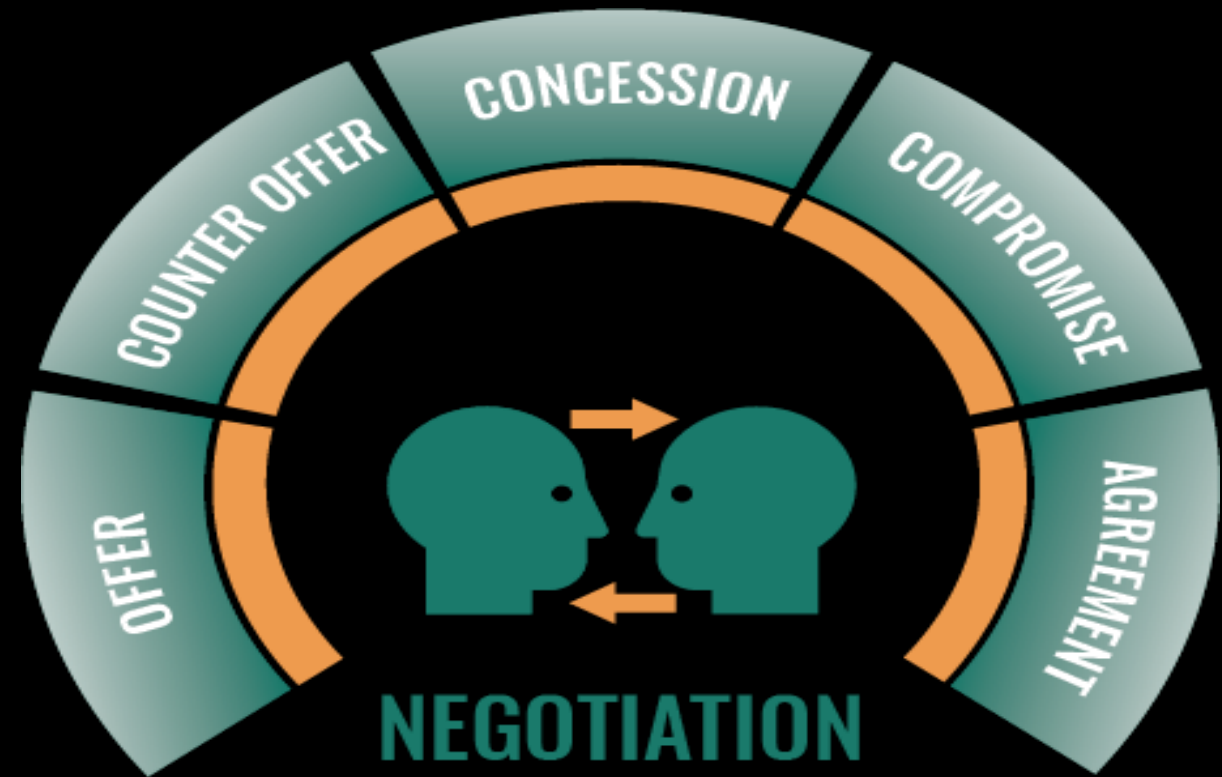




KEYS TO SUCCESS IN NEGOTIATIONS

INTRODUCTION



INTRODUCTION....

- **Reasons why most negotiations fail:**

- 1) Never have time to prepare
- 2) Get involved too late
- 3) Too much dialog with sellers/OEMs
- 4) Short time horizon
- 5) Negotiation team not prepared
- 6) High risk projects
- 7) Team bias to new better and different
- 8) Did not find out the value and the needs for success

INTRODUCTION....

- **Keys to Success in negotiations....**

- 1) 3-4 hours of negotiations for each 1-hour of negotiations
- 2) Perform due diligence
- 3) Create a range profile
- 4) Develop both a price and non-price LOB
- 5) Study past negotiations for trends and force of habit
- 6) Money and value-adds can
- 7) Create a negotiation post-mortem
- 8) Study on three levels: item-personnel-company

