

Better Outcomes From Negotiations With Key Accounts



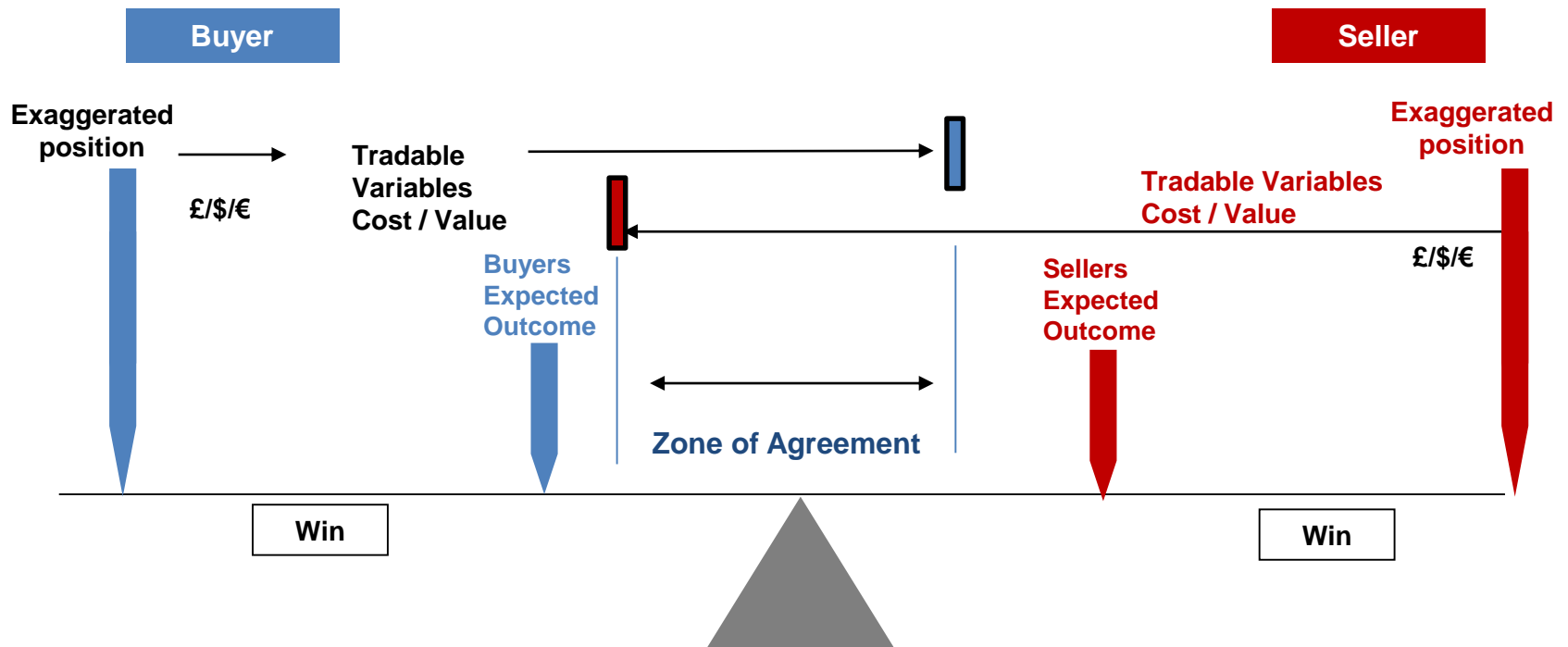
AKAM Technical: KAM Negotiation Workshop

