User Information:

Can be used for Strategic, high value Projects

**Negotiation plan template**

**$100,000 and above**

**Unitec user instructions**

* This template is intended for any procurement valued from NZ$100,000 upwards.
* Planning for negotiation is critical to achieving a successful result. Areas that Unitec’s negotiation team needs to concentrate on include:
* deciding on the nature of Unitec’s relationship with the supplier and how to establish that
* identifying all of the points to be negotiated
* prioritising Unitec’s needs and wants and the supplier’s needs and wants
* identifying alternative positions and the point at which Unitec will exit negotiations
* deciding on the approach to achieving Unitec’s most desired outcome
* anticipating the supplier’s moves and how to counter them
* working with the supplier to establish a realistic contract delivery or implementation plan
* addressing transitional arrangements from the current supply arrangement, if relevant
* establishing what sustainability will look like (economic, social and environmental impacts)
* identifying what best public value will look like.
* If your agency would like assistance in preparing this plan or a constructive peer review of its draft, please contact Procurement Services

|  |
| --- |
| [Insert agency logo] |

[Name of agency]

Negotiation plan

(100K and above)

[Name of procurement project]

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Budget

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Delegated financial authority holder | | | | | |
| **Total cost:** | [Insert: estimated $ total costs over whole-of-life] GST excl | | | **Cost code:** [insert] | |
| **Financial year:** | **Financial year** | **Amount** | | **Funding type** | |
|  | 2014/15 | $[amount] GST excl | | Opex / Capex | |
|  | 2015/16 | $[amount] GST excl | | Opex / Capex | |
|  | 2016/17 | $[amount] GST excl | | Opex / Capex | |
| **Name:** |  | | | | |
| **Position/title:** |  | | | | |
| **Signature:** |  | | **Date:** | | |
| **Background** | | | | | |

Business objectives

* The business needs that the procurement will address are [insert].
* The key benefits of successfully meeting these business needs are [insert].
* The procurement will help Unitec achieve its [choose: short-term / medium-term / long-term] goals by [insert].
* Meeting these business objectives is [choose: critical / urgent / important] to the success of Unitec.
* If these business objectives are not met the consequences are [insert].
* The following elements are out of scope [insert].

**The parameters**

|  |
| --- |
| The negotiation |

* The proposed contract will deliver the following business needs [insert].
* The objectives for the negotiation are: e.g.
* to close the deal
* get best value-for-money over whole of life
* minimise transaction costs and time and drive savings
* to build medium to long term relationship with the supplier and seek continuous improvement and innovation
* to set clear and realistic expectations.
* The negotiation outcomes are [insert].

|  |
| --- |
| The supplier |

* The negotiation is with the preferred supplier: [insert name and address].
* The preferred supplier is [insert information about the supplier e.g. the size of the organisation, annual turnover, number of employees, types of products or services, other government customers etc.]
* We have no history of using this supplier. ***OR*** Our history of using this supplier is [insert].

|  |
| --- |
| Supply history |

* There is no existing supplier or arrangement in place to provide these needs. ***OR***
* The current supplier is [insert name of current supplier]. The term of the contract is [insert]. The contract is due to expire on [insert]. The whole-of-life costs for the current contract are $[insert].
* Aspects of the current delivery that are going well and that we want to retain are [insert details].
* Aspects of the current delivery that we are not satisfied with and we want to improve are [insert details].
* Improvements presented by this supplier’s proposal include [insert details].
* Opportunities to innovate that we would like to explore include [insert details].
* Over the term of the contract there are opportunities to provide for continuous improvement and supplier development which include [insert details].
* Opportunities to improve how well we manage the contract and the relationships with the supplier and key stakeholders include [insert details].

|  |
| --- |
| Transitioning to new supplier |

Please add this section if applicable – modify to suit.

* This new contract will result in a transition from the previous supplier. A transition plan will be developed to actively manage the changeover.
* The transition will have a [choose: minor / moderate / significant] impact on ongoing service delivery.
* Aspects of the transition that need to be addressed in the negotiations are listed below. Negotiating these points will help inform the development of the transition plan.
* e.g. who (from Unitec and the new supplier) will be responsible for managing the transition
* e.g. ensure that the new contract start date aligns / overlaps with the previous contract completion date
* e.g. find out what the new supplier needs from Unitec and the previous supplier in order to transition effectively
* e.g. ascertain the new suppliers requirements for information, access to premises / files / transfer of assets etc. during the transition phase
* e.g. customer engagement strategy – how and when the new supplier will be introduced to stakeholders and what will be done to build these new relationships.

|  |
| --- |
| Contract |

The proposed length of the contract is [insert proposed term e.g. three years with the option to extend twice for one year i.e. 3+1+1].

|  |
| --- |
| Budget |

The approved budget (for the whole-of-life) for this contract is $ [insert]. This is based on total capital costs of $ [insert] and total operational costs of $ [insert].

