

How to negotiate your Application Development Agreement?

Application development is a big-time investment and in order to keep the application well-tuned and bug-free every business must consider signing having an agreement in place. Here, despite the fact that the price of such contracts can be a little harrowing, they are still a must have to safeguard the expenses incurred during the process. In this write-up, we have listed some tips and tactics to help when negotiating for the application contracts and bring down the expenses considerably.

Draft Before Making Negotiations

Some negotiations collapse because sometimes the parties can take an all-or-nothing where the other party must settle on all of the terms mentioned in order to move ahead. So, a good way to past this kind of roadblock is to draft and break the agreement into different sections (Compartmentalize). You must outline every part of the agreement separately. Also, this makes it feel as if you are working on a series of a solution-making progress- rather than battling a big war.

This approach tends to emphasize that a party's requirements are simply mentioned in line keeping the industry standards in mind. This also relieves you of the obligations so as to justify your terms and condition in an effective manner.

Focus on all the Important Calculations

Financials are the root cause of this guide, but sometimes we generally end marginalizing ourselves to the value of a "Per hour Deal". However, the contract, regardless of the type based on time, material and price- is not limited to the workable hour price. There are many other expenses involved that you have to cover anyhow during the execution of the project. Now, the question is whether you will be responsible to pay for them intentionally.

Contract negotiations generally focus on generating revenue and risks. But sometimes, revenues and risks are more important than other aspects mentioned in the agreements. So, when negotiating, you need to know and highlight your top priorities- generally related to business or money related opportunity offered by the deal. Along with how other priorities can rank below that. This strategy will help you to keep your eyes on the prize and prevents getting bogged down in problems that are not as important for your project

Also, if you are planning to establish a long-term relationship, it is important for you to verify the annual costs adjustments and contractual obligations. Also, if you feel like this can be a game changer for your business- try to calculate the aspects equally and move ahead gradually with time.

Follow the Magic Triangle Theory

It is very difficult for an agency to estimate the cost involved in an application development project, especially if you do not have a basic strategy or outline. This is why it is recommended and crucial to define the scope of your project.

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Understanding your project completely is the key to successful execution. So, after nailing down a few details, selecting the type of firm you wish to work with gets much easier. The magic theory states that a business cannot expand one side of the triangle without affecting the other two sides. However, Time Cost and project scope are not mutually restricted.

Important Variables that affect application development:

- ❖ How many stakeholders are involved in the project?
 - The more people involved in the project-based decisions, the longer the timeline will stretch.
- ❖ What are the technical abilities of your developing team?
 - Here, having a clear definition of who does will do what is important to get your team on the same page.
- ❖ What is the required timeline?
 - 6 months is a realistic estimation for the development of the first version of an application.
- ❖ How often you communicate?
 - The important factor here is where your team and you exactly fit into during the process- weekly, monthly updates?
- ❖ When and how is the code delivered?
 - This often is dependent on the payment terms and milestones of the project.

Understanding the Difference between Budget Backwards and Feature Forward

Costs, scope and time as stated above are the three basic elements in every application development project. So, here, we have two primary types of process that defines the lifecycle of an application product.

Many projects tend to meet somewhere in the middle of these two approaches. However, it gets really important to identify which element is to be focused on with the utmost priority so as to fill out the remaining equation.

- **Budget or Timeline Backwards:** Such projects have fixed budget or smaller delivery time. Also, the team involved works backward to see what exactly will be the finished product according to the timeline or budget assigned. These projects lack in features and quality due to budget and timeline.
- **Feature Forward:** These types of projects are more focused on the scope of the work and moves in the forward focusing the scope as well as the features desired. It is somehow acceptable to spend a little more to establish the required scope, and the team, in this case, is willing to pay more to get more.

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Getting In Touch With an Application Development Company

- *Where can I find myself a good working partner?*
- *What is the best way to sort all the data and information?*
- *How to contact a company efficiently?*

How can I run a Request for Proposal (RFP)? What is it is Important?