Trafalgar Square, London

4th March 2019

Negotiation

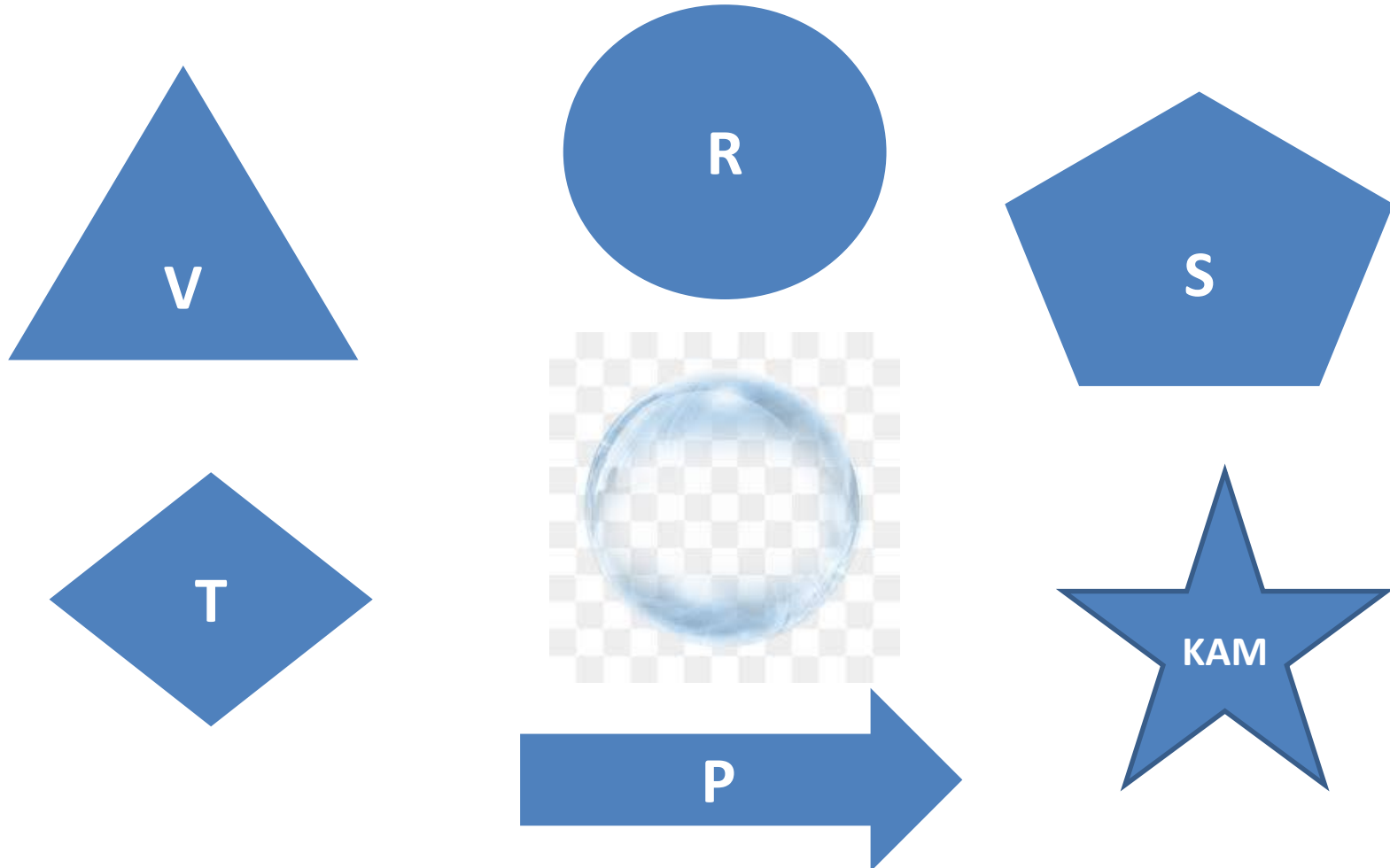
A **process** through which **parties move** from their initially **different positions** to a point considered **acceptable** and where **agreement** may be reached



Negotiation

- **Group A:** Why can negotiations prove more difficult with Key Accounts than other customers?
- **Group B:** How can negotiations with Key Accounts be easier than with other customers?

