

Negotiations and Vendor Partnerships

How to make the most out of
what you have

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Topics

- When to negotiate and when to partner overview
- How to optimize use of vendor products and services in your organization
- Best practices to take the negative out of negotiations
 - With examples and scenarios that can make the negotiation process productive and fun
- Partnership Elements
- How to determine what makes a good vendor partnership
- Key points to remember

Negotiate or Partner?

Negotiate if:

- you're dealing with content or services where there are plenty of providers; then just do normal negotiating and get the best price
- you are not looking for a long term relationship with a vendor

Partner if:

- you have or anticipate a multi-year, long-standing relationship with a vendor
- a short term vendor could become a long term partner
- you're in tumultuous times and change is an issue and technology, user behavior and more are changing fast, then pick a good partner and really partner with them. You can't invent the future alone.

Before you begin do your homework

Customer should know or plan to find out:

- vendor's industry and position in the industry
- vendor's business operations and needs
- key vendor personnel background

Vendor should know or plan to find out:

- customer's industry and position in the industry
- customer's business operations and needs
- key customer personnel background

Trust matters

- Positioning of vendor and customer in each other's markets makes a difference
- Vendor must understand client buying decision process, timeframe, budget etc.
- Vendors are not evil
- Customer must understand:
 - what vendor can provide outright vs. customized
 - pricing structures
 - Terms & Conditions and how they are applied in a specific environment -- not all T's & C's are alike

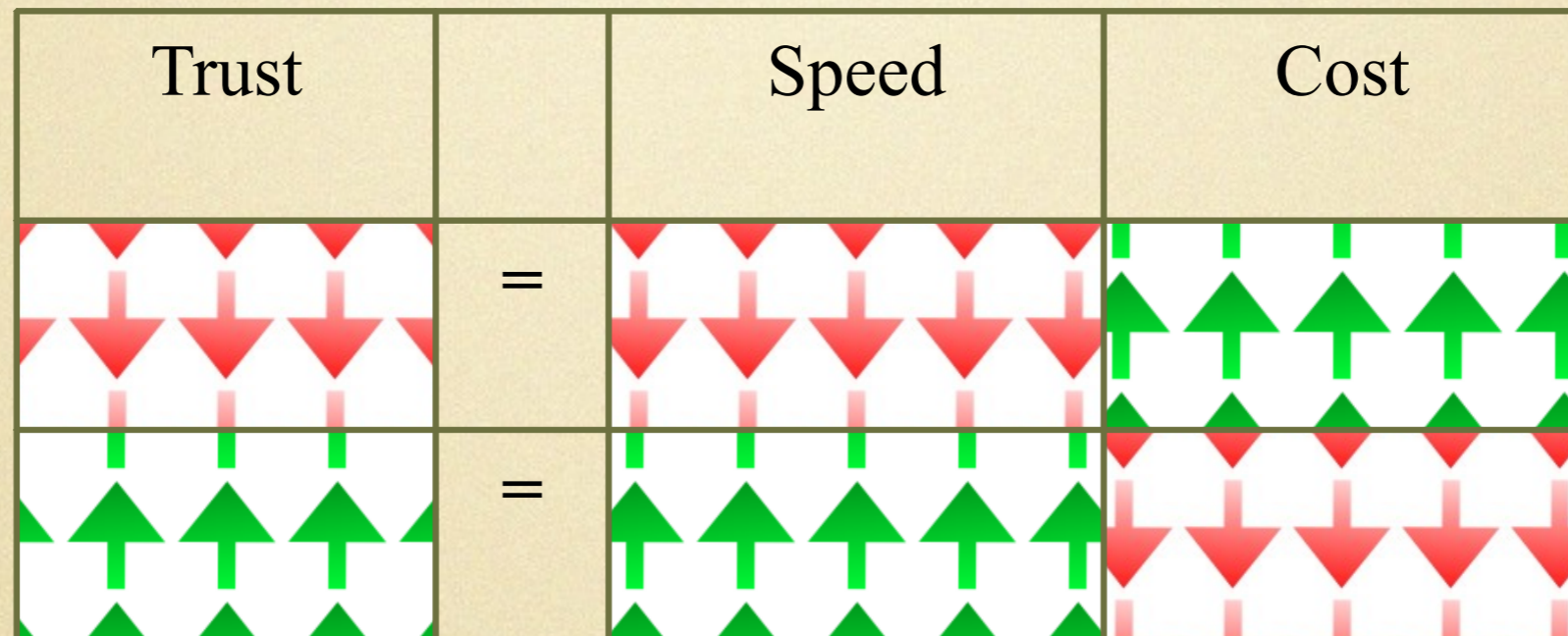
The Speed of Trust

Trust Myths	Trust Realities
Soft, nice to have social value	Hard edged economic driver. “Nothing is as fast as the SPEED of trust”
Trusting people is too risky	Not trusting people is <u>more</u> risky
You can't teach trust	Trust can be both taught & learned

“It is all about ‘smart trust’ and verification, not being blind, gullible or suspicious”

From: Stephen M.R. Covey “The Speed of Trust”

The Trust Tax



“Without trust, you don’t truly collaborate – you coordinate or cooperate but don’t collaborate.”

