ACES DATABASE TEACHING NOTE

If you are a learner, who is practicing negotiations with a partner, independent of a formalized class – DO NOT READ until after you have negotiated. This teaching note can guide two learners in their debrief of their negotiation experience.

If you are a group facilitator or trainer, using this case in more formalized training, feel free to read to prepare group synchronous discussion prior to participants preparing and executing the case.

SYNOPSIS OF THE CASE

Jane is a librarian at a public research university and is negotiating with John, a sales representative with Delta Information Resources, for renewal of the Aces Database. Jane has received an Initial proposal for a 10% increase on renewal and the prior year cost is $20,000. They have had a platform update that improved user experience and accessibility. The primary market for the product is healthcare providers and government agencies related to public health. It is a database heavily referenced by practitioners in public health and in other healthcare fields. The academic market is a secondary market.

LEARNING OBJECTIVES

In this case, learners will:

- Learn to identify interests for themselves and the other party.
- Plan strategies including concessions in negotiations.
- Learn how to shape the Zone of Possible Agreement through using tactics such as strategic concessions.

TEACHING STRATEGY (FOR GROUP LEARNING)

If this case is a group learning activity with synchronous discussion, form small groups of 2-6 people, where half the group will represent the library and the other the vendor. Give learners a minimum of a half hour to prepare the case. You may want to provide the appropriate side of the case ahead of time so that learners can read at their leisure, before collaborating to form a negotiation strategy. Provide at least 30 minutes for the negotiation to occur with the opportunity as time allows for small group debrief, where the negotiators can reflect on, they did well and found challenging. Bring the group back together to reflect on the Questions for Discussion.

QUESTIONS FOR DISCUSSION AFTER THE NEGOTIATION

GROUP LEARNING

1. Use polling software to record the range of responses.
2. Ask someone where the library negotiated one of the most favorable deals, what happened? How did they approach the negotiation?

3. What did they find challenging during this negotiation? [Follow up with asking the group how they would address the challenges]

INDEPENDENT LEARNERS

1. Did you come to an agreement? Why or why not?
2. What do you feel you did particularly well during this negotiation?
3. What do you think you can improve upon?
4. What would you approach differently (not necessarily because you did anything wrong)?

BACKGROUND READING

Wikipedia: Zone of Possible Agreement

EXPERIENCE OF USING THE CASE

The author of this case has used it when teaching negotiations in person and virtually. Often people reach an agreement with a multi-year deal. Students tend to focus too much time on reworking math particularly around the individual price/use in the initial opening offer email. Remind students that this information is a distraction and used as a ploy to demonstrate perceived value, but that much of that content is not necessarily available to be purchased individually.

ANALYSIS OF THE DATA

VENDOR OPENING OFFER

The vendor presented a 10% increase to $22,000 for an annual agreement, the first increase in 5 years. A new licensing agreement includes clauses requiring data destruction in the event of termination of the agreement and non-disclosure of pricing. The new licensing agreement does not include language around allowing walk-in users.

INTERESTS OF LIBRARY & VENDOR

Library Interests	**Why is this important?**	**Vendor Interests**	**Why is this important?**
1. Must allow for walk-in users.	1. Allows access to public, important because a state funded institution.	1. Renew an existing customer.	1. Customer retention is an indicator of stability and the likelihood of maintaining future cashflows.
2. Desire to strike NDAs.	2. Ensures financial transparency about how funds are spent – also important as a state funded institution.	2. Create future demand by exposing students to a resource often used by professionals in their field.	2. Part of entering the academic market was to create future users.
3. Must cut $100,000 from library budget due to flat budgets despite 6% annual increase over the past decade.	3. Must stay within budget guidelines, requiring cuts.	3. Get a price increase after years of flat pricing.	3. Pricing was flat due to poor user experience but now that has been improved with significant investment.
4. Desire for more sustainable renewal agreement considering flat budget situation.	4. Create a more sustainable future ensuring access to what resources are needed	4. Not make pricing easily available.	4. Making pricing not easily accessible provides opportunities to

	while being financially responsible.		negotiate prices at the point an individual institution is willing to pay.
5. Provide resources needed to faculty and students to meet research, teaching, and learning goals.	5. Provide necessary resources needed to ensure quality education, so current students are successful and prospective students choose your institution.	5. Not make data and information easily available to download and distribute widely.	5. If data and information is downloaded and widely distributed it destroys demand.
6. Cannot have termination clause that requires users destroy information and data – it is not possible to control what faculty and students do with the information they use.	6. Cannot be held financially liable for what patrons do with information.		
7. Must be stable regarding performance with few technical issues.	7. Limit time with maintenance and ensure access for time sensitive teaching & learning.		
8. Minimize switching costs.	8. Getting faculty to switch the resources they use in research and teaching takes time and often creates a learning curve for all. There is resistance whenever a popular database is cancelled.		

BATNA & RESERVATION PRICE

LIBRARY - IF PREPARING THE LIBRARY SIDE OF THE CASE.