Key Accounts and Negotiation



Best Practice Negotiation *A Framework*



Key Elements of Negotiation

1. A need to **move** the other party from where they are to where we want them to be
2. Meets **legitimate interests**
3. A process that is **efficient**
4. Reach an agreement that is **closed**
5. Should improve **relationships**
6. Ensure that the deal is seen as **fair** on both sides
7. Set a strong start point for **future** negotiations



Principles Of Negotiation

- Separate people from the problem....deal with both
- Focus on **interests** and not **positions**
- Identify what is **shared ground**...as well as conflicts
- Be creative...**invent options** for mutual gain
- Don't let price bulldoze other **value**
- Insist on **objective criteria**

Adapted from 'Getting to Yes' Fisher and Ury

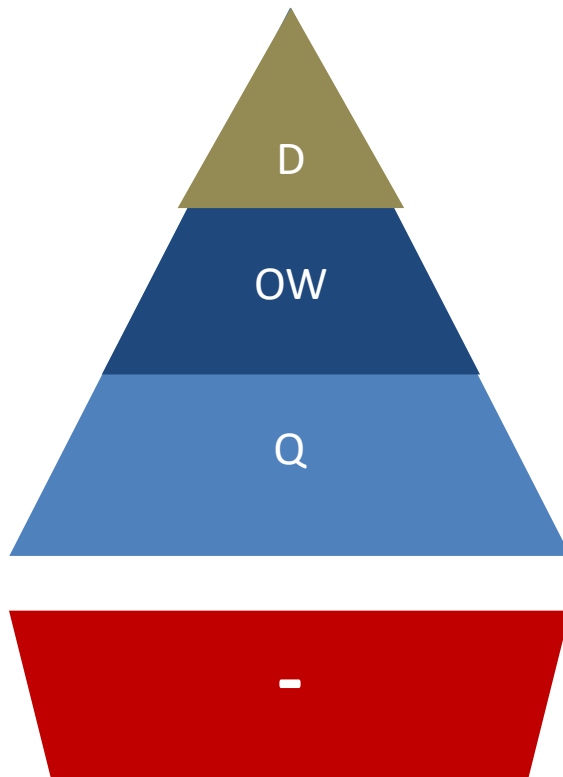
Random House Business Books



Value Creation – Current and Future

+Value to Customer

+Value to Supplier



Delights



- Flexibility
- Local service and maintenance

Order Winners



- Lower TCO
- Better outputs

Qualifiers

- Safe
- Does the job

Destroyers

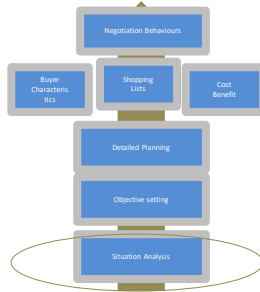
- *Failing to deliver the full solution*
- *Lack of goodwill*



- Geographic access
- Economies of scale
- Cross sell
- Access more facilities
- Acceptable profit
- Acceptable risk
- *Opportunity costs*
- *Scope creep*

