NEGOTIATION TRAINING
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CASE STUDY #2: B2B BUYER – REDUCING COSTS

Company and participant names have been changed or removed to respect Non-Disclosure Agreements and protect the privacy of all involved.

The Situation

Amalgamated Inc. had recently centralized its procurement department. Part of that process included evaluating services, service levels, and associated pricing across all the Amalgamated business units.

It was discovered that one business unit was paying a significantly higher monthly retainer to their Marketing Agency of Record services supplier. Amalgamated's CFO (Chief Financial Officer) instructed a TableForce trained Purchasing Agent from the Procurement team to "get the business units costs in line with their peers".

> The average monthly retainer across all business units was $24,000 per month, this business unit was paying $30,000 per month (a 25% premium). The scope of work was roughly the same across all business units.

The Purchasing Agent began the process by reviewing services, processes, and service levels that each business unit had engaged in with their Marketing Agency of Record for the retainer. After gaining an overall understanding, a meeting was held with the Purchasing Agent and the President and CFO of the business unit.

In that meeting the President and CFO asked the Purchasing Agent to "try and save 10% if you can, but don't threaten **competition** (one of a Buyers core tactics) to replace the Marketing Agency". After further research, it was discovered that the President of the business unit and the President of the Marketing Agency were friends from high school who had also gone on to be college roommates (**relationship** is one of a Sales Person's strongest tactics).

The First Negotiation

The Purchasing Agent called the Account Representative from the Marketing Agency to request a meeting. The meeting was held at the Marketing Agencies offices (part of the Purchasing Agents **planning process** to make the supplier feel comfortable and to allow the Purchasing Agent to get on their **sheet of paper**) and included the President of the Marketing Agency (using the **level of authority** tactic – never take a no from someone not empowered to say yes).

The meeting began with the President of the Agency stating "I heard you're here to ask for a 10% discount. Our margins are already too slim, so that can't happen."

It was clear that the President of the business unit had preempted the negotiation the Purchasing Agent was attempting to conduct (the President of the Marketing Agency had engaged in another powerful seller tactic – **backdoor selling**). A reevaluation of the negotiation plan was in order (the Purchasing Agent remembered part of the 4-Step Process, **be flexible**).

The Second Negotiation

The Purchasing Agent decided to apply the **cost vs price** lesson taught in TableForce **workshops**.

A second meeting was called with the Marketing Agency. The Purchasing Agent opened with the statement "I'd like to understand the scope of work better. Specifically, where we've made mistakes, where we're a bad customer, where you laugh at us for wasting valuable time and money?" (and then they used **a tactic proven powerful for both Buyers and Sellers – SHUT UP**).

This was surprising to the Marketing Agency team, and they were suspicious of the motives of the Purchasing Agent. But agreed to show the Purchasing Agent work orders and processes while they were there and asked for a week to respond to the questions. It was granted.

A week later the meeting reconvened and the Marketing Agency presented 3 topics:

1. Overtime labor was a significant cost driver (a retainer is a fixed fee; overtime erodes planned margin quickly). The overtime was driven by work supporting major events that occurred each year like Chinese New Year, the Super Bowl, the Final Four, etc. There were other times of the year that had significantly less workload. The Marketing Agency said their best clients have a planning calendar that allows work to be spread throughout the year, reducing their overtime to a very manageable level.
2. The revision process was frustrating and inefficient. Example: The VP of Marketing for the business unit would ask for something with a blue color pallet. The Marketing Agency would do the work asked and bring it to the Marketing offices where the Marketing Manager at the business unit would review their work, and often times not like blue and ask for it to be re-worked using orange. The Marketing Agency would revise the work and re-present. At which point the Marketing Manager would approve for presentation to the Director of Marketing for the business unit, who would then ask to see it in purple. The revision would occur, receive approval from the Director, then be presented to the VP, who would then of course ask to see it in blue. Their best clients streamlined the review process by having all the decision makers in the initial review.
3. "Fresh ideas": In any brainstorming process there are typically several ideas which are explored. Only the best idea will move forward, but idea "1-A" is still a great idea. In the past the Marketing Agency was scolded for re-presenting past ideas and told they were not "fresh". Their best clients allow them to keep a library of "second place" ideas (which require significantly less hours) and re-present them without fear of being scolded.

The Purchasing Agent thought the ideas seemed reasonable and asked the Marketing Agency to assign **financial values** (as TableForce teaches, always assign a financial value whenever possible) to each of the ideas.

They reconvened a week later. The Marketing Agency said if all 3 processes improvements were implemented, they would move the retainer from $30,000 per month down to $20,000 per month. A 33% savings, but as importantly, a happy supplier! (important for service levels and the relationship between the 2 Presidents)

The Final Negotiation

The Purchasing Agent called a meeting with the VP of Marketing at the business unit for an "internal negotiation". All 3 ideas were presented but met with some resistance as it required the Marketing department to operate differently, change management is hard for people (especially when those people are "the customer"). The Purchasing Agent asked if the VP of Marketing received 100% of the budget they requested? The VP of Marketing said, "of course not, why?" The Purchasing Agent suggested that if the Marketing department would accept the process changes, the Purchasing Agent would tell the Amalgamated CFO that since they helped produce the savings ($120,000 per year) that they should get to revisit budget items that didn't make the cut. The Purchasing Agent exchanged low value (to the Purchasing Agent) for high value (the cost savings results and happy supplier). The VP of Marketing received high value (consideration to grow their budget) in exchange for a better product and streamlined process. All they had to do was adapt to change. These are all examples of **trading concessions** as taught by TableForce. Give low value to get high value.

Conclusion

In any negotiation there are multiple ways for multiple people to win. If you approach a negotiation as an "I win you lose" or "you win I lose" you limit yourself and risk being on the losing end. In this case, rather than take the "loss", the Purchasing Agent decided to keep trying (**foundational rule #1**) and to use the tools TableForce teaches (**cost vs price**). It produced a rare **win-win-win-win** (for Amalgamated Inc, the business unit, the Purchasing Agent, and the Marketing Agency – who did not have to reduce their margin but delivered a significant cost reduction).