

Contract Negotiation

Where Do I Start?

ML Taylor, C.P.M.
October 2006

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](#)

MICHAEL L TAYLOR, C.P.M.

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

- | | | |
|---|---|--|
| <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 |
|---|---|--|

Ross Reck

Doctor YES, the Top Gun negotiations expert
480-820-7700

[Home](#) | [Weekly Reminders](#) | [All About Ross](#) | [Specific Programs](#) | [Clients & Testimonials](#) | [Books and Materials](#) | [Contact Us](#)

Tuesday - September 12, 2006

[Press Releases
and News
Clippings](#)

New on the website:

- [Details about Ross' new book, Revved!](#)
- [Updated Client Listing](#)
- [Order Ross's books directly from Amazon.com!](#)



Dr. Ross Reck

Ross Reck's Weekly Reminder

Receive email reminders.
Keep the momentum going.

* = Required

Email *

First Name *

Last Name *

Subscribe Remove

Submit

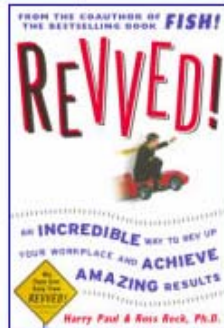
Top selling author
tells you his
methods of
success!



Click for Details

Looks what's here!!!

[Order Directly From Amazon.com](#)



One of the hottest speakers in America: the rising star of motivational keynoting!

Ross Reck is a captivating, compelling force on the platform who arms you with current, creative and practical ideas for increasing leadership skills, personal effectiveness and business profitability. Unique. Intriguing. Fascinating.

Ask Doctor Yes



One of a handful of truly great speakers, Ross Reck is a top international choice for keynotes, banquets, and conventions.

BuyTrain News

March, 2005



Information for Supply Chain professionals.

- [Education](#)
- [ISM News](#)
- [Personal Development](#)
 - [Hotlinks](#)
 - [Sox Again?](#)
- [Mailing list subscription form](#)



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](#)