A Game Of Incomplete Information

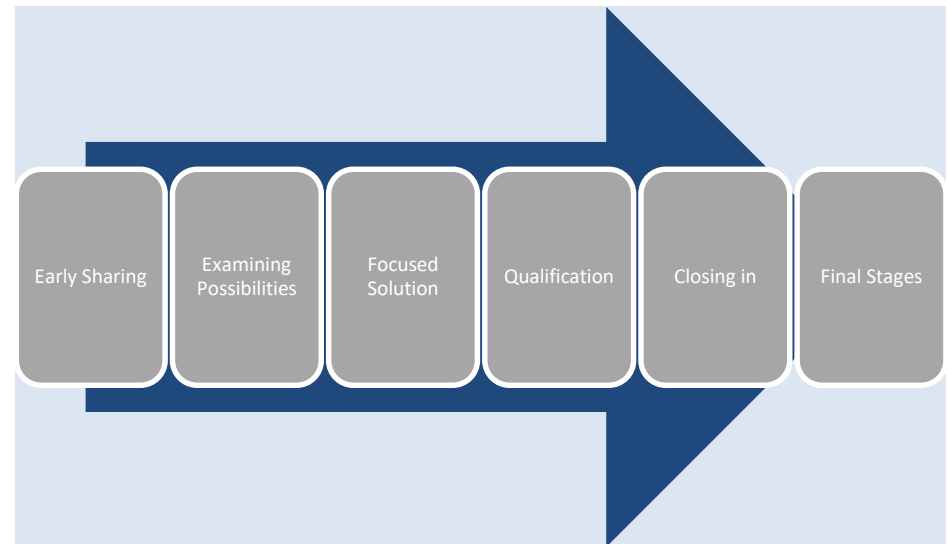


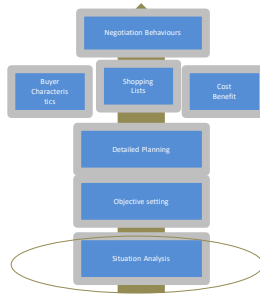


Situation Analysis

INFLUENCES include ...

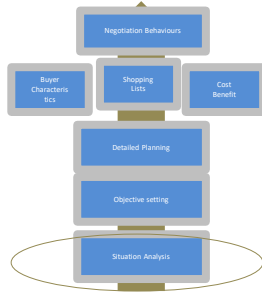
- Strength of the need(s)
- History
- Budget...and flexibility
- Status of competition
- Geographic spread
- Impact on other business
- People involved
- Buying process/gates
- Timescales





What Does **Your** Customer Want From Sellers?





