What Buyers Need To **Negotiate** with Automotive Suppliers on Equal Footing

Give your team an objective baseline for every negotiation. See how AI-driven should-cost intelligence turns assumption gaps into consistent, repeatable savings.

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Automotive procurement teams are increasingly being asked to negotiate better savings in less time, and with fewer experienced team members. This pressure is placed on sourcing professionals in the midst of a long period of economic uncertainty, with nearly eight in 10 (79%) automotive leaders saying that tariff-driven cost pressures are among the challenges that will hit the automotive sector hardest.[1]

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37% say labor and skills shortages are a top supply chain challenge

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Those costs directly affect demands placed on buyers through price increases, and the talent to handle them effectively is getting harder to find. In a survey of 473 automotive stakeholders, 37% say labor and skills shortages are a top supply chain challenge, while more than a quarter (27%) are making a shift from single to multiple sourcing options.[2] That means more quotes to request, qualify, and negotiate.

Meanwhile, the goalposts keep moving. Electric vehicle (EV) and software-defined vehicle programs present new procurement challenges because they have no long-term cost history to benchmark against, and they are often needed faster than most traditional automotive components.

Financial pressure isn't even across the board, either. The global average Earnings Before Interest, Taxes, Depreciation, and Amortization (EBITDA) for automotive original equipment manufacturers (OEMs) dropped from 11% to less than 8% between Q3 2024 and Q3 2025,[3] as suppliers strive to maintain margins by passing higher costs to up-tier suppliers and OEMs.

This isn't entirely a data problem. Procurement teams have plenty of past quotes, spend histories, and transaction records to draw from. The real problem is product intelligence: sourcing teams don't always know what a part *should* cost to make, or why. In this playbook, we'll explore that gap, three areas where it hits automotive buyers the hardest, and how to close it.

[1]"2026 Automotive Trends Report," Dykema, https://www.dykema.com/2026-Automotive-Trends-Report/supply-chain.html
[2]"AMS/ABB Automotive Manufacturing Outlook Survey," AMS, https://www.automotivemanufacturingsolutions.com/reports/amsabb-automotive-manufacturing-outlook-survey-2025-cost-pressures-bite-but-ev-and-hybrid-optimism-persists/2588253
[3]"Automotive industry outlook 2026," PwC, https://www.pwc.com/us/en/industries/industrial-products/library/automotive-industry-outlook.html

Challenge:

No **objective** cost visibility

A wide range of market conditions could trigger a price increase, including rising oil prices driving up resin costs for plastic parts and tariffs elevating production costs.[4,5] Competing price-change factors can even hit the same part at once, dramatically increasing production costs.

Yet sometimes the increases are larger than underlying market changes may justify. Though a supplier may owe an annual cost-down per its contract, it may also lump its attempts to recover input-cost increases together with that number and present them as a single net figure. Procurement teams can struggle to understand the math behind the new quote, especially if it lacks clarity.

"They'll just say oil prices have gone up, plastic material prices have gone up, and so we are increasing your prices by X percent," says Lily Thomas, Principal Consultant at aPriori, a provider of AI-powered costing intelligence for procurement teams. "If you don't have a way to understand what portion of the total part cost is material versus manufacturing cost, you don't have any way to know if the new price holds up."

Buyers rarely have objective visibility into the factors that change a part's production cost, such as whether a supplier started sourcing from a different region or whether tooling amortization has earned out.

[4]"Midyear Update: The 2026 Insider's Guide to Resin Prices," Plastics Today, https://www.plasticstoday.com/resin-pricing/the-2026-insider-s-guide-to-resin-pricing
[5]"GM releases 2026 first-quarter results, declares quarterly dividend," U.S. Securities Exchange Commission, https://www.sec.gov/Archives/edgar/data/1467858/000146785826000033/gmq12026pressreleaseandfin.htm

"Suppliers will sometimes hide costs in tooling," adds Barton Phinney, Director of Product Management at aPriori. "They'll give a discount on the piece part cost, but then they'll bake that back into the tooling so the customer doesn't actually get a discount."

As a result, buyers who can only negotiate on price have limited recourse. Even asking for a breakdown doesn't guarantee clarity, since suppliers might say the information is proprietary.

Procurement professionals are increasingly turning to general-purpose AI-enabled tools for answers. But these tools often lack the underlying knowledge to truly analyze how a part gets produced.

> **Five people could run the same prompt and get five different answers back. When AI is grounded in physics-based should-cost data, it can show its work, right down to machine rates, energy costs, and cycle times. The ability to justify and defend that number is really important when negotiating with a supplier.**
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> Barton Phinney, Director of Product Management at aPriori

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Challenge:

Regional **risks** and requalifications

As tariffs and geopolitical uncertainty continue to shift the global trade landscape, automotive OEMs and suppliers are considering reshoring to the U.S. or sourcing from new regions.

Section 232 tariffs on imported vehicles and certain auto parts remain in place,[6] with the U.S. Department of Commerce now allowing parts to be added to that list four times per year.[7] Meanwhile, the U.S. is declining to renew the United States-Mexico-Canada Agreement (USMCA) in its current form, likely increasing compliance costs, given that nearly half of all U.S. auto parts are made in Mexico.[8]

However, relocating elements of a supply chain is not a quick fix; it's a long-term bet. Qualifying suppliers in unfamiliar regions is slow work and traditionally involves plenty of risk and guesswork.

