

## Quarterly Review Process

**Tier 1 Strategic Suppliers:**

• Quarterly Business Review (QBR) with executive attendance (COO, Supply Chain Manager)

• Detailed scorecard review with trend analysis and action plans

• Joint strategic planning: product roadmap, capacity planning, technology investments

• Annual strategic summit: senior leadership alignment on 3-year vision

**Tier 2 Preferred Suppliers:**

• Quarterly scorecard review via video conference

• Performance trend analysis with corrective actions for below-target metrics

• Semi-annual facility audits for quality and compliance verification

**Tier 3 Transactional Suppliers:**

• Quarterly scorecard distributed via email

• Review meeting only if performance drops below acceptable thresholds

• Annual contract renewal contingent on scorecard performance

## Performance-Based Incentives & Consequences

**Outstanding Performance (Score >95):**

• Recognition as "Supplier of the Quarter" with certificate and internal announcement

• Volume bonus: 1-2% additional rebate on quarterly purchases

• First consideration for new product category opportunities

• Extended payment terms (additional 15 days)

**Good Performance (Score 85-95):**

• Standard contract terms maintained

• Eligible for contract renewal and volume increases

**Needs Improvement (Score 75-85):**

• 30-day corrective action plan required

• Monthly progress reviews until score improves

• Volume at risk: no increases until performance improves

**Unacceptable Performance (Score <75):**

• Immediate executive escalation and 60-day performance improvement plan

• New supplier sourcing initiated in parallel

• Volume reduction: 50% of business moved to alternative supplier

• Contract termination if score remains <75 for two consecutive quarters

# 9. IMPLEMENTATION GUIDELINES

Practical guidance for Supply Chain & Procurement Manager (Samir Noor) and team to execute this framework effectively.

## Pre-Negotiation Preparation Checklist

**Strategic Planning (2-3 weeks before negotiation):**

☐ Analyze current supplier spend and performance scorecards

☐ Review market trends and competitive pricing benchmarks

☐ Gather input from Sales team on 12-month demand forecast

☐ Identify leverage points: volume potential, long-term commitment, market access

☐ Define walk-away terms and BATNA (Best Alternative To Negotiated Agreement)

☐ Secure internal approvals from CFO for target pricing and payment terms

**Documentation Assembly (1 week before):**

☐ Prepare detailed RFP/RFQ with specifications and volume projections

☐ Compile historical purchase data and pricing trends

☐ Create negotiation agenda with prioritized objectives

☐ Draft contract amendments or new agreement templates

☐ Prepare visual aids: spend analysis charts, quality scorecards, market comparisons

## Negotiation Meeting Structure

**Opening (15 minutes):**

• Establish collaborative tone aligned with Partnership Excellence value

• Review agenda and confirm time allocation

• Acknowledge supplier's contributions and historical performance

**Business Review (30 minutes):**

• Present Momentum Sports business update: growth trajectory, strategic initiatives

• Share 12-month demand forecast and 3-year strategic outlook

• Review supplier scorecard and performance highlights

• Invite supplier's business updates and market insights

**Core Negotiation (60-90 minutes):**

• Present proposals in priority order: pricing, volume commitments, terms

• Use data to support requests: market benchmarks, volume projections, quality metrics

• Listen actively to supplier constraints and creative solutions

• Explore value-added opportunities: joint development, exclusive rights, marketing support

• Document areas of agreement and outstanding items

**Closing & Next Steps (15 minutes):**

• Summarize agreements and commitments from both parties

• Establish timeline for contract drafting and final approval

• Schedule follow-up meeting if complex issues require additional work

• Reinforce partnership commitment and mutual success goals

## Post-Negotiation Actions

**Immediate (Within 48 hours):**

• Distribute meeting summary and action items to all participants

• Update internal stakeholders: COO, CFO, Sales Director on outcomes

• Document negotiation insights for future reference and team learning

**Short-term (1-2 weeks):**

• Draft and circulate contract amendments for legal review

• Update supplier master data in ERP system with new pricing/terms

• Communicate changes to Operations team for implementation

• Schedule contract execution meeting with authorized signatories

**Medium-term (1 month):**

• Verify first orders processed under new terms/pricing

• Track early performance against new commitments and KPIs

• Conduct internal debrief: lessons learned, process improvements

# 10. APPENDICES

## Appendix A: Key Contacts

|  |  |  |  |
| --- | --- | --- | --- |
| **Name & Role** | **Email** | **Responsibilities** | **Authority Level** |
| **Alex Morgan General Manager** | alex.morgan@company.com.au | Strategic supplier approvals, executive negotiations | $5M+ contracts |
| **Jordan Lee Chief Operating Officer** | jordan.lee@company.com.au | Operations integration, delivery terms | $1M+ contracts |
| **Taylor Singh Chief Financial Officer** | taylor.singh@company.com.au | Payment terms, financial approvals | All contract financials |
| **Samir Noor Supply Chain & Procurement Manager** | samir.noor@company.com.au | Lead negotiator, supplier management | Up to $500K |
| **Riley Chen Sales Director** | riley.chen@company.com.au | Demand forecasts, product strategy input | Advisory |
| **Skyler Bennett Product Manager** | skyler.bennett@company.com.au | Product specifications, quality standards | Advisory |

## Appendix B: Document Control

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| --- | --- | --- | --- |
| **Version** | **Date** | **Author** | **Changes** |
| 1.0 | January 2026 | Supply Chain Team | Initial framework release |

## Appendix C: Review & Update Schedule

This Supplier Contract Negotiations & Pricing Matrix is a living document requiring regular updates:

• Quarterly Review: Pricing tiers and market benchmarks (Supply Chain Manager)

• Semi-Annual Review: Negotiation strategies and KPIs (COO + Supply Chain Manager)

• Annual Review: Comprehensive framework assessment (Executive Team)

• Ad Hoc Updates: Major market changes, new product categories, regulatory changes

*— End of Document —*

**MOMENTUM SPORTS**

*Built for the Journey*

From Australia to the World