Library BATNA	Library Reservation Price	Predict Vendor's BATNA	Predict Vendor Reservation Price
Cancel and increase seats to Epsilon ($5000) and add two more Beta terminals ($10,000) at a total cost of $15,000. This option does not meet the desire for more accessibility and lacks helpful learning tools.	This is the walkaway point. The case does not provide an exact number knowing the BATNA costs $15,000, you may set that as your reservation price. However, you will not meet some of your service goals around accessibility and providing learning tools. You also need to consider what you consider to be deal breaker licensing clauses. Considering the initial offer from the vendor is $22,000 it should be something less than $22,000 – at what point would you want to walk away? For purposes of example, looking at ZOPA for a 1-year deal, assume a 3% increase to $20,600 based on the goal the library has set.	Focus on sales to primary customers (but the vendor will lose the ability to create future demand with students who will become practitioners) – so not favorable.	For annual price increase 5% - around the annual increase for databases listed as predicted by Library Journal forecast, so $21,000. But historically many vendors offer price concessions for multi-year deals and even deeper concessions if paid upfront. Considering academic libraries not the primary customer, NDA may not be movable, however, it is important to note that a FOIA request may result in disclosure.

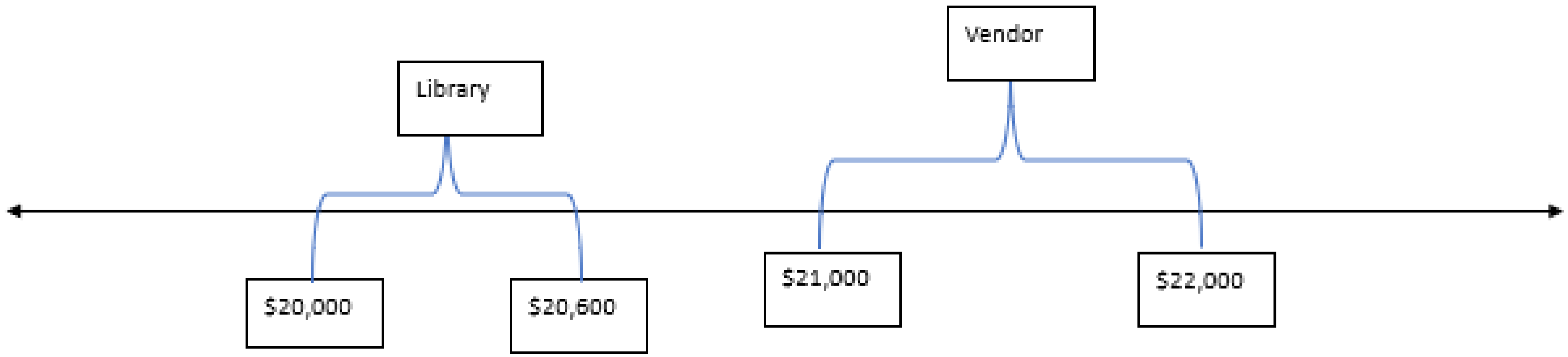
VENDOR - IF PREPARING THE VENDOR SIDE OF THE CASE.

Vendor BATNA	Vendor Reservation Price	Predict Library BATNA	Predict Library Reservation Price
Focus on new customer sales in education. However, often this is a long sales cycle to go from lead to agreement. Sales to customers in primary market, which has a higher price point but fails to create future demand since there are competitive offerings.	7% or $21,400 for annual agreement. 1.5% for a 4-year agreement but must be paid entirely upfront in 2022. Will not sign without NDA, though acknowledges that FOIA can be used to request pricing.	There is an overlap with three competitive products that you know the library subscribes to. They could cancel but would lose valuable learning tools and proprietary analysis not to mention full accessibility to current standards.	You think that the most the library will agree to is 5% ($21,000) based on overall market trends but that means a multi-year deal to make it work based on direction you have received from your manager. You know they are going to push back on data destruction clause.

ZONE OF POSSIBLE AGREEMENT

LIBRARY PREDICTION OF ZOPA FOR ANNUAL AGREEMENT:

To illustrate, I am assuming a reservation price of 3% for the library and 5% for the vendor. The chosen numbers are for illustrative purposes and may vary from the numbers chosen by the person preparing the case.