I guess it boils down to credibility on the vendor’s side and reasonableness on the client’s side.”

From: Stephen M.R. Covey “The Speed of Trust”

Optimizing vendor products and services use in your organization

- Be sure you know your organizational needs
- Know what your bottom line is, start with something better than that, and be prepared to negotiate. The vendor wants your business even more than you want their service. Use that as leverage.
- Research vendor(s) with solutions to meet your needs. Find out:
 - Key customer set - are you a part of it?
 - ▶ Example: Are academic libraries a major % of install base?
 - Install base & renewal percentage?
 - Key personnel background - what is their reputation?
 - Does this vendor have longevity or very new? You want to be sure they are around as long as you want/need their products and services
- Learn what vendor's competitors are offering

Optimizing vendor products and services use in your organization

- Negotiate use of content (licensing), training, marketing support, customer service - not just price
- Vendor references are good, but know they may be biased. Find your own references (through networking @ SLA meetings, for example) would be ideal.
- Beware the slick demonstration or emphasis on features you don't need
- Do a gut check on your decision
 - Does vendor have your best interests in mind with their solution?
 - Do they have a reputation for hiking up the prices every year for no apparent reason?
 - Do you feel well serviced by the sales and technical support team?

Negotiation Environment

- Librarians need to know their own business when talking with a vendor
- Good vendors bring in product experts as needed to ensure understanding, which is a core competence of the vendor, so the customer has to be willing to provide adequate information, scope, etc. to ensure the right resources are brought to the table
- Most vendors will allow use of a product 'as is' for a proof of concept but NOT for a full implementation; customizations are usually extra
- Price needs to be reasonable so vendor can provide proper products and services
- Give vendor a % to work with so they have a target to work toward. Otherwise it is a guessing game
- Most customers want products that perform as sold. Others are willing to experiment or take on some risks. Ex: Academic sites are often early adopters and test things out
- Sometimes vendor has to walk away due to too low price or unrealistic expectations

Negotiation is more than price

Other factors to consider:

- Licensing has many facets
- Annual maintenance is key for many software products
- Training - on-site, on-line or elsewhere
- Marketing support to YOUR clients
- Availability and quality of account rep and service support

Best Practices to Take Negative out of Negotiations

- Strive for win/win solution. “Get on same side of the table” as vendor.
- Approach with point of view that you AND vendor both want to serve your patrons.
 - The conversation is invariably amicable and almost always results in a good deal for all sides
- Driving vendors into the ground results in no one winning
 - At very least there is no trust or relationship
 - At worst there is no vendor
- Ask if a deal can be negotiated, but ask for what is reasonable
 - If changes occur internally or a mistake has been made during negotiations (budgets/staff cut during discussions, a key expense you forgot impacts your decision), then be upfront about it
 - Vendors can be flexible if asked nicely and they can present to their bosses in a good way

Best Practices to Take Negative out of Negotiations (continued)

- Do your own math so you know the year to year % and \$ change
- If fee is difficult to pay, better to call and discuss possible options
 - Don't call in a panic when there is a desperate situation
- Do all the details and keep senior management informed
- Have senior management meet with vendor at a critical juncture to optimize leverage such as critical negotiation point or signing the deal
- Never revert to 'it says in the contract'; that's a death knell. Vendor will likely consider ending the relationship at end of natural conclusion
- ➔ **Vendors do 'fire' customers when they cost too much, are not worth the effort, or are not willing to meet the vendor half way - and that is not necessarily an actual half-way**
- Ultimately, be prepared to walk away from the deal

Existing Contracts Renewal Negotiation

Both sides should:

1. Know the value of the service/content
 - Ex: usage statistics or end-user feedback -- with year to year information on trends upward/downward
 2. Know the competition for supplying the same or similar services, benefits & drawbacks pitched by competitors
 3. Be prepared for the meeting:
 - ” take time to anticipate questions and push-back which may arise
 - ” do your due diligence and homework
- Doing these things consistently gets more respect & deference in the process and gains trust with counterparts
 - Typical result is a quicker, mutually beneficial resolution to the negotiation and the experience is a positive one for everyone

Partnerships

Vendor-Customer Partnership Lifecycle

- New - both sides getting to know what each other is all about
- Mature - an established working relationship that has been defined -- partner or simply vendor/supplier?
- Old - need regular review
 - May have legal & financial reasons to re-evaluate if not overseen properly