NEGOTIATION CHECKLIST

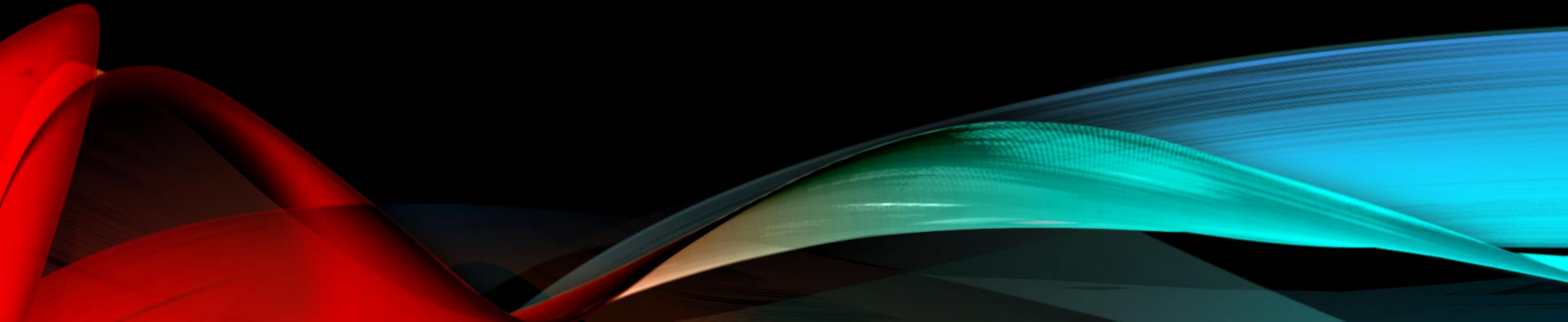


NEGOTIATION CHECKLIST

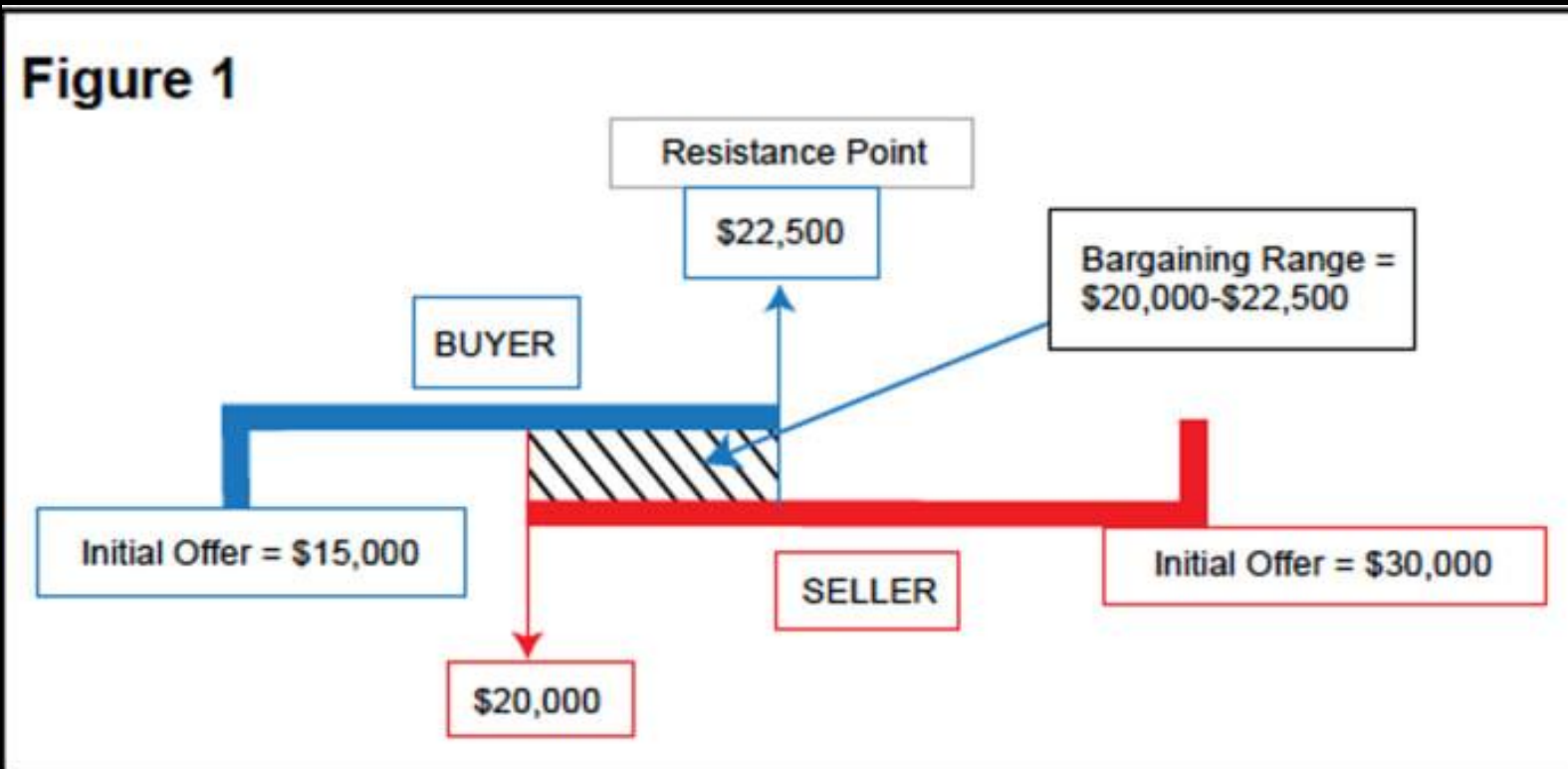
- A checklist is a tool for ensuring success in a negotiation by verifying and validating negotiation points to ensure all areas of the negotiation are covered and full value are achieved.