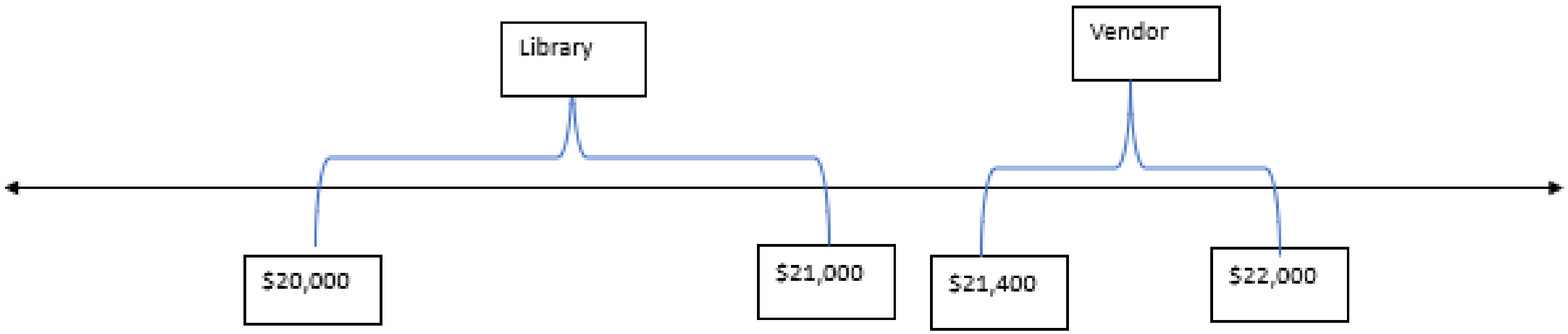


Based on the single year where you want to get price increases down to 3% there is no ZOPA. However, this is where looking at potentially offering multiple year deals on a resource you know is used can be the sweetener to get the vendor to offer a discount shaping the Zone of Possible Agreement.

As you negotiate and offer concessions you will uncover more information which will allow you to update your ZOPA.

VENDOR PREDICTION OF ZOPA FOR ANNUAL AGREEMENT

To illustrate, this diagram assumes a reservation price for the library of 5%, and a 7% for the vendor.



In the scenario for an annual agreement, there is no ZOPA. However, this is where looking at offering a discount for a multi-year deal can create a zone of possible agreement. You are guaranteeing cashflows in exchange for offering discount pricing. It lowers the risk for the vendor.

As you negotiate and offer concessions you will uncover more information which will allow you to update your ZOPA.

CONCESSIONS

The concessions and when offered outlined below are not prescriptive answers. They are just an example of how you could structure your concessions. You may decide you are going to remove the NDA no matter what, if you decide that it is a deal breaker, after considering all your interests – Use your discretion.

LIBRARY

Concession	When is this offered?
Multi-year agreement	Put out in counteroffer offering a multi-year deal but paid annually for a significant price concession.
Paid upfront	Once you learn how much they may come down for a multi-year deal paid annually, use this to get a deeper price concession.
Keep NDA	Point out subject to FOIA, insist in walk-in users and removal of data destruction, and only all other terms are agreeable.

VENDOR

Concession	When is this offered?
Pricing Discount	With multi-year agreement options
Multi-year agreement, paid upfront	Try to get it paid up front first, potential to offer steeper discounts for this. If you cannot get paid up front, pricing discount should be smaller.
Multi-year agreement, paid annually	Offer only if being paid annually is a deal breaker.
Strike data destruction	Ask the library what steps they take to ensure that resources are used for academic purposes only. Give this up when discussing NDA (when discussing NDA note that you understand obligations to FOIA, but the clause is currently a deal breaker).

Note that the concessions do not include the issue around walk-ins because in this case this is an unknown issue for the vendor when doing preparation for the negotiation. As you negotiate you may uncover other issues that provide options for concessions.

LIBRARY OPENING COUNTEROFFER

There is no right answer to this. Ask for your ideal agreement. Below is an example:

John: Hi Jane! How was your weekend?

Jane: It was good! Quiet for once. The kids were visiting my parents, I had the opportunity to finally read Sarah J. Maas' new book. Pure escapism.

John: Oh wow. I spent the weekend running from one kids sportsball tournament to another. Sometimes coming to work gives me a break.

[mutual chuckling]

Jane: I guess we should probably get to it, I'm probably one of several folks you need to meet with today and I want to be respectful of your time. First off, I do want to say that now that the technical issues of the new platform have been resolved, we are hearing some good things from our users about the ACES Database. But I must be honest that I have some significant concerns about this renewal. To be honest, we are a under budget crunch and are making some tough decisions this year, including cutting some resources we'd rather not. Our budget has remained flat and is not likely to go up considering that we are facing an enrollment cliff in the foreseeable future. We cannot sustain a 10% increase at this time. But we'd like to try to keep this resource and are hoping you can meet us where we need to be. We'd like to keep prices flat for now at $20,000 but we are willing to sign a 3-year agreement. We also have some issues we need to discuss about the new licensing agreement. We are hoping you can work with us about the price of that license in exchange for a lengthy commitment, otherwise we do have other options that provide similar content. Do you think you can meet us there?

Points that should be brought up during conversation.

- Acknowledge the value the library brings to the company by helping create future demand from professional practitioners.
- The technical issues in the past year.
- You are subject to FOIA in your state and may have to report if a request is received.
- As a public university you must offer walk-in access to community patrons.
- Cannot control how users manage the data but can take steps to communicate that the use is for academic purposes only.
- If vendor wants payment for all years of a multi-year contract up front, what concessions does the library want from the vendor?