Customer Negotiating Stance

- Questions your customer asks

- Positions they take

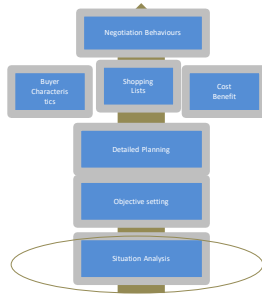
- Their style/tone

- Who gets involved

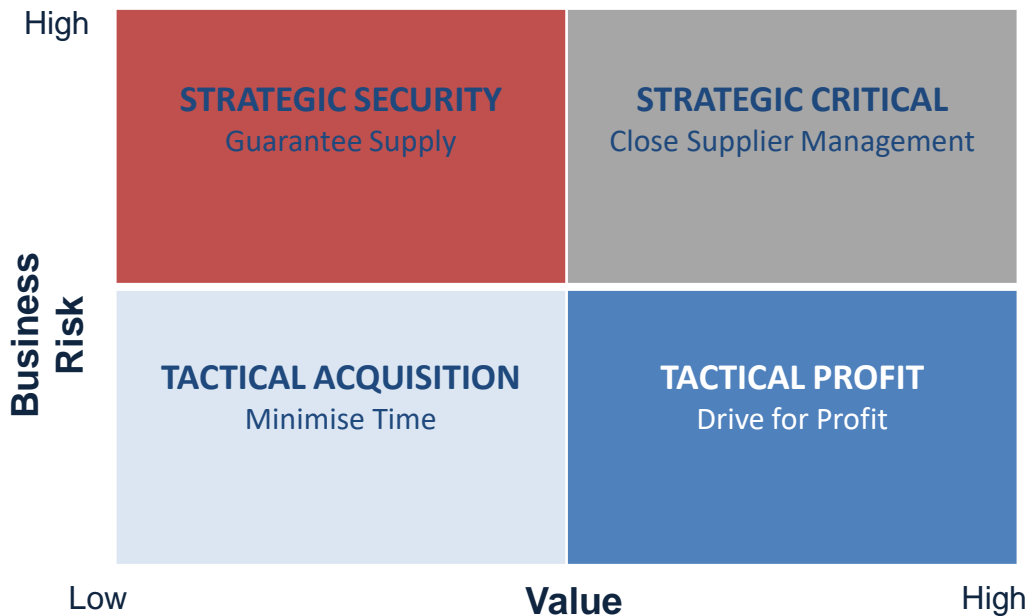
- Motivators

- Turn-Offs

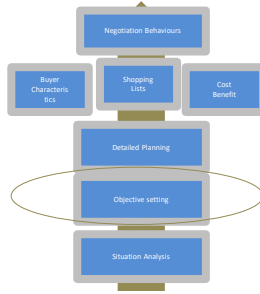
Include in the account plan



Your Customers Strategies



Buying Consortia/ community sourcing	Benefit
Group demands of various platforms, within or across companies	Larger volume = more market power = lower cost. / more power.
Outsourcing of procurement	Benefit
Shift responsibility to organisation with greater power	Lower Cost. More time for other elements.
Demand reduction	Benefit
Concentrate initiatives to reduce requirements: Longer service intervals: Fewer units.	Lower costs: Set's appropriate culture.
Leverage Innovation Capabilities	Benefit
Proactively seek suppliers capabilities and knowledge: co-development	Faster to market. Better solutions. Lower costs

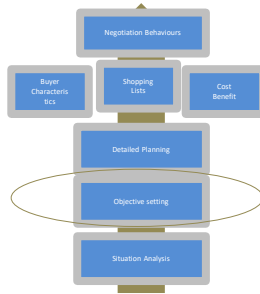


Our Objectives: What Do We Want?

- What are your *interests*?
- What are *set positions*?
- Where can you be *flexible*?
- How can you be *creative*?

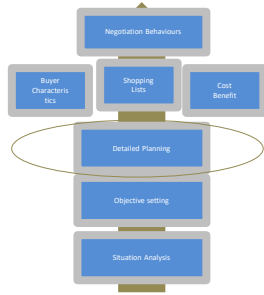


- **Ideal Position**
 - Revealing it may lose you credibility
- **Realistic**
 - A win for both parties
- **Fall-back**
 - Lowest prepared to go
- **BATNA**
 - *Best Alternative To a Negotiated Agreement*

