

# Think! Inc.

BUSINESS NEGOTIATION *REDEFINED*

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# SONOCO PRODUCTS USE CASE

Building & Implementing  
a Negotiation Strategy & Process

# WHY YOU SHOULD CARE

Sonoco is a \$5 billion global provider of consumer packaging, industrial products and packaging supply chain services. Headquartered in Hartsville, S.C., they run 300+ operations in 33 countries and serve customers in 85 nations. The scope of this use case is Sonoco's Industrial Products and the Tubes & Cores Division, a \$550M+ business segment, and their commercial sales team that manages their 50 target key accounts.

Findings from a study conducted by Think! Inc. that included 450+ global sales leaders on the topic of Organizational Negotiation Effectiveness report that just 15% have a written negotiation strategy and even more dismal, only 5% rate themselves highly effective at negotiation. Most verbalize having only an implied and loose strategy. The consequences? Continued margin erosion, price & giveaway pressure, commoditization pressure, internal stakeholder dissatisfaction, a grueling internal deal approval process, and extreme variance in deal outcomes.

These were the exact issues facing Sonoco. The VP, Sales & Marketing set out to course correct and gain a market advantage by investing in the implementation of a negotiation strategy inclusive of the following:

- A centralized strategy created and supported by a cross-functional team to ensure organizational alignment and meaningful outcomes. *(See Part 1)*
- A systematic process for decentralized execution of defined strategy by those closest to the customer. *(See Part 2)*
- The tools and information needed to scale strategy and process efficiently at the deal level *(See Part 3)*

A knowledge base housed in cutting-edge software is the thread that ties it all together. The outcome? In the year after implementation, Sonoco's entire commercial team has upped their negotiation game significantly, radiating courage with their toughest customers, and steadily turn in impressive financial returns (over \$7M in revenue gains), deal after deal. This use case brings to life the tenets, successes, and challenges to behavior change in developing and executing a negotiation strategy & process.



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# NEGOTIATION DIAGNOSTIC: MEASURING CURRENT STATE EFFECTIVENESS

Sonoco first needed to understand the root causes of their negotiation problems in order to uncover what needed to change. Knowing that selling Sonoco is not only the job of the sales team, Think! Inc. recommended the involvement of a strong cross-functional leader team from the start. Chosen were key cross-functional leaders from across the organization. These voices, along with the full commercial sales team, would provide insights into their current state and desired future state of negotiation effectiveness.

Three (3) areas of root cause were identified during a negotiation effectiveness diagnostic which included contributions from the cross-functional leader team. Percentages shown in the diagnostic summary below indicate Sonoco’s cross-functional leaders who “agreed” or “significantly agreed” with each corresponding statement.

<b>1. External Market Pressures Impacting Negotiation</b>	
Sales team facing more professional buyers	84%
Customers were more price focused & demanding more concessions	100%
Customer’s buying mostly on price not full cost/benefit	94%
Sales team facing more irrational competitive behavior	90%
Competitor consolidation in the marketplace	97%
<b>2. Sonoco <i>Strategic</i> Reaction to Those Market Pressures</b>	
Have in place a written and formally communicated sales strategy	56%
Have in place a written and formally communicated negotiation strategy	0%
Centralized negotiation decision making	40%
High level of negotiation collaboration with internal cross-functional team	70%
<b>3. Sonoco’s <i>Tactical</i> Reaction to Those Market Factors</b>	
Have in place a well-defined process for negotiation (i.e. a proactive, fact-based, systematic approach	0%
Have in place a well-defined strategy for irrational competitive behavior	0%
Sales team trading in exchange for customer concession demands	20%
<b>Overall, highly effective at negotiation</b>	<b>0%</b>

Sonoco leaders concluded their strategic reaction was insufficient to proactively combat market factors, and their tactical reaction made clear the root cause of their negotiation troubles. The bright spot was the high level of negotiation collaboration with the internal cross-functional team (70 percent), showing that the precedent to build on needed future behavior was already in place.