Partnership Elements

- Truly understand what it means to be a real, long-term partner
- Be willing to commit to a true business relationship
 - ✦ You will derive benefits that exceed your original goals and imagination. Your organization will thrive too
- Partner with vendors to help improve their services or help them be more competitive
- If you can't trust then don't do it
- If you don't think you can give your all, then don't do it
- If a better price is all that's wanted, don't engage in partnership discussion. Just do basic negotiation to get your goal
- Partnerships have unintended consequences which cannot be absolutely defined in a contract in advance
 - ✦ If you can't get that, don't enter into a real partnership

Partnership Elements continued

- Conflicts of interest - Understand core business of vendor and types of clients they serve
- Due diligence imperative - Research potential partner to ensure no problems with the company. Get references as needed - list of other partners
- Have clear delineation of work breakdown structure. Who is responsible for what
- Be clear on fundamentals unless hiring vendor to do thinking as well as development and/or production
- If in partnership with a vendor to solve a third party problem, one group should be identified as focal point
- Understand motivation. Vendor is motivated by profit and growth. Other party's motivation may and will be quite different
- Communication is key

Partnership Elements continued

- Empathy: Understand concerns AND agenda of all parties involved.
 - Successful partnerships executed best when wins are achieved by all parties.
 - May sound basic, but difficult to properly execute.
 - 🕒 Good technique: have offline, casual meetings with each group ahead of any group meetings - get everyone on same page as possible & limit surprises
- Communication: Clients need to clearly communicate expectations to vendor.
 - Problems and surprises WILL occur and when they do, it's critical to be able to have effective communication to resolve them quickly
- Authority: Important to have buy in from management and other stakeholders
 - Avoids repeating/explaining details many times to different groups
 - Include stakeholders in other departments (Legal, IT, etc). All will have concerns that can delay and confuse progress
 - A well respected partner can successfully field concerns internally.

Partnership Elements (continued)

Partnerships are a journey

- Talk along the way. Every conversation doesn't have to have a price tag attached to it. Share what your problems are.
- Understand that it takes time and there will be rocks in the path
- Understand that beta trials, advisory boards, conferences, etc. are all part of the deal to a relationship
- Talk deeply about what you want as organizations together. Share the risk. Share the rewards. Share the praise and credit. Don't blame. Just discuss the bumps as mature adults. Every success is another step to more.
- Every failure is a learning opportunity With this attitude you can slay dragons

Initiating & Strengthening Partnerships

- Communication is key – to meet needs, they must be communicated
- Have patience and understanding – vendor must ask lots of questions, so commenting ‘you should know all this’ or ‘send me a quote’ is not a good response to vendor
- Customer needs to give vendor reasonable time to understand customer needs to respond properly
- Vendors hope clients have done their homework and have a clear idea of the deliverable, project time frame, and budget
- All sides must understand the scope of a project to ensure getting a proper quote
- Build trust to negotiate better & to meet needs for scope of project. This will lead to good understanding and internal investment – can project start small and scale up? This is one way to meet budget concerns

What Makes a Good Partnership?

Most important is communication. A relationship lives or dies on communication.

- Don't hesitate to call or email with questions - vendor or customer
- Make sure someone is a designated contact
- Communicate regularly to review matters - phone, online, etc.
 - Early stages of big projects - weekly is best. Later, monthly reviews
 - Plan in-person meetings quarterly or less frequently as needed
 - Take advantage of conferences or local chapter meetings to talk informally
 - Don't wait to ask a vendor something critical in person at a conference

What Makes a Good Partnership? (continued)

- Know the key gatekeepers and when those people change
 - Promotions, personnel actions, new hires happen
 - Good partners inform each other as early as feasible when known
- Most successful partnerships come from respect on both sides, which includes the negotiating phase
- Enjoy the relationship. No need to have fear on either side.
 - Partnerships are meant to be good and worthwhile, even enjoyable.
 - Negotiating can and should be fun. View as a game - a serious one

What Makes a Good Partnership? (continued)

- Vendors are NOT evil
 - Vendors need and want to make money, but a librarian needs a salary too
 - Vendors pay lots of salaries, so need to charge for products and services
- The most important thing vendors can do (besides communicate!) is to give really good service.
 - This yields reputation for delivering & maintaining products and services
 - Critical for vendors supplying hosted or 'cloud' type services
 - Vendors who go the extra mile or two will reap rewards in due course
- Customer review vendors on a regular basis and adjust agreements accordingly
- Vendors review customers on a regular basis, and make decisions based on their corporate goals, strategy, etc., in addition to cost

Key Points to Remember

Whether engaging in negotiations or entering into a partnership:

- Trust is a must
- Communication is critical

Questions?