Creating Relative Bargaining Power Through Information When Approaching Vendor Negotiations

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Libraries create relative bargaining power through...

<table>
<thead>
<tr>
<th>Strategy</th>
<th>Library Practice</th>
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<tbody>
<tr>
<td>Size and concentration</td>
<td>Consortia, Internal partnerships</td>
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<tr>
<td>Vertical integration</td>
<td>Library publishing, Open access, Scholarly repositories, OER</td>
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<tr>
<td>Information</td>
<td>Collection analysis, Negotiation planning</td>
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Use information to understand your collection

<table>
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<tr>
<th>Factor that creates buyer/supplier power</th>
<th>Metric</th>
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<tr>
<td>Price sensitivity</td>
<td>Average annual increase/decrease of price at 3 and 5 years % of spend</td>
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<td>Importance to the buyer</td>
<td>Cost/Use</td>
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<td>Product differentiation &amp; competition</td>
<td>Availability of substitutes</td>
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Data to collect:
- Budget
- Pricing going back at least 5 years
- Usage data for at least previous year
- What resources are critical for teaching and research (core resource)
- What other options are available (substitutes)
  - Open access
  - On demand services
  - Competitive offerings

Method for setting negotiation priorities

1. What is the goal?
   - Collection maintenance or budget cuts?
   - Set average annual price increase thresholds—dependent on goals; perhaps 5%.

2. Examine the data
   - Flag databases as above threshold if their average annual increase is greater.
   - Sort data in descending order by % of spend.
   - Apply 80% rule. Flag for review databases that contribute to the first 80% of spend.
   - Determine priorities for negotiations: Identify databases that have both flags.

3. Now consider other data
   - Are any of the flagged resources core resources?
     - If yes, seek a longer contract at a lower price. Guaranteeing cash flow!
   - What substitutes are available?
   - Examine usage and cost/use.
     - Scale back/cancel?
     - Can you switch users to alternatives?

Planning a database negotiation

Use your analysis to determine:
- Range between ideal price and the walk away point
- Know your options – determine your BATNA (best alternative to negotiated agreement)

References