# DEFINING NEGOTIATION STRATEGY, THREE REQUIREMENTS

In its most basic definition a negotiation strategy is: an organizational agreement on negotiation guidelines and outcomes. In essence, systematic organizational deal governance. Organizational agreement means a developed consensus among key Sonoco stakeholders regarding how negotiations are to be conducted. This should be developed to support, and advance, a corporate strategy.

The stakeholders are agreeing to guidelines, not rigid rules we often see imposed by headquarters. Think! Inc.'s experience shows that when salespeople are forced to go through a pricing committee or some similar corporate group, the negotiation process becomes slow, inflexible and unfriendly to the customer. This often results in losing sales to more creative, nimble competitors. At the other extreme, when salespeople are allowed to do whatever they want, it invariably results in inconsistent customer and competitor messaging, as well as inconsistent profits. While having general agreement on a flow to negotiate deals is beneficial to the entire organization, what is more

beneficial is providing individual negotiators with ample flexibility to address their own situations within established parameters. Rare is the salesperson who is interested in turning in a bad deal for their company. The problem is they often lack the specific guardrails and creative license, sanctioned from headquarters, for turning in a great deal. Having a negotiation strategy developed by the appropriate stakeholders provides an organization with a centralized strategy AND decentralized execution.

Once the stakeholders agree on guidelines, then guardrails, for every important negotiation component, i.e.- price, products, services, terms, and conditions for what can be negotiated, the negotiators can move within those ranges and need only go to management in exceptional situations.



## What is an Organizational Agreement?

Organizational Agreement means a developed consensus among key Sonoco stakeholders regarding how negotiations are to be conducted. Like many organizations, for Sonoco that meant agreement from all those involved in the negotiation as well as all those that are impacted by the end deal. For Sonoco that means stakeholders from:

- Sales
- Finance
- Pricing & Product
- Legal
- Marketing
- Plant Operations



## A Closer Look: Guardrails

Guardrails, the secret weapon for decentralized execution. Imagine you are a sales person selling widgets and you know you have full authority to create a deal as long as you stay within the provided parameters or guardrails. Examples:

Item	Metric	Low	High
Volume	%	1x	4x
Contract Length	# of years	2 years	5 years
Consulting Services	\$	\$1500	\$3000

Once the negotiation strategy is developed, a negotiation process acts as a systematic pull-through approach that each individual can follow to turn in better outcomes deal by deal.

100% of the Sonoco's leaders surveyed agreed that a good solution needed an organizational negotiation strategy. But what forced their hand for installing a disciplined process was the sales team's collective voice in the diagnostic survey;

Sales Rep Self-Assessed Negotiation Skills, External, and Internal Factors	
Highly effective at negotiation	12%
Professional buyer emergence and pressure	69%
Difficult internal negotiation	58%
Competitors give away more than we'd like	100%
Buyers care mostly about price vs. full cost/benefit	69%

Given the low confidence the sales team had in arming themselves with negotiation skills against the tough professional buyer environment, the decision was made to implement a disciplined process that would buoy the sales team. This process would act as the mechanism to pull through the negotiation strategy developed by the leader team. A well-oiled 1-2 punch . The end result?

*Turn negotiation, often identified as a soft skill, into a hard, or measureable skill that could permeate the Sonoco culture to produce outcomes that would meet the threshold of 'a great deal' time and time again.*

- 1 
- 2 
- 3 

### **Pulling it all together: How do you know you have an effective Negotiation Strategy?**

To be effective, make sure you can answer yes to each of these questions in regard to your Negotiation Strategy:

1. Does your Negotiation Strategy align to corporate strategy?
2. Does your Negotiation Strategy enable decentralized execution
3. Does your Negotiation Strategy build-in centralized control?

Remember, while you should be feeling pressure to get started, don't rush through the development of your Negotiation Strategy. With your cross-functional team, an effective strategy is critical to your long term success.