**The teams**

|  |
| --- |
| Unitec’s team |

**Negotiating on behalf of Unitec**

| Name | Title | Area of expertise | Role in negotiation |
| --- | --- | --- | --- |
|  |  |  | Lead negotiator |
|  |  |  | Summariser |
|  |  |  | Observer |
|  |  |  | Minute taker |
|  |  |  | Subject matter expert |
|  |  |  | Financial analyst |
|  |  |  | Legal advisor |
| The supplier’s team | | | | |

Try to find this out before the negotiations begin. The negotiating team will need to ensure that it talks to the right people (e.g. you do not want to negotiate implementation details with the sales and marketing rep).

**Negotiating on behalf of the supplier**

| Name | Title | Area of expertise |
| --- | --- | --- |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |
|  |  |  |

**Logistics**

|  |
| --- |
| Location |

Negotiations will be conducted at our offices at [insert location].

|  |
| --- |
| Timeline |

* Negotiations will commence on [insert date] and aim to be completed by [insert date]. The contract is due to start on [insert date].
* It is anticipated that there will be [insert: one/two/three/four] meetings over the course of [insert: one/two/three/four weeks **OR** one/two/ months].

**Positioning**

|  |
| --- |
| Importance of the goods/services to Unitec |

The business impact and risk in the delivery of the goods/services, based on the following supply positioning matrix, is [insert: tactical acquisition / tactical profit / strategic security / strategic critical].

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  |  |  | | --- | --- | --- | | Supply position | Value | Impact/risk | | Strategic security | Low | High | | Strategic critical | High | High | | Tactical acquisition | Low | Low | | Tactical profit | High | Low | |

*Diagram: Supply positioning matrix*

|  |  |  |  |
| --- | --- | --- | --- |
| Buyer’s priority | Description | Approach | Arrangement |
| Strategic security  (security of supply) | * Low-cost goods/services * Strategically important * Shortage of reliable suppliers | Ensure supply | * Long term contracts * Build reserve of stock * Consider alternative products |
| Strategic critical  (security of supply at a good price) | * High costs specialist goods/services * Limited number of suppliers | Manage suppliers | * Med/long term contract * Contingency planning |
| Tactical acquisition  (purchasing efficiency) | * Routine purchases * Low-value/low-risk goods/services * Many potential suppliers | Minimal attention | * One-off contracts/purchase orders * E-purchasing * Procurement cards |
| Tactical profit  (improving profit through costs savings) | * High-cost/low-risk goods/services * Many potential suppliers | Drive savings | * Short term contracts * Ongoing active sourcing for competitive price |

*Supply positioning matrix explained*

|  |
| --- |
| Unitec’s value as a customer |

* The value of Unitec’s account and the attractiveness of our business to this supplier have been assessed through the supplier preferencing matrix below. This matrix indicates the level of willingness or reluctance of this supplier to meet our needs.
* Based on the matrix we are seen as [choose: nuisance / exploitable / development / core].
* This means [insert].
* Strategies to address this include [insert].

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
|  | |  |  |  | | --- | --- | --- | | Supplier’s view | Value ($) | Attractiveness | | Nuisance | Low | Low | | Development | Low | High | | Exploitable | High | Low | | Core business | High | High | |

*Diagram: Supplier preferencing matrix*

|  |  |  |
| --- | --- | --- |
| Quadrant | Description | Action |
| Nuisance | * Low-value * Little profit | Withdraw |
| Development | * Low-value * But still attractive | Get further business |
| Exploitable | * High-value * But not attractive | Maximise profits |
| Core | * High-value * Highly attractive * Supplier’s core business | Retain and expand |

*Supplier preferencing matrix explained*

|  |
| --- |
| Power and dependency |

* The power and dependency matrix below assesses the levels of power and dependency between us and this supplier. This matrix shows that [choose: the buyer and supplier are independent / the supplier is dominant / the buyer is dominant / the buyer and supplier are interdependent].
* This means [insert].
* Strategies to address this include [insert].

|  |
| --- |
|  |

*Diagram: Power and dependency matrix*

|  |
| --- |
| Desired supplier relationship |

Given the proposed length of the contract, the level of desired trust and communication with the supplier and the approach to managing risk – Unitec will seek a [choose: short term / medium term / long term] relationship with the supplier based on a [choose: strategic collaborative / tactical competitive] relationship. Our objective is to [choose: ensure reliable supply / manage the supplier to achieve optimum results / streamline the supply to minimise transaction cost and time / drive savings].

In the negotiations, this means that we will [insert the strategy and tactics to develop the desired supplier relationship].

