

# Think! Inc.

business negotiation, redefined

## Negotiation Return on Investment Case Study

Livingston International

2006

## Livingston International Case Study

### **Business Overview**

Livingston International is Canada's leading customs broker and trade-related services company facilitating two-way trade in the busiest trade lane in the world — the Canada-U.S. border. Every day, approximately \$1.3 billion worth of goods flows back and forth between the two countries. With more than 60 years of experience and approximately 1,700 employees in over 70 offices at key border points and other strategic locations in Canada and the United States, Livingston serves an impressive list of Fortune 500 clients. At the time of this study, Livingston International cleared an average of 12,900 shipments a day into Canada and the United States, up from about 5,000 a day in 1996. In early 2006, Livingston acquired their largest competitor and has more than doubled their business from a market share of 12% to approximately 30%.

### **The Business Problem**

Operating in a highly fragmented and Price sensitive market, Livingston faced the prospect of selling superior services at a premium in a "commoditized" market. The net result was a reduction in win rates, declining average deal size, a downward pressure on margins and an increase in Customer retention issues.

A formal Negotiation Needs Analysis conducted by Think! Inc. identified the following circumstances contributing to these issues:

- More sophisticated buyers
- Insufficient analysis or preparation for deals
- A history of "giving away" value
- A good sales process in place but no negotiation process to support it
- Functional areas acting like silos, each with its own goals and expectations
- Lack of process implementation and reinforcement

### **The Strategic Negotiation Solution**

In order to address these issues, Think! recommended Livingston implement a cross-functional, organization-wide Negotiation Solution. Such a solution included: defining a common goal or organizational negotiation strategy linked to the company's sales strategy; agreeing on a common negotiation process integrated with the existing sales process; coaching process implementation; and, finally, measuring results. While there are few "solutions" to anything as dynamic as negotiations, Think! has found that taking this kind of organizational approach greatly increases the likelihood of sellers being able to achieve their business goals while establishing and maintaining successful long-term relationships with their customers.

Starting with the end in mind, the Livingston negotiation strategy was developed by getting the representatives from Legal, Sales Management, Marketing, Operations, and Finance to agree on what measurable results could be identified if the initiative were successful, and then building key actions to produce those results.

### **What Does Success Look Like?**

- DEI (sales process) close ratio will go from 18% to 25% as measured by total number of closes divided by the total number of proposals for Canadian and U.S. brokerage deals over \$10,000.
- New client deals that include Insight will go from 12% to 30% as measured by total number of new subscriptions divided by total number of new Canadian and U.S. brokerage clients.
- Total annual sales of Insight will increase 50% over 2004 levels.

### **How Will Success Be Achieved?**

- Deal strategies will be developed with Marketing, Canadian and/or U.S. Client Services and/or Consulting prior to presenting offers.
- Three Multiple Equal Offers (MEO) will be presented with every trial close.
- Strategic Negotiation Worksheets will be submitted for every deal over \$10,000.
- Implementation of the negotiation strategy and process will be imbedded in Performance Appraisals.
- ACI will be included in 100% of MEOs.

- Insight subscriptions will be incorporated in at least one MEO for all brokerage deals.
- Livingston will always trade things of equal or greater value and no longer simply concede items

### **The Business Results**

Two years into implementation of this initiative, Livingston is enjoying outstanding results. In a highly competitive industry that traditionally sees high volume, low sales per transaction, Livingston has achieved the following based on tracking 1,148 deals:

<b>Success Metric</b>	<b>Start</b>	<b>Target</b>	<b>Actual</b>
DEI Close Ratio	18%	25%	31%
Insight (New Clients)	12%	30%	29%
Annual Increase Insight Sales	N/A	40%	44%

In addition, several other business metrics of interest showed marked improvement during the period of this study:

- Total deals closed annually have increased 9% while total revenues have increased 21% for the two year period
- 32% of all new customer revenue was the result of deals where Multiple Equal Offers (MEO) were presented
- The average dollar size of deals that resulted from the use of MEOs was 5 times those where MEOs were not utilized

### **The Return On Investment**

The 1,148 deals tracked during this two year period, while a sizable sample, represented only a small fraction of the total deals pursued and won by Livingston. Regardless, the results from these deals alone are worth considering.

The deals tracked and won by Livingston represented \$4.09M in total revenues. Based on the outcomes detailed in the previous section, the Total Incremental Revenue Improvement was \$358.2 thousand. The Incremental Operating Profit realized was \$154.7 thousand. The total cost of the Negotiation Initiative during the one year period was \$63,500. The total cost included the Salaries of Livingston personnel, all Travel Expenses and all Fees paid to Think! Inc. Thus the total Return On Investment (ROI) for the two year period is calculated as follows:

- Total Incremental Operating Profit: ..... \$154,700
- Total Investment:..... \$63,500
- **Return On Investment (ROI) (2 Year period):..... 243.6%**
- Payback Period: .....9.9 months

“By showing Livingston how we could effectively position, bundle and negotiate our newer high value offerings with our traditional services, Think! has empowered Livingston to “take back the high ground” we should enjoy as the market leader in our industry. Our financial performance over the past two years certainly reflects the value we are bringing to our customers.”

David Zavitz – VP Sales

## Think! Background

Think! Inc. is a global consultancy that delivers high-performance negotiation solutions to optimize the sophisticated sales processes of Fortune 1,000 companies. Through Strategic Negotiations, Think! helps companies align their deal-making initiatives with their corporate goals. In addition, the process of strategic negotiation helps businesses understand negotiation from both the buyer’s and seller’s perspective, as well as act on that understanding to integrate negotiation more fully into their sales and business processes. This allows each side to achieve a more agreeable outcome, which is the foundation of successful long term business relationships. For more information, visit [www.e-thinkinc.com](http://www.e-thinkinc.com).