# PART 1: HOW TO DEVELOP A NEGOTIATION STRATEGY

The leader team assembled for a 1-day Negotiation Strategy Development roll-up-your-sleeves working session with the objective of identifying, aligning and defining the following:

## 1. Motivation

The objective of the leadership team in defining motivation was to be able to identify internal and external market challenges that necessitate the need for change, and prioritize them based on how they impact the success rate of customer negotiations. These top drivers for Sonoco included:

- Commodity business in a declining market
- Lack of internal consistency
- Competitor consolidation
- Customers are more willing to take risks
- Professional buyers are eliminating “relationships”

## 2. Measuring Success and Link to Corporate Strategy

Next, the stakeholder group was tasked with defining leading and lagging indicators used to measure success of the negotiation initiative. Thought of as a symbiotic pairing, what behaviors and activities (leading indicators) at an individual level did they want to influence (either to stop or start) to drive the metrics set as the lagging indicators Sonoco wants to improve. The leadership team would be responsible for reporting success against the indicators. These indicators will be reported at the end of the Case Study. This work was a direct line to corporate strategic initiatives the Head of Sales, this initiative’s primary champion, was responsible for. In sum, the indicators formed a north star the entire team could use as a roadmap throughout.

## 3. Centralized Control with Deal Governance

Not all deals are created equal and as such not every deal needed to be thread through the negotiation strategy. Instead, the leadership team agreed that the commercial team should prioritize their time and resources based on factors such as customer size, revenue, and strategic nature. Remember the high score in the diagnostic around internal collaboration? This set the leadership team up with designing an improved deal review process that starts the negotiation preparation earlier in the



### Leading vs. Lagging

Lagging indicators are used to measure performance and allow the business leadership team to track how things are going. Because output (performance) is always easier to measure by assessing whether your goals were achieved, lagging indicators are backward-focused or “trailing”—they measure performance data already captured.

Leading indicators, on the other hand, change quickly and are generally seen as a precursor to the direction something is going.

For example, by creating stricter guardrails around payment terms and influencing this negotiation behavior at the deal level (leading), over time A/R compliance was improved (lagging).

sales cycle. Preparation was moved from 60 days out to 6 months! A prescriptive order of events would streamline the cross-functional leadership team involvement. The goal being fewer escalations, a much wiser use of the executive's time, and less bureaucratic red tape which would give the sales team answers faster.

#### 4. Decentralized Execution to Give Those Closest to the Customer Ample Flexibility

At the heart of executing Sonoco's negotiation strategy is:

*a database that consists of customized knowledge the sales, and entire commercial team, uses to prepare for, and execute, successful negotiations.*

The knowledge base was developed by the same cross-functional leadership team and captures current knowledge of Sonoco's business, best practices and competitive information. In its entirety it consists of three primary types of data:

1. *Key value differentiators as compared to customer's alternatives.* This information is used for a salesperson to conduct a value analysis which will highlight their competitive position informing how aggressive to be on commercial terms. This work transforms into decision criteria available for the sales rep to signal buyers on the decision as it *should* be, not necessarily as it is.
2. *Trades and guardrails.* Trades compose the give/get part of a negotiation. Guardrails (ranges) define the parameters of each trade. Used together they empower the sales rep with huge flexibility while controlling the variance and risk of the outcome. This is an example of decentralized execution being the product of centralized process and strategy. The result is a library, or catalog, of approved important Trades that define 'lower cost to Sonoco/High value to the customer' and 'Lower cost to the customer/High value to Sonoco.
3. *Multiple Solution Options.* By presenting more than one path forward, Sonoco sellers can combine trades representing packaged combinations of key value differentiators to skillfully move the conversation from price of product to value of the Sonoco solution.

## **PART 2: USING NEGOTIATION BLUEPRINT PROCESS TO EXECUTE NEGOTIATION AT THE DEAL LEVEL**

With the Negotiation Strategy development heavy lifting done, Sonoco leaders went to work introducing the sales team to a common framework that would consistently prepare for a negotiation incorporating the agreed-upon guidelines and parameters.

