



A Management Update from Your CFO for Rent

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A Short Course in Negotiation

During a recent meeting I attended, Roger Dawson, author of *Secrets of Power Negotiating*, www.rdawson.com, shared ten powerful tips with a packed house of professional business people. I have already put these tips to use in a negotiation for a client, and the heightened feeling of control that it gave me was so exhilarating that I wanted to share them with you.

A note of caution: Those who are committed to the fine art of win-win negotiating may find this list a bit harsh on their adversaries. If you're leaning that way after reading this, keep in mind that in any "win-win" negotiation the first "win" – yours – is still the most important one.

Here's Roger's short list:

1. Never accept the first offer without some attempt at negotiation, so the other side feels they've won a negotiation.

2. Don't let the other side know how much you care.

3. The real power in negotiation is having options and successfully restructuring the other side's options.

4. Ask for more than you expect to get, and never start with your best offer.

5. Your opening position should be as far above your objective as their offer is below it.

To make this work you must get them to commit first.

6. Be sure to flinch at their first proposal, otherwise they may think they can do even better.

7. Always play the reluctant buyer, and beware the reluctant seller.

8. What can you give them, that

won't take away from your position, yet will be something they want?

9. Remember these words: "You'll have to do better."

10. And these words: "How much better do I have to do?"

There are several advantages to this list. First, it's not hard to remember or put into use, as I discovered. Second, you have the opportunity

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to put your opposite number at a disadvantage, but still create the opportunity for a win-win result. And third, you will probably get a better

deal than you would if you just wing it, a frequent tactic of inexperienced business negotiators.

For those thirsty for more, Roger sent me an expanded version – 26 of them in all, with more aids to application – which I will send to anyone who requests them, with Roger's compliments.

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The Joys of Having a Gigantic Customer

We are working with a client who has for many years gotten most of their business from a single, large customer. With no sales organization to speak of, they literally get most orders via e-mail or by snail mail. We have over the years worked with other companies that often relied on a small group of large customers for the lion's share

The customer can leave abruptly, driving your sales into the ground...

of their annual business. In the jargon of consultants, bankers and CPAs, this is referred to as "concentration." For those who have not had the pleasure of getting massive orders from a single sales call, I thought a list of the advantages, and just for balance a few of the disadvantages, might be in order.

Here's how we see it:

The benefits of a concentrated, narrow customer base:

1. You get lots of sales with minimal marketing cost, at least after that first sale.
2. You have strong familiarity with the buyer's needs and desires, a familiarity the buyer is only too willing to help you develop.

3. You can often run your business for years with a minimal sales force. Since you don't like to sell anyway, that's a good thing, no?

4. You can feel secure and comfortable, knowing that a huge piece of your annual revenue is locked in and essentially guaranteed.

5. You can be highly profitable as long as you keep overhead under control, and build a comfortable standard of living for your family.

6. You don't have to send many holiday cards or gift baskets.

And then there are a few little risks that go along with the aforementioned benefits:

1. The customer may expect, and get, major price concessions, draining those aforementioned profits.
2. The customer may expect, and get, special treatment, often at added cost to you. They can change the deal at will – faster delivery, free and frequent change orders, higher quality, just-in-time response, higher inventory levels —

again draining profits.

3. You may get complacent and lose touch with the real world – the growth of competition, new advances and developments in your field – making you more vulnerable, more at risk, and less competitive in the marketplace.

4. If you don't agree to whatever they ask, the customer can threaten to withhold their business, or to withhold the most profitable part of their business. Worse, they can act on those threats because, after all, what can you do about it?

5. The customer can leave abruptly, driving your sales into the ground and driving you *instantly* out of business.

6. The customer can stick around, and you can keep complying, driving you slowly out of business.

So, an even half dozen either way. On balance, then, how would you like to live your life at the office? If you'd like help getting a better understanding of the cost to your business of a concentrated customer base, or put more positively the potential value of a diversified customer base, give us a call.

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