It is really helpful for the execution to know what to look for when hiring an application development working partners. Signing an agreement, in this case, means that you are trading something from them and believing in what they are selling to you. We really wish there was a shorter answer to this question, but in case you are a newbie and have never worked with a firm that you can rely on. You will need to undergo in-depth research, read online reviews and ask for referrals. This process, however, can be followed with or without a request for proposal (RFP) to create an initial list of the companies.

Creating an Initial List to Select Application Development Firms

People can serve as a better source than Google or any other search engine. Not only you can get a valid recommendation, but you can somehow get a review too—on both personal and professional levels.

Contact people by sending an email or by writing a post on social media asking your followers for some recommendations. Think of the competitive firms that have an amazing set of products, contact their product developers or people involved and ask, ask and ask. It is free and it is one of the first steps.

Here, the goal is to compile a list of around 15-20 companies. Then keep adding the companies you find to your list. Lastly, do not forget to quickly scan their website.

Narrow Down the List

You have a list of around 15 companies you want to work with. You have ranked them individually with an arbitrary score, and have sorted list right on your desk- now what?

Now it's time to do some research.

Well now, it is time to do some in-depth of research, by looking out for a few more things, and they are:

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Settle for Long-Term and Existing Relationships

Already existing relationships can be a great start. When talking about narrowing down the list. Do you know someone who has worked with an application development company? Or someone who works there? Yes, it is great. But, remember, an already existing relationship does not really mean that the company is necessarily the best partner for the project.

What is the Working Culture of the company? Do they write a Case Study about It?

A number of times companies will write a case study to get a spectacular client or even to build a long-term relationship. If you take a glance at their portfolio it may find a long list of high-profile clients such as Nike, Apple and more. But if you take a closer look at the same you may discover that it was an innovative exercise and not their real clients.

It is normal for the companies to provide you with a disclaimer, in that case just read carefully between the lines of the case study and assume nothing.

Consider the Lagging and Leading Indicators of Project Completion

Performance and work done in the past is a must to look for when hiring an application development company. But, what if they exemplify a lagging indicator of success?

Yes, a portfolio can help you estimate whether the company is a good fit or not. Remember, only the best project-related scenarios turn into case studies. However, this should not be the only factor you must look for when making a decision. Instead, look at the things that energy consistent and offered quality work in the past.

So, why are the leading indicators important for any project?

Both application development and the digital landscape are the ever-changing industry and they tend to move quickly. The trend today could be the next industry standard or a total failure- all of this happens over a span of a month or two. Finding a corporation with a strong culture is an important indicator because this means that they are able to keep a hold on the top talent.

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Strong cultures, as well as vision, are the two important factors used to create a highly operational team. These factors are the strong indicators that will end up as a huge success story in terms of your project.

Beware of the Red Flags

Always, search for the reviews, lawsuits, and complaints of the company you are about to hire. Interpret everything carefully and look for the specific details. Try to recognize the issue and methods the company opted to resolve the same. Always keep in mind that people tend to write a bad review much before a positive one.

Some General Tips for Executing the RFP Process

So, first things first, if you can skip the process of Request for Proposal, just do it, Pass go and collect \$200-300. Well, it takes times and does not sometimes deliver incremental gain. It is required in most capitalized projects in the digital industry, and somehow it can result to be a black hole when comes to time consumption.

Some tips you may follow are:

- Understanding the type of company you wish to work with much before you start with the process.
- Always be honest with the companies you have listed during the process.
- Try to develop relationships with the agencies prior to sending them your proposal and related documentation.
- You will receive a few valuable responses if the company believes that they can execute the project successfully.
- Always, be ready to answer some questions.
- Provide the documentation and designs on time.
- Never select a working partner based on price.

Choosing and Contracting With an Application Development Company

- ***Who to choose?***
- ***How to evaluate a quote offered?***
- ***Are there any details or other things to ask?***
- ***What are the key points of the contract to negotiate?***
- ***What do contracts usually look like?***

Now, you understand the digital landscape, you have also scoped your project and know the budget and timeline, and you have also found some potential partners to work with.

