How to Negotiate and Purchase Services

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What we will cover this hour

- What is a service supplier?
- Single source suppliers
- Where can I find service suppliers?
- Supplier selection process
- Negotiation objectives
- Potential concessions
- Contract process
- Contract development
- Measuring supplier performance
- Key things to avoid

What is a service supplier?

- A service provider is a person or organization engaged in the business of providing expertise, consultation, advice or assistance in the accomplishment of a task(s) where the primary deliverable is a non-material item.
  - Usually small companies (less than 500 ees)
  - Very specialized
  - Few standards of measurement
  - High turnover of help
  - Frequently undercapitalized
Examples of Service Suppliers

- Architectural
- Construction
- Custodial/Janitorial
- Exterior Maintenance
- Instrument testing/calibration
- Landscaping
- Maintenance and Repair
- Snow Removal
- Waste Disposal

*many of these can be ‘single-source’ suppliers

Single Source Suppliers

- A single source supplier is one company, organization, or person whom we choose to give all of our business, but where other suppliers may be available to provide the same type of service.

- High level of commitment
- Sharing of information
- Work at reducing costs
- Deliver perfect work

What a single source should get

- All of our business for a period
- Excellent communications
- Shared information on
  - Business plans
  - Technology
  - Cost goals
- Be paid in accordance with terms
- A shot at future business
Where can I find a service supplier?

- RFMA or other associations that represent that specific service
- Regional service directories
- Other buyers
- Trade shows and conventions
- Trade Unions
- Internet (Google, Fixxbook, etc)
- Suppliers
- Federal and State government

Supplier selection process

- Survey
  - Check financial statements
  - Check References (Handout)
- Inquiry
  - Scope of work
  - Request for quote
- Negotiation
  - Before, during, and after awarding the contract
  - Evaluate
  - Observe performance

Five Negotiation Objectives

- To pay a fair and reasonable price for the quality specified
- To get the supplier to perform the contract on time
- To exert some control over the manner in which the contract is performed
- To persuade the supplier to give maximum cooperation to the buyer’s company
- To develop a sound and continuing relationship with competent suppliers
Potential Concessions

- Price
- Terms of payment
- Delivery date
- Scope of work
- Frequency of service and maintenance
- Training
- Profit
- Expenses reimbursed at cost (no mark up)

YOU CAN PICK TWO
Contract Process

- Who is the requisitioner? What are they looking for?
- Qualify suppliers before quoting
- Hold pre-quote and pre-award meetings
- Utilize master contracts when possible
- Notify unsuccessful suppliers
- Have a process for check points to assure supplier performance. These should be tied to payment.
- Final performance review should be conducted with all parties (requisitioner, buyer, customer, supplier)

Contract Development

- What the contract should include:
  - Statement of work
  - Clearly defined milestones including dates
  - Contact list of people working on the contract
  - Change order approval process
  - Provision for ownership of work to be completed
  - Spell out who is in control at buyer location and supplier location
  - Provision for remedy of disputes
  - Keep it simple and as few pages as possible
  - 30 day provision to terminate contract
Measuring supplier performance

- Does your company have the resources to monitor provisions of the contract?
- Are the items to be monitored measurable, or are they intangible and unlikely to be enforced?
- What impact do items monitored have on the completion of the contract?
- Are there remedies for enforcement and non-performance in the contract?
- Does the supplier have their own quality program? Is it in writing? Who is responsible for monitoring? Does it include a provision for customer feedback?

Key Things to Avoid

- Signing the supplier’s contract
- Proceeding without a written contract
- Using a supplier who is not insured
- Signing a contract before checking references
- Using an inexperienced supplier
- Using a supplier with inadequate resources
- If the value of the contract exceeds $50,000, run it by a contract lawyer

Please fill out a session survey!

Thank You