

# SELECTING NEW SYSTEMS

## CHOOSING SUPPLIER/NEGOTIATION

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# Selecting the final supplier

- ▣ See our presentation on “Narrowing Down the Choices”
- ▣ If you have chosen wisely so far you should have two credible options to compare
- ▣ Revisit your original objectives
  - ▣ Are they still ‘real’ / valid?
  - ▣ Which are now the most important?
  - ▣ You are likely to have learned something along the way
- ▣ Financial due-dilligence
  - ▣ Get the “facts”
  - ▣ But talk to them also...
  - ▣ The big parent company versus the individual investor

# Selecting the final supplier

- ▣ Be clear that they are both quoting for the same thing
  - ▣ Or decide how you are going to compare them
- ▣ Do not leave the decision to the “spreadsheet monkeys” just scoring Yes/No answers!
- ▣ Set a realistic timescale for a decision and stick to it...
- ▣ Document why you chose/did not choose
  - ▣ For your own benefit
  - ▣ But be prepared to share it.
  - ▣ Part on good terms.
  - ▣ You never know when you might need them...

# Negotiating best terms

- ▣ What are your key commercial needs/terms?
  - ▣ Cash flow?
  - ▣ Payment on milestone achievements?
  - ▣ Meeting a specific deadline?
  - ▣ Quality of deliverable?
  - ▣ Total cost?

# Negotiating best terms

- ▣ Understand the 'levers' of negotiation with the chosen supplier
  - ▣ Cash payments, up front?
  - ▣ Guaranteed regular payments?
  - ▣ Licence deal by a set date? (revenue recognition)
  - ▣ Split of licence and man time costs?
  - ▣ Annual/longer term revenue recognition needs?
  - ▣ PR associated with the deal; your 'name'
- ▣ Try to use their standard terms to limit legal costs

# Negotiating best terms

- ▣ For everything you give, ask for something in return
  - ▣ Ask for things that do not necessarily 'cost' the supplier anything today – more user licenses, fixed support costs, delayed final payment etc.
- ▣ Be fair...this is likely to be a long term relationship
  - ▣ You should genuinely both walk away feeling comfortable and pleased with the deal that has been struck