Negotiation Tips

Key Leverage Points to Secure Desired Contract Terms

Deans, provosts, and CFOs alike are often new to negotiating contracts of the financial scale and complexity of an online enablement partnership (typically millions of dollars over many years), and may be unsure of what negotiating postures work well. This document focuses on the key levers under an institution's control for securing the best financial arrangement possible with an online enablement vendor.

For more detailed advice on avoiding common mistakes and ambiguities in contract language, see the accompanying resource, Contract Must-Haves Checklist.

1 Before Negotiations: Laying the Groundwork for Competition

The best way to establish a favorable negotiating position is to hardwire vendor-to-vendor competition in the process, before negotiations even begin.

Institutional Strategy	Key Levers
Solicit multiple bids	Use a **standardized RFP** to enable comparability of proposals, and to signal competitive nature of the process to vendors
Explicitly pit vendors against each other	Use a **points system**[1] in the RFP to formally reward the best-priced vendor

[1]For example, in a 100-based point system in which competitiveness of revenue splits is worth 40 points, include a formula like this in the RFP:

$$\textbf{Revenue Split Score} = \frac{\textit{Lowest Percentage of Tuition Paid to Vendor Out of All Proposing Vendors}}{\textit{Proposing Vendor's Percentage of Tuition Paid to Vendor}} \; X\ 40$$

2 During Negotiations: Applying Leverage to Secure a Better Deal

In general, the two best ways to obtain an appropriate revenue split with enablement vendors are to offer benefits that they are looking for (increased enrollment, additional programs) and to maintain a competitive process between potential partners until a final contract is agreed upon.

Institutional Strategy	Key Levers
"Unbundle" vendor services, only buying those most needed	Demonstrate to vendor that **existing infrastructure** (e.g., instructional designers) is sufficient, or produce a detailed plan to build it
Express willingness to act upon competing offers	Show **competing proposals** to potential partners to solicit a counterproposal, increasing the chance of a more competitive bid

Negotiation Tips (continued)

Institutional Strategy	Key Levers
Push for revenue split that improves over time	Increase vendor interest in your program(s) and willingness to offer better revenue splits by: • Expressing willingness to set **ambitious enrollment targets** • Committing to add **additional online programs** to the partnership package in future years
Explore changes to academic model—if appropriate to mission[2]	To increase chance of vendor pricing flexibility, consider: • **Raising section caps** • **Changing teaching requirements** to allow more non-tenured faculty in online programs • **Reducing selectivity** or using professional, non-faculty application reviewers

[2] Each of these options, while effective in securing better revenue splits from vendors, have significant implications for the institution's quality and mission. For example, some institutions and individual schools may find that course caps that make sense for face-to-face instruction can be raised for online courses without harming quality, by utilizing automated assessments or asynchronous components. Others may feel strongly that adhering to existing course size standards is essential to maintaining quality, particularly in subjects that require frequent instructor-student interaction. The critical questions to ask before entering a vendor partnership are, "What are we willing to do to grow, and what tradeoffs are we willing to make with regard to instructional model?"