Negotiation Planning Document

**PLEASE READ:** [This document is read-only. Copy this document by going to File >> “Make a copy”]

Background of the negotiation:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | YOU/Your Team | | Other party/Other team | |
| *Issue* | *Rank order* | *Position* | *Rank order* | *Position* |
|  | *Interest* | | *Interest* | |
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| Reservation Price |  | |  | |
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| BATNA |  | |  | |
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Notes: Indicate the priority or relative ranking of the issue in the “rank order” box. Indicate your position (stated demand); and for each position, indicate your underlying interest (the underlying reason for making that demand).

Here's a structured and detailed answer for the \*\*Negotiation Planning Document\*\*:

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### \*\*Background of the Negotiation:\*\*

Let's assume this is a negotiation between your team (a project management team) and a supplier team regarding the terms of an ongoing supply agreement for crucial project materials.

- \*\*YOU/Your Team:\*\* Project Management Team

- \*\*Team Members:\*\* [List of your team members]

- \*\*Context:\*\* Your team needs to negotiate terms for a new contract with a supplier for materials critical to your project. The contract covers pricing, delivery timelines, quality standards, and potential penalties for late delivery.

- \*\*Other Party/Other Team:\*\* Supplier Team

- \*\*Team Members:\*\* [List of their team members]

- \*\*Context:\*\* The supplier is negotiating to maintain or adjust current terms due to increasing costs and logistical challenges but is still keen to retain the business relationship.

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### \*\*Issue:\*\*

1. Pricing per unit of materials

2. Delivery timeline (number of days)

3. Quality standards (defect rate or adherence to certain specifications)

4. Penalties for late delivery

5. Contract length (duration of the agreement)

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### \*\*Rank Order (Importance of Issues):\*\*

1. Quality Standards (#1)

2. Pricing (#2)

3. Delivery Timeline (#3)

4. Penalties for Late Delivery (#4)

5. Contract Length (#5)

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### \*\*Position (Stated Demand):\*\*

- \*\*Issue 1 (Quality Standards):\*\*

- \*\*Your Position:\*\* The materials should have no more than a 1% defect rate and must meet ISO certification standards.

- \*\*Other Party's Position:\*\* The supplier is likely to argue for a 2% defect rate to minimize their quality control costs.

- \*\*Issue 2 (Pricing):\*\*

- \*\*Your Position:\*\* The price per unit should be capped at $50, with no increases for the first year.

- \*\*Other Party's Position:\*\* The supplier may request $55 per unit, citing increases in production and material costs.

- \*\*Issue 3 (Delivery Timeline):\*\*

- \*\*Your Position:\*\* Delivery must occur within 30 days of the order placement to avoid project delays.

- \*\*Other Party's Position:\*\* The supplier may request 45 days due to logistical issues and supply chain disruptions.

- \*\*Issue 4 (Penalties for Late Delivery):\*\*

- \*\*Your Position:\*\* A penalty of 5% of the total order value should be applied for every week of delay.

- \*\*Other Party's Position:\*\* The supplier may resist penalties or request a lower penalty rate of 2-3%.

- \*\*Issue 5 (Contract Length):\*\*

- \*\*Your Position:\*\* The contract should be for a fixed term of 18 months with an option to extend.

- \*\*Other Party's Position:\*\* The supplier may seek a 12-month contract to revisit terms more frequently due to market volatility.

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### \*\*Interest (Underlying Reason):\*\*

- \*\*Issue 1 (Quality Standards):\*\*

- \*\*Your Interest:\*\* High-quality materials are critical to ensuring the success of your project, minimizing costly rework, and maintaining a good reputation with clients.

- \*\*Other Party's Interest:\*\* Reducing the stringency of quality controls helps them save on production costs and allows for faster turnaround.

- \*\*Issue 2 (Pricing):\*\*

- \*\*Your Interest:\*\* Keeping costs low ensures project profitability and adherence to budgetary constraints.