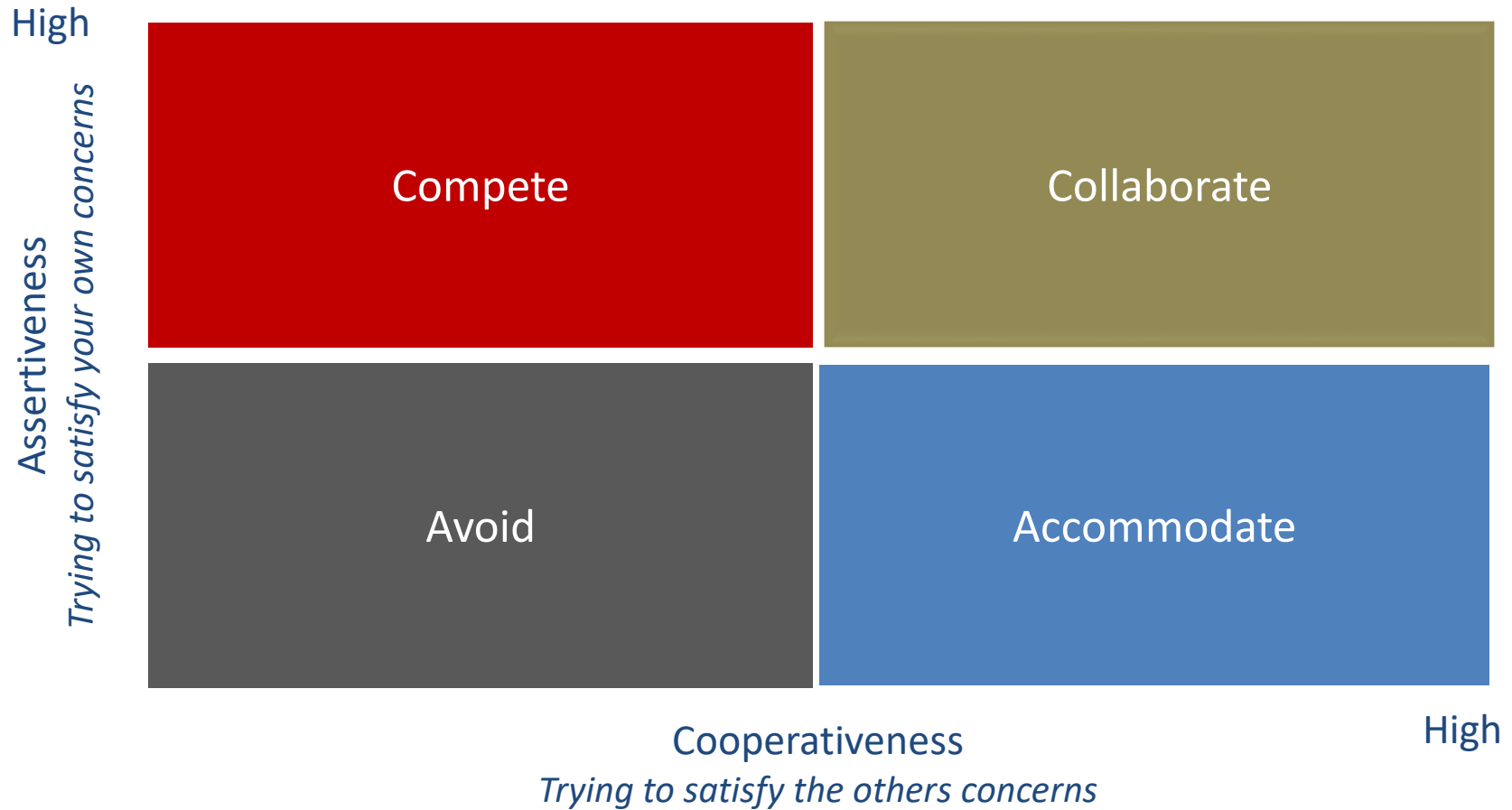


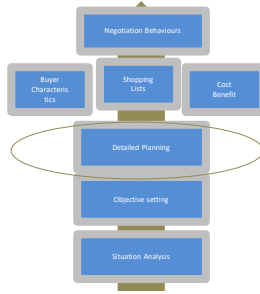
Negotiation Variables Monitor

	Negotiable	Ideal	Realistic	Fallback	Current Position	Status
CURRENT	Discount	6%	8%	10%	9%	●●
	Quality Standard	98.5%	99%	99.5%	99.0%	●●●
	Exclusivity Period	zero	12 mths	30 months	15 mths	●●●
	Mobilisation Period	20 weeks	16 weeks	12 weeks	9 weeks	XXXX
Future	<i>Opportunities on other key projects</i>	4	2	1	3	●●●●
	<i>Image rights</i>	<i>Full</i>	<i>With sign off</i>	<i>Agreed fee upfront</i>	<i>In negotiation</i>	??
	<i>Service Contracts</i>	<i>Full, 5 years</i>	<i>Full 3 years</i>	<i>Full 2 year</i>	6 months	XX



Negotiating Stance





Appreciating Your Customer

- What is their business (or buying) strategy?
- Who are their other suppliers?
- What is their 'buying' process?
- Who will be involved?
- What other options do they have?
- Long term or short term fix?
- What sort of behaviours should we expect?

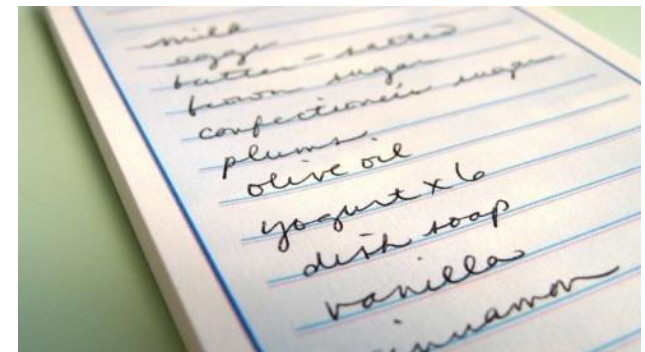




Shopping Lists

- The shopping lists includes ALL that you / want to achieve during the specific negotiation
- Physical, service, time bound, relationships, power, status, knowledge
- Create a robust list

