

Think! Inc.

business negotiation, redefined

Dun & Bradstreet
D&B
Case Study
2007

BUSINESS OVERVIEW

As the leading provider of business information for credit, marketing and purchasing decisions worldwide, D&B helps customers gain access to the world's largest and highest quality global commercial business information. D&B Denmark, a strategic partner of D&B, is responsible for approx \$6.3 Million in annual revenues.

D&B Denmark helps their customers perform a range of business analyses primarily through three products & services; *Risk Management Solutions* to mitigate credit risk, increase cash flow and drive increased profitability; *Sales & Marketing Solutions* to increase revenue from new and existing customers; and *Supply Management Solutions* to generate ongoing savings through supplier consolidation, and to protect their businesses from supply chain disruption and serious financial, operational and regulatory risk. The Think! Inc. engagement with D&B Denmark centered on their sales organization to include account managers and account specialists.

NEEDS ANALYSIS

In Summer of 2006, Think! conducted a needs analysis designed to map the internal negotiation structure within D&B Denmark, as well as capture both internal and external issues surrounding negotiation. Accordingly, it included D&B sales personnel; sales management & account managers.

Because the goal of the analysis was to determine if—and, if so, why—a Negotiation Initiative was needed, the line of questioning included; market conditions, sales process implementation, value proposition effectiveness, competition, consequences of no agreement, trades, the company's internal conditions, training implementation, and coaching precedents. More specifically, Think!'s analysts raised questions designed to facilitate the development and implementation of a successful negotiation process, specifically:

- What are the specific indicators of success
- How will we measure those indicators
- What behaviors should we expand or limit in order to achieve success?

BUSINESS PROBLEMS IDENTIFIED

When the needs analysis was complete, the following negotiation issues were identified as pointing to the need for a successful Negotiation Initiative:

- Negotiation skill set varied greatly among team
- Irrational behavior by the company's competitors
- More sophisticated buyers
- Insufficient analysis or preparation for deals
- A history of giving away value
- Lack of confidence in negotiations
- Various negotiation approaches used in each country
- No integrated and standardized negotiation process

THINK! SOLUTION

The Strategic Negotiation Solution

In order to address these issues, Think! recommended to D&B that rather than just run a series of training events, it implement a Negotiation Solution. Such a solution would include: 1) defining a common goal or organizational *negotiation strategy* linked to the company's sales strategy, 2) agreeing on a common *negotiation process* integrated with the sales process, 3) coaching and measuring both strategy use and process implementation, and 4) measuring results. Because negotiation is such a dynamic process, Think! has found that taking this kind of organizational approach greatly increases the likelihood of sellers being able to establish and maintain successful long-term relationships with their customers while achieving their goals.

Understanding what defines 'a good deal for D&B' as mapped by the negotiation strategy, then implementing a good deal using the negotiation process one deal at a time increases success. It enabled D&B dealmakers to effectively "blueprint" the business deal by helping them answer the two key negotiation questions: "What is the impact to both sides if they don't agree?" and "What are the likely terms in the event they do agree?" By estimating and then validating the answers to these two questions, the negotiator is put in a much more powerful position, and can proactively insert into the deal the details that are agreed upon in the negotiation strategy. By using a common organizational process for negotiation the team is aligned toward a common outcome for each negotiation.

The negotiation process has benefited D&B in several ways, including:

- The sales team has found that it sharpened their negotiating skills by enabling them to apply the same kind of process to negotiating that they already do to sales and account management. They are able to integrate key negotiating activities into the sales process earlier on, and thus get ahead of and proactively manage the negotiation. It puts the average D&B negotiator on a par with the world-class negotiator to whom this process comes naturally.
- The team has found it a means of developing an effective standardized negotiation approach for their customers. Taking such an approach enables them to establish consistent goals and processes for accounts in advance of any negotiation, as well as determine how they will achieve those goals. It also enables them to send consistent messages to those accounts, which in turn allows them to use negotiation as a strategic tool to promote rational market behavior that will benefit everyone.
- Sales management can apply its repeatable approach to raise the performance levels of all the salespeople on their staff.
- D&B also uses the process to provide relationship managers with a systematic “blueprint” approach that enables them to diagnose the causes of such problems as price pressure and irrational competitive behavior, among others, and to proactively deal with them.

DELIVERY & IMPLEMENTATION

- Think! began delivery of its Strategic Negotiation Solution to D&B Denmark in October 2006 with a 2-day workshop. The participants in the workshop included sales management, relationship managers, and specialists. Each brought a live deal to class in which to practice the process on and advance their deal.
- Since many deals were set to resign, or close for the first time by year-end 2006, we agreed each participant would further their classroom deal, including follow up coaching calls, using the process to gain a more successful contractual end result.