How to select the best one?

This can be a little hard for you, especially if you like all your options. Well, there is not a single factor available to uncover the best company to work with. But there are some healthy indications and visions involved; you can just follow all these factors while making the decision for your project.

Asking For Quotes

How to Get a Quote from 2-4 Companies?

The next step here is to get a quote- A good and accurate one! Here, for the agency to be the best one, you will need to have a clearly defined scope. Ideally, you have gone through the scoping section, have listed the companies and have detailed or well-defined documentation to provide the *account or salespeople with*. Always send the potential company your scoping documents, follow up with them and ask if they have any sort of questions related to the project. This will help you to understand where there can be gaps in your scope planning.

Estimating a Quote or a Proposal:

It is good to have a couple of options handy when pitching up your clients. Always check the company in order to understand the difference between the proposals. Here, the big price difference means that you do not have much clarity related to the scope of the project. Or maybe the company is proposing you to deliver in a shorter timeline than you were expecting.

Always be honest to the company- we are talking with a number of companies out there, *“this is exactly what we look for in every company and this is how we make our business-related decisions”*.

Explain everything in detail mentioning the list of competitors, pros and cons and more to build a relationship. This can further help to clear up the miscommunication around the deliverables. The sales team at the company can really be your best friends and a powerful representative for you. The terms of an application project are not hard and fast always. Just lean on the salespeople for the best and creative solutions, that is win-win *for both you and the company*.

Some General Tips to Look For:

Here we have listed some other generic tips that you must be looking out for:

How good are they at making conversations?

Communication is the key to a perfect execution for the process of development. You want a partner you can rely on and the one who is able to provide you with answers honestly and promptly. Remember, how well a company communicates can highlight things that might go if and when the project gets a little threatening.

Validate the company's Expertise and Working Abilities.

Every company has a specialty (or let's say expertise). Here, just make sure that their working abilities tend to align with your application development requirements. It is possible for a company to take on too big of a development project. This is why it is mandatory to qualify their expertise, before signing the agreement.

What is happening in the company at present?

As discussed above, look out for the red flags for- cash flow issues, partner disagreements, and team problems. It is obvious that they will not tell you, so you are suggested to read in-between the lines carefully. Never be afraid to ask some probing questions.

Setting up the Contract and Negotiations

You are going to sign a contract, or maybe a set of contracts. Below are the probable contracts that you might have to sign depending upon the company. We have tried to summarize the must-to-know details and provided the contract we use a piece of reference.

Non-Disclosure Agreement (NDA)

The key to remember with a Non-Disclosure Agreement is to make sure that it is mutual and does not include any set of obligation other than maintaining privacy. These are not redlined generally, and most of them are quite straightforward.

MSA

This is the master governing contract that tends to have various clauses that apply to the overall relationship. Below mentioned are the places you must consider to have a room, especially when we talk about negotiation.

- **Non-Solicitation:**

This is a general clause, but if you remove it from MSA due to any reasons, it opens the door to you and allows you to hire the product management team in the future.

- **Intellectual Property**

Make sure that you have all of the credentials including IP. Remember, to consider everything created as the “Work Product” and it is you who will it all at the end. Just be careful with the plugins and other technicalities that your potential partners may include in the product. Make sure you know who owns what part of the final product after the project is completed.

Statement of Work (SOWs)

There are two types of SOWs and they are as follow:

- **Fixed Price:** It is a certain set of deliverables fixed at a certain price. However, this price is fixed and does not fluctuate with the requirements of the project. It is very difficult for an application development company to put it all together as a fixed bid for any project over \$60K, or with the time span of 3 months. If using a fixed bid tactic for a larger project, you must split it into smaller and well-defined increments over the course of a project.
- **Time and Material:** A less defined set of deliverables that is payable for the time spent on the project. This is quite a standard way of contracting with a custom application development company. Here, you are essentially buying a team over a period of time so as to aim for the target set of deliverables. It can be a little daunting. Therefore, selecting the right partner has a massive consequence.