Criteria	Description	Value	Negotiation Position
#23	Warranty a) Type b) Coverage c) Item with limited coverage d) Items to add to the term e) Length of term f) Start after installation and acceptance testing g) Any invalidations h) LOP i) Develop warranty manual j) Defined risk of warranty availed	\$70-\$100k value of the item(s) cost	# 7-for h #11- for a, b, c, d # 21-for i

NEGOTIATION PRICE LOB



LOB PROFILES



NEGOTIATION LOB

- A negotiation LOB is a tool used to enhance a buyer or seller's range in an actual negotiation. As the range increases the positions between the **first** offer of the Seller and the **first** of the Buyer. The distance between the two is called the **Range** or the **Distributive**. Once the two first positions are tendered at the center region is close to the point of actual settlement. A LOB profile should represent the strategy designed by the parties to present at the table. Each position of offer is planned against a counter-offer presented by the other side of the table. If a Buyer or a seller should approach the table without planning for the above they have left their position vulnerable.

NEGOTIATION **LOB** EXAMPLES

- Buying shoes at a shoe store
- \$4M land acquisition

NEGOTIATION LOB

- The typical configuration for a LOB is a Buyer's side as compared to that of a Seller. A Seller usually carries between **7 to 11** preplanned positions of concession when they walk into every negotiation. The Buyer usually carries between **3 to 5**. The LOB profile forces the Buyer to establish **15**. In this manner we are better prepared for the Sellers approach with less pressure on them at the table. The Zone of Overlap is usually half way between the initial framing of the negotiation points of both the Buyer and the Seller.



**NEGOTIATION NON-PRICE
RELATED LOB**

NON-PRICE L-O-B



NON-PRICE **LOB** PROFILE

FANTASY	1	OBJECTIVE	1	GIVEN
	<u>1</u>		<u>1</u>	
	1		1	
	1		1	

NON-PRICE LOB PROFILE

- A NON-PRICE LOB is often referred to as a single dimension LOB. Where price has two sides this one works both Buyer and Seller on the same line together. The initial offer of the Seller is referred to as the **GIVEN**. The first position conveyed by the Buyer is referred to as the **FANTASY**. The mid-point is called the **OBJECTIVE**.
- Where the Price LOB has 15 positions planned the NON-Price LOB only has 5 with the Seller providing the first.



NON-PRICE LOB PROFILE

- While the **NON-PRICE LOB** has only five positions the Buyer will usually take ten to fifty of these to the table. The most usually taken of a **PRICE LOB** is usually two in construction for a labor and materials position.
 - A NON-PRICE LOB is for all other items other than price but still have value to the Buyer's organization.
- Warranty
 - Service after the sale
 - Trade-in
 - Freight
 - Inco-Term
 - Warranty Manuals
 - Packaging
 - Schedule
 - Risk.....



NEGOTIATION CLOSE OUT
OR
POST MORTEM

POST MORTEM

- Keep in mind that final signing or the executed contract, shaking hands at the table, or if you're so compelled; hugging and kissing, only closes one chapter the negotiation process. The final stage is a single solitary application by the buyer or the buyer's team. We now go back and take our planned negotiation checklist and identify how we did against the plan we took into the negotiation.
- Why did we **gain more** than plan on points 1, 3, 5,6,7, and 12.
- Why did we **fall short** on point 2, 8 and 10.
- What made **our plan work** on 4, 9, 11, 13, 14, 15, 16, 17, 18, 19, 20.
- The final make of a negotiation is to conduct a self-assessment of the points noted above. The first item we look at in the next negotiation is the **POST MORTEM** of the previous session.

MANAGEMENT SUMMARY

- Take the time to provide a clear and concise summary of the negotiation process and what it means to the organization.
- They do not understand phrases like, “good”, “better than expected” or “could have been better” ... None of these tell him/her what was accomplished.
- Bullet points/graphs to highlight.
- Remember, the person you are sharing this with could do your next annual review!





CONCLUSION