

# Think! Inc.

business negotiation, redefined

## Negotiation Return on Investment Case Study

Ryder System, Inc.

2006

## Ryder Case Study

### **Business Overview**

With over \$5 billion in annual revenues, Ryder is a world leader in supply chain and transportation management solutions. The company's 30,000 employees work with clients in primarily three business segments—Fleet Leasing and Maintenance, Dedicated Contract Carriage, and Supply Chain Services. In 2004, the company completed a four-year restructuring program that resulted in a more streamlined approach to every facet of its business.

### **The Business Problem**

Operating in a highly competitive market, the company's organizational focus after the restructuring was: growing top line sales, growing margin (particularly on national deals) and increasing customer retention.

A formal Negotiation Needs Analysis conducted by Think! Inc. identified the following issues that impact Ryder's ability to achieve the business goals detailed above:

- More sophisticated buyers
- Incomplete analysis and preparation for deals
- Tendency to "shoot from the hip" rather than use a fact-based approach
- A large "inventory" of legacy deals where value had been given away
- No definition of a "Great Deal" for Ryder
- Little autonomy by the field in closing deals
- A good sales process in place but no formal organizational negotiation process
- Cross-functional areas acting independently, each with its own goals and objectives (often at odds with achieving a "Great Deal" for Ryder)
- Lack of training and process implementation and reinforcement

### **The Strategic Negotiation Solution**

In order to address these issues, Think! recommended to Ryder that rather than just run a series of training events, it implement a cross-functional, organization-wide Negotiation Solution. Such a solution would include defining a common goal or organizational negotiation strategy linked to the company's sales strategy; agreeing on a common negotiation process integrated with the sales process; coaching process implementation; and, finally, measuring results. While there are few "solutions" to anything as dynamic as negotiation, 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.

Focusing on the "big picture" business results that Ryder was looking to achieve, the Ryder negotiation strategy was developed by gathering key representatives from the Executive Team, Sales Management, National Account Sales, Legal, Pricing, Human Resources, Finance and Marketing. The first step was to identify and agree on what measurable results would signify a successful initiative, and then develop the key actions to produce those results.

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

- Closing ratios will increase from 35% to 50% (on average new and retention business)
- Margin for all National Deals will increase by 15%
- Fuel will go from being included in 31% to 36% of National Deals
- Insurance will go from being included in 7% to 9% of National Deals

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

- A SWOT form for will be submitted for every deal over \$500K
- Collaboration meetings with Legal, Pricing, Credit, Lease Finance, and appropriate Senior Management will be held for every deal over \$1,000,000 prior to an offer being submitted
- Negotiation process language will be incorporated in the scorecards of each Managing Director of Sales, Regional Director of Sales, Director of National Accounts, and Director of Business Development
- Will not "react" to any competitor/consultant pricing without first completing a Consequences of No Agreement (CNA) "gap" analysis of value propositions

- Will incorporate Multiple Equal Offers (MEO) in every proposal
- Include Fuel in at least 1 MEO for every deal
- Include Insurance in at least 1 MEO for every deal
- Will not agree to concessions but, rather, trade for something of greater or equal value

### The Business Results

One year into implementation of this initiative, Ryder is showing significant improvement in its business results. In a highly competitive industry, and shortly after a significant reorganization, Ryder has achieved the following based on tracking 331 National Deals of which 105 have closed (awarded to Ryder or a competitor) and 77 of those were awarded to Ryder:

Success Metric	Start	Target	Actual
Closing Ratio (average)	35%	50%	73%
Margin Improvement	N/A	15%	17%
Percent Fuel Inclusion	31%	36%	33%
Percent Insurance Inclusion	7%	9%	10%

### The Return On Investment

The 105 deals closed (77 won by Ryder) during this one year period, while a sizable sample, represented only a small fraction of the total deals pursued and won by Ryder. Regardless, the results from these deals alone are worth considering.

The deals won by Ryder represented \$42.3M in total revenues. Based on the outcomes detailed in the previous section, the Total Incremental Revenue Improvement was \$13.4M. The Incremental Operating Profit realized was \$2.479M. The total cost of the Negotiation Initiative during the one year period was \$913K. The total cost included the Salaries of Ryder personnel, Salaries of Ryder Facilitators, all Travel Expenses and all Fees paid to Think! Inc. Thus the total Return On Investment (ROI) for the one year period is calculated as follows:

- Total Incremental Operating Profit: .....\$2.479M
- Total Investment:.....\$913K
- **Return On Investment (ROI):..... 271.5%**
- Payback Period: .....7.0 months

*“Think! has helped us break through 20 years of a price-focused sales culture! Ryder has always been the high-end provider for full-service leasing needs, but with our negotiation strategy in place we now get paid commensurately with the services we provide.”*

Curt Skallerup, VP, Sales

### **Think! Background**

Think! Inc. is a global consultancy that delivers high-performance negotiation solutions to optimize the sophisticated sales processes of Fortune 1000 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)