The common framework was born from research by Think! Inc. stemming from 21 years of tracking B2B street-level negotiations. Research that proves "97% of buyer tactics can be anticipated and fall into two categories; commoditization and concession pressure." This continues to be validated today, as it was with Sonoco. The most frequent negotiating tactic Sonoco hears is "I can get the same thing from your competitor cheaper!" What does this mean for better negotiation preparation? It means, negotiations ARE predictable, and they follow a pattern. This pattern easily lends itself to a



pragmatic approach referred to as negotiation blueprinting. It is repeatable, sustainable, and easily coached. Important to Sonoco was the negotiation blueprint map tightly to their upstream account planning process, consultative sales process, and pricing software that was already in place. Think!'s charter was to avoid implementing a stand-alone methodology without connection to, or incremental gain from, these other processes. The result displaying a full value creation and value capture system.

The negotiation blueprint represents three concepts, simple in nature. Each one is defined, and now practiced, by the Sonoco's sales team:

## 1. Consequences of No Agreement (CNA)

The Sonoco sales team knows they must remedy their buyer's 'same thing' comparison by proving their solution is better than the customer's alternative. CNA involves in-depth analysis of the impact to customers of delaying decisions and/or using competitors. The concept allows Sonoco sales to identify Sonoco's real-time value one deal at a time. Usually the team found these customer's stakeholders held inflated perceptions of how compelling their alternatives were (or they were bluffing if their alternative was weak). Other times, the competitor offered a very similar solution, with only 1-2 areas of value setting Sonoco apart. Either way, understanding this concept empowers Sonoco to identify their differentiated value, then focus on diplomatically educating buyers on the true impact of their alternatives, or diplomatically call their bluffs, whichever the case dictates.

The consequences of no agreement is not just analyzed for the customer side of the negotiation. Sonoco knows to think through their own CNA as well to determine how motivated the sales team is to win the deal, and when there is a green light to walk away, supported by leadership.



### Proving Value: Consequences of No Agreement (CNA)

In the absence of value, negotiations focus on price. By conducting CNA analysis a sales person can clearly articulate how what they are selling "meets a customer's needs with higher confidence and lower risk, than the alternative."

The analysis is a simple, yet powerful, side-by-side analysis. The summary example below involved a long-term Sonoco customer that had threatened to move 80% of their business to the nearest competitor. An RFP was looming if Sonoco did not move drastically on price. Sonoco began with their own Consequences of No Agreement. They thought through the impact if they were to lose this customer, both with quantitative and qualitative impacts. An example of this appears below in left column. Then, the team got to work objectively thinking through the impact of the Customer's Consequence of No Agreement, or in other words, the impact of choosing the alternative to Sonoco. The team's analysis included listing the top decision criteria this customer *should* be considering to optimize their purchase. In the right column for the existing customer example below, the alternative is Sonoco's nearest competitor.



## A Closer Look: CNA: Consequences of No Agreement

Consequences of no agreement is an analysis for both sides of the negotiation (the buyer and the seller), this will help determine how motivated the sales team is to win the deal and how the sales team needs to position their strengths to win against the alternative.

Example:

Sonoco Consequence of No Agreement: Lose the Deal	Customer Consequence of No Agreement: Go with a Competitor	Cost or benefit to customer of alternative (-/+/=)
Loss of customer who fits qualification criteria	Product quality and consistency	(-)
No opportunity to grow account	Product optimization	(-)
Loss of short term revenue	Reduce supply chain costs	(?)
Lost opportunity to increase share of wallet	Product cost/discounts	(+)
Loss of tonnage for paper mills	Service/consulting fees	(-)
Lose opportunity to be a trusted advisor	Technical assessment	(-)
Brand impact	Packaging design	(-)
Avoid unprofitable deal	R&D/innovation	(-)
Impact to personal compensation	Experienced industry specific sales team	(-)
Impact on operations team	Ability to customize	(?)
Free up resources for another account	Switching costs	(-)
Lost opportunity for reference/use case	Order leads times	(-)
	Volume rebates	(-)

