

Contract Negotiation

Where Do I Start?

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What Are We Talking About?

- More than just placing orders
- More than just agreeing on a price

..... Entering in to one or more exchanges of information with another party in order to improve a position and eventually reach a mutually acceptable agreement

Why Try?

- **Best case / worst case**
- **Negotiation is part of our job**

..... Pre-planned event, forced by regs, desired by company, desired way of obtaining the most complete contract, best method to ensure mutual benefit from the deal

When Do We Negotiate?

- **When we publish plans to downsize our supplier base**
- **When we publish plans to expand production in to new markets**

..... When we call our significant other and suggest going somewhere special for dinner on Saturday...

An Ideal World All Is Simple



Infamous Cow Pie Example:

➤ While trekking across the field, I make a simple decision:

❖ Avoid the cow pies

..... I decide ahead of time to pay attention and develop a personal action plan to avoid the problem. How?

Can I Avoid The Problem?

- Use the road not the field
- Plan the safest route
- Tread cautiously
- Mitigate the problem; wear boots

..... Ready yourself & prepare to step in one

Personal Negotiation Example:

- **Countdown to two of the most important negotiations in our personal lives**
 - ❖ **26 days and again in 57 days**
- **Most of us failed the first time and have been learning from our mistakes**
- **How did we learn to succeed?**
 - ❖ **By building common needs into a larger agreement**

How Do We Succeed?

- **Planning ahead**
- **Considering alternatives**
- **Anticipating the issues**
- **Seeking a win-win agreement**
- **Practice on the little things**

*..... Remember the first time you had a choice
and forgot to plan ahead?*

Business Example:

➤ **Sole-source supplier of a product that you purchase multiple times?**

..... What are some of the common problems dealing with a sole source supplier that might have to be discussed and negotiated before award?

Sole Source

- **We can succeed (or at least do better) by:**
 - ❖ **Planning ahead,**
 - ❖ **Considering alternatives,**
 - ❖ **Anticipating the issues and**
 - ❖ **Seeking a win-win agreement**

A Reality Show:

- **Govt. Purchase requiring documentation**
- **Sole source upgrade equipment \$150K**
- **Buyer started discussion with;**

“ You have to give me documentation to support the action”

“ How much more will it would cost if we order through a distributor so we can get the documentation”

.... And the salesman said?

What Went Wrong?

- **Was this going to be a field of cow pies?**
- **Did she start off walking before planning?**
- **Did she step right in the middle of a big cow pie?**

..... What could we have done ahead of time before asking for a proposal?

Enough Examples

- **Can we agree that negotiation is our job?**
- **Can we agree that we want to negotiate?**
- **Are we ready to get started?**

..... Lets step off into the field.....

Getting The Right Attitude

- **I will prepare myself for this situation**
- **I know everything is negotiable**
- **Regardless of what everyone has said on paper, I assume we will find a way to reach an agreement**
- **We will discuss all of the issues**

Don't Be Intimidated!

➤ **The people you are negotiating with do this more often than you do. It's their job and they are trained**

..... The buyer does hold a few good cards

Buyer's Cards:

- **It's our money.**
Until a contract is signed, there is no sale
- **Even if the field already has a back-door-deal, buyer controls the payment process**
- **The buyer decides when to seek competition**
- **Sellers who don't cultivate the market force the market to find an alternate sources.**
 - ❖ **OPEC**
 - ❖ **Pone service**

Homework:

- **What can I do to get ready?**
- **How can I practice?**
- **References at hand?**

Learn The Language:

- Is there a better way to say:
 - ❖ “Your price is preposterous”
 - ❖ “You’re trying to cheat me”
 - ❖ “You’re not the low bidder”
 - ❖ “You can’t be serious”
 - ❖ “I want to buy”
 - ❖ “I need”
 - ❖ “I can’t accept”
 - ❖ “You are the worst salesman I’ve ever spoken with”

Seek Sage Advice

- **From your personal network of experienced colleagues. Prepare for:**
 - ❖ **Only getting one proposal?**
 - ❖ **Only having one source?**
 - ❖ **A take it or leave it offer?**
 - ❖ **A renegotiation?**
 - ❖ **A long term need?**
 - ❖ **A bankrupt supplier?**
 - ❖ **An obnoxious seller?**

Contract Shopping List;

- **Must be (product, delivery)**
- **Should be (cancellation agreement)**
- **Could be (quantity discount)**
- **Would like to be (emergency stock)**
- **Can't be (poor quality)**

..... Elements to include in the discussion (list as many as you can think of)

What To Negotiate?

- **The more details you find to discuss, the more likely the final deal will be mutually acceptable and valuable**
- **Success starts with one small item that both parties can agree on**
- **<http://www.mltweb.com/tools/what.htm>**

Know The Market

- **Total business capacity, volume up or down,**
- **Other customers**
- **Other sales of the same equipment**
- **Our volume**
- **Our value as a customer**
- **Our Alternatives**

Key Questions

- **Does the seller have to sell to you?**
 - **Does the seller want to sell to you?**
 - **Does the seller have an incentive**
 - **Is the price reasonable?**
 - **Are the terms reasonable?**
 - **Are there alternatives to ordering?**
- How can we change these answers to yes?*

Is That A Personal Question?