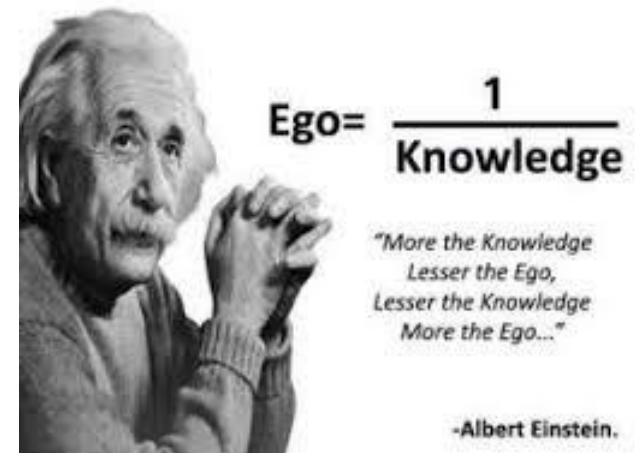
Buyers will have one too





Beware Of Your 'Position'

- The more you try to convince the other side of the impossibility of changing your opening position, the more difficult it becomes to do so
- If you wildly swing from your position you lose credibility and trust
- The more you defend your position, the more committed you become to it
- Your ego becomes interlinked with your position
- You can now have a primary interest in “saving face”

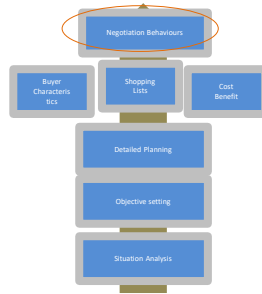




Conflict and Objections?

What might you ask if you were in the shoes of the other party?

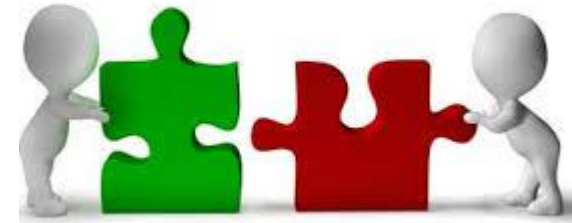


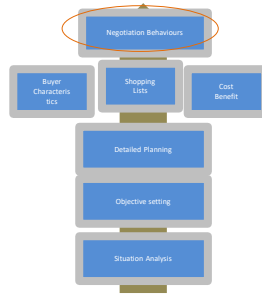


Changing The Game

Collaboration

- Better understand each others views
 - To gain commitment
 - Both parties concerns need to be addressed
 - Both parties can add value
 - Better creative outputs may be delivered
-
- Takes time and energy
 - On going commitment
 - Do your collaborative behaviours gain collaborative responses
 - Trust and openness ?
 - Organisational follow-through





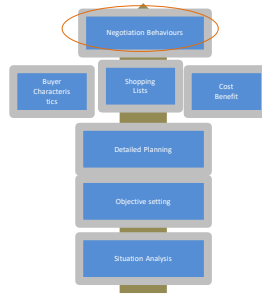
Contractual Considerations

- Focus on ‘creating value’ through:

- *Clear agendas on collaboration, innovation & continuous improvement*
- *Enabling both parties (and sub-contactors) to bring forward good ideas*
- *Joint approach to fulfilling changing requirements*

- Consider risk & reward or gain sharing mechanisms
- Consider work-load and investment sharing
- Focus on reducing costs in the supply chain rather than just price
- Agree a mechanism for handling disputes
- Monitor and control progress
- May need senior level sponsorship to unlock the maximum possible value together

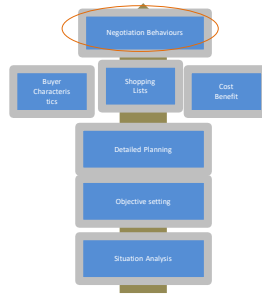
Strategic
Mindset



Successful 'Trading'

Never give something away without a return...

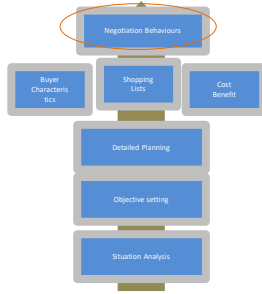
"IF YOU ... THEN I ..."



