



Contract Strategy

This deliverable summarizes the position to be taken by the selection team during the negotiation of packaged software contract terms with vendors. Use this deliverable when negotiating contract terms with vendors.

Upon completing vendor negotiations, consider documenting vendor responses into related sections of the Contract Strategy. The responses provide a record of the final outcome and may be used to support the packaged software finalist decision.

I. IPT Name:		
II. Deliverable Name: Contract Strategy		Date Completed:
III. Contact Information		
	Name	Channel Unit
	IPT Sponsor	
	Channel Task Manager	
	CIO Task Manager	
	Contractor Task Manager	
IV. Task Order Number:		

Description

[1] Identification - The identification of the packaged software. Ensure that there is no ambiguity in the description.

[2] Technical Specification - The specifications of the packaged software and the environment in which you agree to work with the packaged software.

[3] Financial Goals - The financial limits for purchasing the packaged software. Ensure that the financial goals fit the business case.

[4] Schedule Goals - The time frame for purchasing and installing the packaged software.

[5] Resource Goals - The organization and staffing requirements for the project. Consider sponsoring organization personnel and any external consultants and vendors that will be involved in the project.

[6] Service Goals - The assistance and duties the vendor agrees to perform. Consider the following points pertaining to service goals:

- Support
- Training



- Upgrades
- Customization

[7] Protections - Safeguards used to ensure the rights and investment of the purchaser. Think about the following points when determining protections:

- Migration of modifications
- Responsibility for updates resulting from industry regulations and standards
- Copyright and nondisclosure for competitive advantage
- Currency with hardware and systems software
- Trial period and right of rescision
- Vendor stability and ongoing future of packaged software product

[8] Guarantees - Assurances pertaining to what the packaged software or vendor will accomplish. Sets expectations that the purchaser will receive a certain level of performance. Consider the following points when determining guarantees:

- Functionality
- Representation by vendor in the sales process

[9] Remedies - The approach taken to incorporate packaged software fixes.



Contract Strategy Sample

[1] Identification

SAP R/3

Modules:

- The Basis System, release 1.2
- Production Planning and Control, release 1.2
- Materials Management, release 1.2

[2] Technical Specifications

Server:

- HP2000
- Diskspace: at least 1.04 GB
- Operating System(s): HP-UX

Client(s):

- IBM-Compatibles (486 and Pentium)
- Diskspace: at least 58 MB
- Memory: at least 16 MB
- Operating System(s): MSWindows 3.1 and OS/2

Database(s):

- ORACLE

[3] Financial Goals:

	Initial Bid	Target	Highest
Total Acquisition Cost:			
Package d Software	\$200,000	\$215,000	\$235,000
System Software	use existing environment	use existing environment	use existing environment
Hardware	use existing environment	use existing environment	use existing environment
Installation	\$48,000	\$55,000	\$60,000
Customization	\$600,000	\$650,000	\$670,000
Conversion	\$200,000	\$215,000	\$225,000
Training	\$250 per course day per attendee	\$300 per course day per attendee	\$350 per course day per attendee
Maintenance Costs:	13% of purchase cost	15% of purchase cost	17% of purchase cost



[4] Schedule Goals:

Acceptance Test	March 16 - April 30
Installation and Customization	May 1 - July 14
Conversion	July 15 - July 22
	2 Phases:
Roll-out and Training	July 23 - August 26
	August 27 - September 30

[5] Resource Goals:

Internal

- 1 Manager
- 2 Programmers

Consultants

- 1 Associate Partner
- 1 Manager
- 1 Senior
- 2 Staff

Vendor

- 1 Part-time Support Person (for installation, customization and conversion)
- 1 Full-time Support Person (for training)
- 1 Part-time Support Person (for training)

[6] Service Goals:

Support

- Help desk hours in operation from 8:00 a.m. to 8:00 p.m.
- Beeper access 24 hours a day
- Answers to critical problems within 24 hours
- Several user manuals

Training

- Introductory seminar is included in packaged software purchase price. It is intended to expose users to tool theory and techniques.
- Additional seminar training fees are assessed at a per day, per attendee rate
- Seminars are held at vendor facilities or are arranged at purchaser's site
- Several volumes of training documentation

Upgrades

- Included in packaged software purchase price
- Released every 9 - 12 months

Customization

- Determined on an individual basis



[7] Protections:

- Purchaser is allowed a 45 day trial period with the packaged software to conduct an acceptance test. Purchaser has right to terminate contract with no obligation upon failure of the acceptance test.
- Vendor will incorporate packaged software modifications to address any changes in industry regulations and standards.
- Vendor will not disclose any information obtained from the purchaser that might result in giving purchaser's competitors advantages.

[8] Guarantees:

- Packaged software will perform at a level as specified in all official vendor documentation and as shown in all vendor demonstrations.

[9] Remedies:

- Packaged software fixes are determined by the demands of the vendor's customers. The decision process entails soliciting feedback at the vendor's annual user conference, along with reviewing the frequency of common problems reported via the help desk.
- Defects found within the packaged software that involve major functions are given high priority and addressed immediately by the development team.