- **Does the salesman have to sell to you?**
- **Does he want to?**
- **What could make the salesman more interested in closing the deal?**
- **Would another buyer have other options?**

Other Tactics And Tendencies.

- **IF that > then this consequence**
- **Obviously you don't mean.....**
- **Change the terms**
- **Don't negotiate with Yourself**
- **Improve the deal by trading “giveaways”**
 - ❖ **example: A baker's dozen**

Who Wins & Who Loses

- The enemy is a malformed or incomplete contract
- If either party does not want to perform, both will suffer
- We both succeed if the contract runs smoothly and is mutually beneficial

*..... Can we both agree on these key points?
If so, then let's work together to negotiate a
great deal for both of us*

Resources

- **MLTweb – articles, programs and links**
 - ❖ www.mltweb.com/prof/tools.htm#NEGOTIATION
 - ❖ <http://www.mltweb.com/tools/what.htm>
- **MLTweb – BuyTrain email news**
 - ❖ <http://www.mltweb.com/tools/buytrain/index.htm>
- **Ross Reck - weekly reminder emails**
 - ❖ <http://www.rossreck.com/nl/browse.asp>

NEGOTIATION



- [Planning Better Negotiations](#)
Seminar outline (a little out of date, but still a great place to start planning.)
- [Negotiation Checklist](#)
What issues should I consider negotiating in a contract?
The big list!
- [Creative Contracting](#)
Workshop PowerPoint presentation

Articles & Essays

- [Negotiation: An Art of Details](#)
May 2006
- [Win Win Opponent](#)
Is there a loser if both the Buyer and Seller win?
April 2004
- [Creative Negotiation](#) (part 4)
February 2004
- [Creative Negotiation](#) (part3)
January 2004
- [Creative Negotiating](#) (part 2)
December 2003
- [Creative Negotiating](#) (part 1)
November 2003
- [Don't be Afraid to Ask!](#)
- [Serve the Ball](#)
In a negotiation, you don't own every problem...
- [The Full Meal Deal](#)
Don't forget to negotiate the details
- [It's Never Too Soon to Start](#)
A negotiation can be over before you know you've started!
- [The Whole is Greater than the Parts](#)
- [Negotiating With a Friend](#)
Sometimes you have to do it!
- [Leading Questions](#)
Shape the answer you want by the questions you ask.

other negotiation web sites

- [Everyone Negotiates](#)
- [The Negotiation Skills Company](#)

ISSUES TO CONSIDER NEGOTIATING

Excerpts from the seminar: [PLANNING BETTER NEGOTIATIONS](#)

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Review this list before you negotiate any contract. Take advantage of all the opportunities and cover all the important issues.

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|---|---|--|
| <ul style="list-style-type: none">• Availability• Administrative charges• Alternate Dispute Resolution• Amortization schedule• Audit rights• Barter arrangements• Cancellation charges• Confidential information• Contingencies• Copyright• Changes• Consignment inventory• Cost Breakdown• Counter trade• Currency• Customer visits• Damages• Delivery• De-mobilization costs• Discounts• Electronic data interchange• Electronic funds transfer• Exchange rates• Exchanges• Extended warranty• F O B point | <ul style="list-style-type: none">• Installation• Insurance• Intellectual property rights• Inventory Costs• Invoice method• Invoice terms• Labor rates• Lead time• Legal venue• License agreements• License fees• Maintenance• Marketing support• Manufacturer's allotment• Mediation• Meeting locations & schedule• Mobilization costs• Multiple deliveries• Obsolete Inventory Responsibility• Overages• Packaging• Payment terms• Payment method• Performance specifications• Price• Price escalation | <ul style="list-style-type: none">• Progress payments• Quality rate• Raw materials• Recycled content• Residual value• Restocking charges• Returns• Risk of loss• Safety Stock• Scrap recycling• Spare parts pricing/availability• Special marking• Specifications• Stand-by rates• Start-up assistance• Storage of unused materials• Subcontracting• Termination Provisions• Terms and conditions• Testing• Tooling• Training• Travel expenses• Upgrades• Warranty |
|---|---|--|

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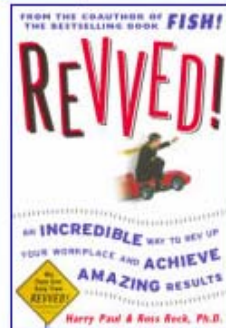
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NEGOTIATION TIPS SUMMARY 02/18/05

Do you negotiate contracts, or just accept whatever offer the seller wants to make?

1. You don't have to be a trained expert to negotiate. Advanced planning makes a big difference:
[Planning Better Negotiations - Seminar Outline](#)
[It's Never Too Soon to start](#)
2. There is much more to discuss than just the price:
[Negotiate the "Full Meal Deal"](#)
[The Whole is sometimes greater than the Parts](#)
[What Issues Should I consider Negotiating?](#)
3. How can I negotiate with a seller and still have a good relationship?
[Negotiating With A Friend](#)
4. How can both the Buyer and Seller WIN a negotiation?
[Win - Win Negotiation; Who is the Opponent?](#)
5. What are some tips for negotiating a complete contract?
[Serve the Ball](#)
[Don't Be Afraid To Ask](#)