"Changing regions means quantifying the impact, understanding cost outliers, and finding the major spend opportunities that are really going to impact your profit and loss statement," says April Guenet, Senior Product Marketing Manager at aPriori. "You need to do what-if scenarios. You need to requalify new suppliers. In the meantime, what parts can you renegotiate with the existing suppliers? What parts can you redesign? What parts could you potentially reshore later on once you've found the right location for them based on the market dynamics?"

That makes shifting regional sourcing strategies much more than a yes-or-no decision. Some things don't change, such as part geometries. But material, labor, and energy costs do change, and often the best process for the job will change because of them.

This is where leveraging AI with manufacturing intelligence can help. A full understanding of different manufacturing processes, regional pricing variations, and other relevant factors lets businesses benchmark regions against one another and choose the best option.

Explore more on how aPriori helps procurement teams navigate tariffs.



[6]"Section 232 Automotive Tariffs: Issues for Congress," United States Congress, https://www.congress.gov/crs-product/IN12545
[7]"Notice of the Opening of the Inclusions Window for the Section 232 Automobile Parts Tariff Inclusions Process," National Archives Federal Register, https://www.federalregister.gov/documents/2026/03/24/2026-05681/notice-of-the-opening-of-the-inclusions-window-for-the-section-232-automobile-parts-tariff
[8]"Automotive Manufacturing in Mexico: The Supplier's Guide," tetakawi, https://tetakawi.com/blog/automotive-manufacturing-industry-in-mexico/

Challenge:

Poor design **decisions** create sourcing problems

Most procurement specialists are not engineers. As such, they often lack the expertise to separate design-inherent costs from supplier margin padding. Yet much of a part's cost is locked in months before procurement is handed a design to source based on choices about tolerances, materials, and features.

> **There isn't really a cost-conscious culture on the design side of things. Speed is really important; they want to reach their launch timelines. So cost always becomes secondary.**
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> April Guenet, Senior Product Marketing Manager at aPriori

New EV models amplify this risk because many EV parts are being used for the first time. Thomas recalls one supplier that designed castings too large for most production lines, requiring the sourcing team to send the part back for redesign. AI grounded in manufacturing intelligence can analyze the full design and production process — from features and process routing to tooling and cycle times.

When buyers come to the negotiating table with this data, the conversation shifts from "Can we get a better price?" to "Is this the most cost-effective way to make this part?" Rather than asking general questions about price, negotiators can dig into the base assumptions driving that price.

Maybe aPriori assumes smaller bar stock, and the supplier is making it from a larger-sized bar. Instead of asking, 'Can you come down on the price,' you can say, 'Oh, you don't stock that size. Could you?'

These conversations don't need to wait for annual cost-down conversations. The inputs affecting a part's should-cost are always in flux. When a material index shifts, volumes come in below quoted assumptions, tooling amortizes, or engineering eliminates an operation, the part price usually holds until the next negotiation. Yet, each of these scenarios changes the gap between what the part costs to make and what the buyer is paying.

With up-to-date should-cost data available at any point throughout a contract, procurement teams can raise those opportunities with suppliers as they emerge rather than waiting for the next scheduled discussion.

Taking supplier negotiations to the next level

Each of these challenges sits atop an intelligence layer, but it's usually only the supplier who holds that information.

"The supplier comes to the table with the data, experience, and expertise," Phinney says. "That's very intimidating for somebody who doesn't have an engineering background and doesn't necessarily know the ins and outs of every manufacturing process."

As experienced commodity managers retire and more junior buyers take their place, that gap will only widen. Procurement teams need manufacturing intelligence that isn't subject to the institutional knowledge losses that come as experienced employees leave. That knowledge must exist outside any single buyer's expertise in a form that any negotiator can use when sitting down with suppliers.

Objective should-cost intelligence ultimately evens the playing field because it's built on how a product *should be made*, not on what it has *historically sold for*. Applying AI to that data helps buyers reach more favorable pricing and terms in a much shorter time frame. Whether the buyer has decades of experience or only a few months on the job, they can enter every negotiation informed about what the supplier already knows.

The goal isn't to squeeze suppliers or attack quotes in a way that could damage relationships. Instead, manufacturing intelligence helps buyers find where assumptions differ.

> **We've seen suppliers actually end up relying on aPriori estimates to help them quote. It extends the relationship between the supplier and the buyer because they're getting more information on how they manufacture than they typically would get. It just builds a little bit more trust within the process when it's done in the right way.**
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> April Guenet, Senior Product Marketing Manager at aPriori

To learn how aPriori's aiSource can help your company close the gap between supplier pricing and should-cost faster, visit aPriori.com.

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About aPriori

aPriori provides AI-powered product intelligence that helps manufacturers make faster, more profitable decisions from design through sourcing to production. Built on proprietary simulation engines and deep manufacturing data, the aPriori Intelligence Platform delivers real-time insight into product cost, manufacturability, and carbon footprint — enabling teams to reduce time-to-market, improve margins, and meet sustainability targets. According to a Forrester Total Economic Impact™ study, aPriori customers achieve approximately 600% ROI within three years and payback in under six months.
To learn more, visit www.apriori.com.

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