MEASUREMENT

As part of the negotiation initiative, D&B Denmark developed lagging (results) and leading (key actions to achieve results) indicators that would enable them to determine the success of the initiative. The team developed the following indicators:

Lagging Indicators: How will we measure our results?

- Incremental revenue from those deals using the negotiation process
- Increase overall retention rate; current retention rate is 74% for GMC in DK

- Reduce time to close from first meeting held; current 9 months from first meeting to deal closed in GMC DK
- Include trade agreements to be included in all relevant Risk Management deals across GMC and KAM in DK; current in 50% of every relevant deal

Leading Indicators: What actions do we need to perform to achieve our results?

- We will incorporate the negotiation process, using the negotiation worksheet, into our sales culture
- We will not “react” to any competitor/consultant pricing without first completing a gap analysis of value propositions, that is, determining the difference between our solution and our customer’s alternative solution
- We will not agree to concessions. Instead we will trade for something of greater value; that is, we will start asking what we get in exchange instead of conceding everything for the sake of “getting the deal”
- We will incorporate multiple equal offers in 100% of our proposals

RESULTS

While D&B will give ‘Retention rate’ and ‘Reduce time to Close’ a full year to track measurement, within 4 months we have the following revenue measurement available:

- Incremental revenue created using the Negotiation Process from Oct ‘06–Jan ‘07 349,000 USD
 - \$80,000 USD came from expanding the agreement zone having given
 - More thought than before to other important items of the deal for both parties
 - \$90,000 USD came from being more creative in creating multiple offers
 - \$179,000 USD came from thorough reflection and analysis of the other side’s CNA and thereby not being willing to make concessions, give discounts or offer

RETURN ON INVESTMENT

Total 2006 revenue for DNB Denmark equaled \$6,300,000. Incremental revenue based on deals won, as described above, equaled \$349,000. Total investment in the negotiation initiative was \$60,000 and included Think! fees and participant travel & lodging expense.

- Total incremental revenue \$349,000
- Total investment..... \$60,000
- Return on investment.....581%
- Payback period.....4 months

STORIES

Examples of great use of CNA analysis, Trades, and Anchors: The case of Midtfactoring, upcoming deal in advance of the Think Workshop.

Having diagnosed both sides CNA and knowing that D&B had the most power the D&B Relationship Manager was not prepared for concession when Midtfactoring suddenly started to pull out items of the deal towards the end of the negotiation which they questioned whether they needed. The D&B Relationship Manager clearly stated that the price of the solutions was based on the combined volume of all items in the deal. Aiming at creating a win-win negotiation the D&B Relationship Manager would not force the customer to accept deal items not valuable to the customer anymore and presented a few of the trades identified during the Think! Workshop which were even more valuable to D&B as alternative deal items. The customer accepted and the deal was closed at a value of additional \$80,000 USD on the top of the original \$400,000 USD deal – an increase of 20%.

Examples of great use of multiple equal offers: The example of renegotiating the Telia contract.

Having held pre-meetings with the customer and diagnosed their potential interest in a combination of the existing Portfolio Manager solution as well as a new Monitoring solution versus going exclusively for the Monitoring solution, the D&B Relationship Manager made two Multiple Equal Offers to the customer. The first offer combined the two with the existing maximum of records and the other one replacing the existing solution with no limit to volume of records. The customer appreciated the flexibility and chose the first offer.

Examples of another use of trade: Renegotiating the Energi Danmark contract.

The customer had promised to let us in for more business in associated companies for two years without any action behind the words. At the same time, the customer was asking for discount based on the potential value of business in the associated companies while also implying the possibility to go with the competitor. The D&B Relationship Manager decided to agree to a small discount of 10% after Q1 if the CEO of Energi Danmark would arrange meetings with key decision makers in 8 out of 10 of the associated companies within that period of time. The customer accepted and the deal was closed without discount but with the potential for the customer to get a discount if they would live up to their promise.

Think! BACKGROUND

Think! Inc. is a global consultancy offering a wide range of services from two-day Strategic Negotiation workshops to implemented organizational negotiation solutions. These solutions assist our clients in development of an organizational approach to negotiation with common goal, language, and process. Results include consistent customer and competitor messaging, internal alignment, and creation of true business value. Think! Inc. was founded by Max Bazerman, author of *Negotiating Rationally* and a professor at the Harvard Business School, and Brian Dietmeyer, author of *Strategic Negotiation*.