The team was able to quantify most statements (not shown here due to confidentiality reasons) to clearly spell out what's at stake for either side. This allowed the well-planned team to have customer conversations that addressed, explicitly, the costs and benefits of the alternative. This was a fairly big departure from past customer conversations which centered on general value statements, or worse, no clear comparison to the alternative at all. Even though all costs were not quantifiable, the Sonoco team felt far more empowered in articulating to the customer that the pain of changing suppliers would be significantly more than staying with Sonoco. In other words, they had enormous courage to stand their ground on their pricing strategy.

The negotiation was far from complete though, and what followed was the team preparation around "concessions and give-away pressure" conversations they knew were on the horizon.

### Trades

Simply put, this concept put direct focus on protecting Sonoco's value. This is where the 'trade catalog' came in. Sonoco put a monetized value to as many components of their value proposition as possible. Then used assigned metrics and acceptable high- and low-end ranges to each, available to them from the Trade catalog. Finally, prioritizing each one to agree on what order of Trades would be offered up based on cost to Sonoco and value to the customer. After validating and refined discovery meetings with the customer, the team honed their list of Trades.

Now the Sonoco team had ammunition to set up this customer negotiation with an optimal outcome. Choosing to protect or give away value within this deal had become systematic, far from the old days of reactive and muddled.

Knowing this customer’s history of exerting concession pressure during the negotiation, the Sonoco sales team was now ready. Thoughtful preparation by the team allowed them to organize prioritized trades and anticipate pushback from the customer so their answer was never “no,” it was “yes, if, for something of equal or greater in return’.

### Multiple Solution Options (MSOs)

Next, the team was ready to organize their work into a proposal for the customer. Having identified Sonoco value compared to their competitor, and the most valuable trades, the challenge was to keep the focus on ‘value of the Sonoco solutions’ vs. reverting to ‘Price of Products.’ The concept that solves for this is known as Multiple Solution Options. Following this approach, the proposal would be represented not by 1 typical offer, but 3 well-constructed packages, and shared risk options. This concept taught Sonoco to create, title and propose three business relationships, populated with the appropriate trades associated with that particular solution, in a consumable, easy to digest format for the customer. This concept is a far cry from answering a quote and sends a message to customers that radiates flexibility and creativity. An example of MSO titles and intent sentences follows:



#### A Closer Look: MSOs: Multiple Solution Options

MSOs help sales teams keep focus on the value of the solutions vs reverting to the price of products. The following is an example of MSO titles and intent sentences. In a full MSO, each column would include different combinations of various trades and investment levels.

Solutions for a Highly Competitive Environment	Operational Continuous Improvement	Quality & Service You Can Depend On
<p>This is your best option to prepare for a competitive future. It outlines how you and Sonoco would be fully vested in a proactive approach towards generating maximum mutual cost saving initiatives. The focus will be a robust technology-based methodology that is actively driven by Sonoco.</p>	<p>This option is designed to place focus on improving your operations, while developing a commitment of cost saving initiatives for you. It will require less resources from you and from Sonoco.</p>	<p>This option requires the least amount of commitment from you and yet illustrates Sonoco's commitment to continually strive toward earning your business through our proven quality and service.</p>

We believe most sales organizations fall short of a systematic approach to offering compelling options that skillfully organize the customer’s thinking for them, and increase success rates significantly. Options that paint levels of risk-sharing possibilities so the customer can make better decisions guided by their

salespeople. Sonoco was no exception. The Sonoco team now leaves nothing to chance and rehearses presenting their MSOs usually 2-3 times before the customer meeting. In the case of the customer profiled in this use case, the hard work produced a buttoned-up presentation, anticipated objections from the customer, and further trades to solve for the pushback. The experience was a smoother and faster negotiation. More rewarding was how Sonoco skillfully broadened the customer relationship at a higher investment level and pushed past the price focus.