Cost Benefit Analysis

- Everything has a cost, but not everything has a benefit
- Some small costs create large benefits
- Some large costs create small benefits
- For each variable: understand the costs
 - Today
 - How they may change





Which Is Most Effective?



Compromise (C)



Threat (T)



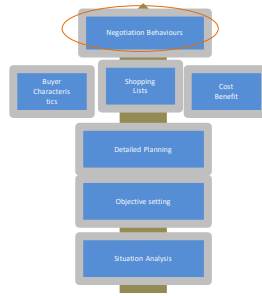
Bargaining (B)



Logic (L)



Emotion (E)



Persuasion Methods

Emotion, Logic & Threat
– when used wisely,
will not



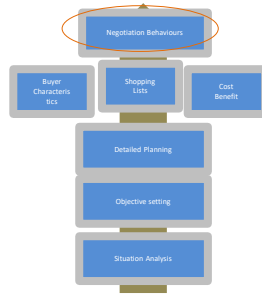
Bargaining & Compromise
will cost you



Some Negotiation Tactics

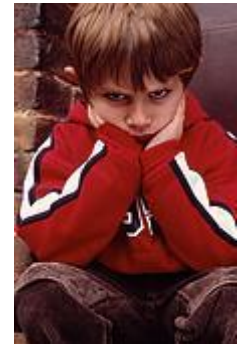
- Never accept the first offer
- Use silences
- NEVER show enthusiasm
- Show scepticism
- Ask for the impossible
- Indicate they have to refer to an authority
- Play good cop, bad cop
- Have costs analysed
- Focus on the negatives
- Play the fool
- Break off discussions
- Create tight timetables for your response
- ‘Invent’ other Suppliers offer better deals
- Salami Technique
- Columbo Technique
- Ask for concessions at the end

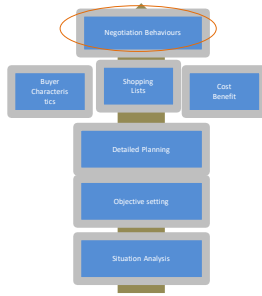




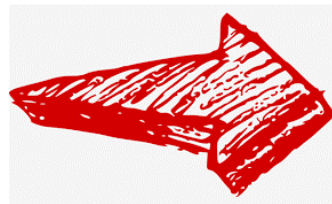
Some Negotiation Tactics

- ‘Flinch at proposals’
- Express shock and surprise on the phone or via email
- Call for last and final position....
- Use ‘You will have to do better’....silence
- Take to a higher authority
- Never offer to split the difference...
- Always seek to control the notes and write the contract.....
- ‘So your offer is like theirs..well it sounds like that to me’





Handling Objections

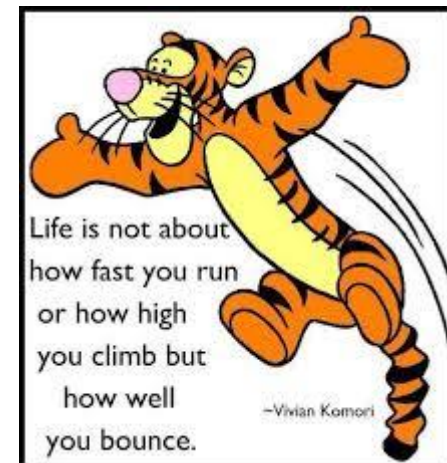


*Contractual
Agreement*



Building Resilience

- Prepare
- Hold confidence in your value
- Stay friendly but assertive
- Rehearse
- Link to a support network
- Stay fit
- Learn. Build know-how



Suggested Further Reading

- “Business Negotiation”: Paul Steele, Tom Beasor
- “The Art of the Deal”: Tom Beasor
- “Getting to Yes”: Roger Fisher, William Ury
- Six Habits of Merely Effective Negotiators: Harvard Business Review April 2001