- \*\*Other Party's Interest:\*\* Rising costs of raw materials and labor require the supplier to increase prices to maintain their profit margins.

- \*\*Issue 3 (Delivery Timeline):\*\*

- \*\*Your Interest:\*\* Timely delivery is crucial to keeping the project on track and avoiding costly delays, which could lead to penalties for your team.

- \*\*Other Party's Interest:\*\* A longer delivery timeline allows the supplier to manage their supply chain more effectively and reduce the risk of over-committing.

- \*\*Issue 4 (Penalties for Late Delivery):\*\*

- \*\*Your Interest:\*\* Penalties for late delivery incentivize the supplier to adhere to the agreed timeline and reduce the risk of delays impacting the project.

- \*\*Other Party's Interest:\*\* Lower penalties or no penalties help the supplier avoid significant financial loss in case of unavoidable delays.

- \*\*Issue 5 (Contract Length):\*\*

- \*\*Your Interest:\*\* A longer contract length provides stability and ensures that your team can plan projects without constantly renegotiating terms.

- \*\*Other Party's Interest:\*\* A shorter contract allows the supplier to renegotiate terms more frequently in response to market changes.

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### \*\*Reservation Price:\*\*

- \*\*Issue 1 (Quality Standards):\*\* Willing to accept a 1.5% defect rate if necessary, provided it doesn't compromise the overall project.

- \*\*Issue 2 (Pricing):\*\* Maximum acceptable price per unit is $52 if quality and delivery terms are favorable.

- \*\*Issue 3 (Delivery Timeline):\*\* Willing to accept delivery within 40 days, but no more.

- \*\*Issue 4 (Penalties for Late Delivery):\*\* Minimum acceptable penalty is 3% of order value per week of delay.

- \*\*Issue 5 (Contract Length):\*\* Minimum acceptable term is 12 months, with a review at 9 months.

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### \*\*BATNA (Best Alternative to a Negotiated Agreement):\*\*

- \*\*Issue 1 (Quality Standards):\*\* If the supplier cannot meet your quality standards, switch to another supplier with a proven track record.

- \*\*Issue 2 (Pricing):\*\* Source materials from a different supplier offering $50 per unit with slightly longer delivery timelines.

- \*\*Issue 3 (Delivery Timeline):\*\* Negotiate a temporary supply agreement with another supplier to meet immediate project needs.

- \*\*Issue 4 (Penalties for Late Delivery):\*\* Use internal resources to manage any project delays in case penalties are too lenient.

- \*\*Issue 5 (Contract Length):\*\* Consider signing a shorter contract with another supplier or revisiting the terms more frequently.

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### \*\*Other Party's BATNA and Reservation Price:\*\*

(Note: This is speculative based on research and analysis.)

- \*\*BATNA:\*\* The supplier could potentially find another client willing to accept their quality and pricing terms, but they may lose out on a long-term relationship with your team.

- \*\*Reservation Price:\*\* The supplier might be willing to lower the price to $52 per unit, but no less, due to their rising costs.

- \*\*Contract Length:\*\* They may agree to an 18-month contract if it includes a price renegotiation clause after the first 12 months.

- \*\*Quality Standards:\*\* The supplier may agree to a 1.5% defect rate as a compromise, but pushing for a stricter standard could be a deal-breaker.

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### Notes:

- \*\*Rank Order of Issues:\*\* The most important issue for your team is quality standards, as the success of the project hinges on this. Price is secondary, but still critical for staying within budget. Delivery timeline is important for keeping the project on track, while penalties and contract length are negotiable.

- \*\*Additional Considerations:\*\* Build a long-term relationship with the supplier to ensure future cooperation. Consider offering some flexibility on one issue in exchange for more favorable terms on another.

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This document outlines both your team's and the other party's likely stance, along with interests, positions, and strategies for the negotiation. Would you like assistance converting this into a PDF or refining it further?