## **PART 3: TECHNOLOGY AIDING SPEED, CONSISTENCY, AND ADOPTION OF EXECUTION**

Sonoco's knowledge base is housed in a proprietary and simple cloud-based negotiation blueprint tool that; distributes and updates real-time knowledge their negotiators need to compete no matter where they are in the buy/sell cycle. Dropdown menus of data, email, Word, and PPT templates are easily accessible to speed work, enhance creativity, and maximize the preparation game. The tool houses the complete library of Trades as well as the CNA analysis to help combat "same thing" and "cheaper" tactic. This enables sales to negotiate and close the best deal every time. It allows the executive deal review team to see the whole picture of each deal and coach more fluidly using virtual coach functionality.

## **THE CHALLENGE OF CHANGING BEHAVIORS FOR LONG TERM SUCCESS**

Two main themes have emerged in changing behavior in the Sonoco sales team:

1. Gaining confidence
2. Granting permission to lose

*"Before implementing this initiative, my sales leaders and I would get involved in the team's deals typically when the RFP arrived and the customer was demanding a price concession. My reps were continually in over their heads, succumbing to the price pressure without proactive planning. Instead of a well thought out strategy, they came to me asking for permission to concede. In the last year, we have seen rep confidence increase due to this effective solid planning process they follow systematically and consistently. Leadership holds them accountable for it. We practice our MSOs over and over again until we have the message down and the Trades prepared. I have witnessed their courage go through the roof. Today we have a very strong message and high batting average.*

*In the process, we have given them 'permission to lose' something that has allowed them to focus on the RIGHT opportunities."*

- Doug Schwartz

# ONE YEAR LATER: MEASURING SUCCESS

After a year, the Sonoco team was ready to measure their agreed upon leading & lagging indicators. The below measures of success relate to deals that the team has completed using the process. The ROI calculation is based on 20 accounts that the executive sponsor targeted as ‘must win’ deals and verified they ‘officially ran through the Think! process and software system.’ Sonoco defines a “win” as a successful contract roll over or newly won business. They were able to validate that in no cases was any business lost. Some share was lost in exchange for better margins however, and that was a purposeful decision.

## Three Managed Leading Indicators:

1. Sales leaders/coaches require evidence of planning tool use, i.e.- account plan, pricing software, sales process, and negotiations blueprinting process.
2. Sales leaders require evidence in sales process of formal discovery with the customer to understand business initiatives and align Sonoco solution to create positive outcomes for our customer.
3. Sales leaders require perceived negotiation power evaluation as indicated in the negotiation blueprint software virtual coach as red, yellow, or green at each stage of our sales process.

Measured Results Against 4 Lagging Indicators:	
Revenue \$s Gained	\$7,151,913.71
Margin Gained	6.96%
Improved A/R Compliance	1.3%
Reduction of Past Due Balances	5.1%
Total Investment in Think! Inc.	\$140,000
Sonoco Return on Investment	510%

## Think! Inc. BACKGROUND

Think! Inc. is an international sales consultancy offering improvement processes that will transform your sales team into efficient and effective negotiators. Think!'s easily integrated blueprinting process is proven to deliver more value in the sale, and normally unattainable ROI. Think! Inc. provides specially tailored solutions based on the findings of a thorough negotiation diagnostic analysis.

This upfront preparation leads to the most efficient and effective delivery of spot-on negotiation process implementation. Think! Inc. offers a wide range of services from two-day Strategic Negotiation™ workshops to consulting and technology to implement organizational negotiation solutions.

These solutions assist our clients in development of an organizational approach to negotiation with common goal, language and process, resulting in consistent customer and competitor messaging, internal alignment, and creation of true business value.

If you are interested in learning more or want to get started on building a negotiation strategy for your organization, get in touch with us today at [info@think5600.com](mailto:info@think5600.com).