**Negotiation points**

|  |
| --- |
| Evaluation panel recommendations |

The evaluation panel recommended that the following points are addressed in the contract negotiations: [insert the point/s and described how they will be addressed in the negotiations].

|  |  |
| --- | --- |
| |  | | --- | | Opening statements |   In opening the negotiations the following key position statements will be made to the supplier [insert].  Contract |

* The proposed contract terms and conditions were attached to the tender documentation.
* The recommended supplier accepts all of the proposed conditions of the contract. ***OR***

**Negotiated conditions of contract**

|  |  |  |
| --- | --- | --- |
| Contract clause | Supplier’s position | Our desired position and why |
|  |  |  |
|  |  |  |
|  |  |  |
| Price | | | | |

**Negotiated pricing**

|  |  |  |
| --- | --- | --- |
| Issue | Supplier’s position | Our desired position and why |
|  |  |  |
|  |  |  |
|  |  |  |
| Key deliverables | | | | |

**Negotiated key deliverables**

|  |  |  |
| --- | --- | --- |
| Issue | Supplier’s position | Our desired position and why |
|  |  |  |
|  |  |  |
|  |  |  |
| Standards and quality | | | | |

**Negotiated standards and quality**

|  |  |  |
| --- | --- | --- |
| Issue | Supplier’s position | Our desired position and why |
|  |  |  |
|  |  |  |
|  |  |  |

**Anticipating questions**

**Key questions to open the negotiations with**

| Question | Person who will ask the question |
| --- | --- |
| 1. How do you differ from your competitors? |  |
| 1. Why is your price so high? |  |
| 1. How will you ensure that you can deliver successfully? |  |
| 1. What other work commitments do you have going forward? |  |
| 1. How will you resource and manage delivery? |  |
| 1. Who will be the key account manager for this contract? |  |

**Possible questions from the supplier**

| Question | Our response |
| --- | --- |
| 1. Why is the timeframe for delivery so short? |  |
| 1. What are the problems you experienced in the previous delivery of the goods / services? |  |
| 1. What scope is there to innovate? |  |
| 1. What do you see as the key risks in delivery and how do you want these to be managed? |  |
| 1. Who are the key stakeholders and what interaction do you expect us to have with them? |  |
| 1. Who will be the key person that we deal with when delivering the contract? |  |

**Defining needs**

|  |
| --- |
| Unitec’s needs |

The critical success factors for delivery under this contract are [insert].

**Principle needs to be addressed in the negotiation**

| Our needs | Status | | |
| --- | --- | --- | --- |
| Must have | Like to have | Wish list |
|  | ✓ |  |  |
|  |  | ✓ |  |
|  |  |  | ✓ |
|  |  | ✓ |  |
|  | ✓ |  |  |
| The supplier’s needs | | | | | |

**Anticipated supplier’s needs to be addressed in the negotiation**

| The supplier’s needs | Likely status | | |
| --- | --- | --- | --- |
| Must have | Like to have | Wish list |
|  | ✓ |  |  |
|  |  | ✓ |  |
|  |  |  | ✓ |
|  |  | ✓ |  |
|  | ✓ |  |  |
| What Unitec could trade | | | | | |

**Areas that may be traded**

| Item | Value / cost | High | Low |
| --- | --- | --- | --- |
|  | Value to us: | ✓ |  |
| Cost to them: | ✓ |  |
|  | Value to us: |  | ✓ |
| Cost to them: |  | ✓ |
|  | Value to us: | ✓ |  |
| Cost to them: | ✓ |  |
|  | Value to us: |  | ✓ |
| Cost to them: |  | ✓ |
|  | Value to us: | ✓ |  |
| Cost to them: | ✓ |  |
| Deal breakers | | | | |

There are certain critical aspects of the deal that must be delivered. In some instances an alternative may be acceptable. However, if the following critical needs cannot be met we will walk away from the negotiation.

**Exit points**

| Critical needs | Acceptable alternative |
| --- | --- |
|  | None, or state the alternative |
|  | None, or state the alternative |
|  | None, or state the alternative |
|  | None, or state the alternative |

**Risks**

Key risks have been assessed using this risk analysis framework.



*Diagram: Risk analysis framework*

* Overall this procurement is deemed to be [choose: high / medium / low value] with [choose: high / medium / low risk].
* Key risks have been assessed on the basis of likelihood (L) and consequence (C).
* The key for the following risk tables is:
* likelihood (L): R = rare U = unlikely P = possible L = likely A = almost certain
* consequence (C): N = negligible L = low M = moderate H = high E = extreme.

**Key risks in the delivery of the contract**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Risk | L | C | Rating | Mitigation action | Responsible |
|  | **U** | **L** | Low |  |  |
|  | **P** | **M** | Medium |  |  |
|  | **L** | **H** | High |  |  |
|  | **A** | **E** | Extreme |  |  |

**Key risks in negotiating the contract**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Risk | L | C | Rating | Mitigation action | Responsible |
|  | **U** | **L** | Low |  |  |
|  | **P** | **M** | Medium |  |  |
|  | **L** | **H** | High |  |  |
|  | **A** | **E** | Extreme |  |  |