



"You've got to know when to hold 'em, know when to fold 'em,
Know when to walk away, know when to run..."

Kenny Rogers, from "The Gambler"
(August 31, 1938-)

WINNING BIG DEALS

The primary role of Sales is to find a "Win-Win" position for the company and customer and then, to close both sides. For a salesperson, negotiation is a way of life, from finding a fair and reasonable way to solve daily customer problems to concluding a significant contract negotiation.

Speaking of negotiations, many of us have been in one with a lot of revenue riding on the outcome and the customer telling us that we'll lose the business unless we drop our prices lower than we're prepared to go.

What to do?

In this situation, making the best decision regarding whether "to hold 'em, or fold 'em", as Kenny Rogers says, is a matter of understanding the value of your position against the customer's other available options.

Taking the time to prepare properly is the key to successful negotiations. This sounds like a tautology, but the pressing concerns of the moment too often push the large task of preparation to the last second.

With Major Accounts, each year there are a handful of high value negotiations and new business opportunities where a good outcome is crucial to the health of your company.

It's the Sales Executive's responsibility to create a culture that does a better job of preparing for negotiations and building strategies for big opportunities than the competition.

Key Point: *Improving processes that drive preparation for significant opportunities is the most significant way for a Sales Executive to impact Gross Margins.*

This newsletter will present processes that prepare your team for these must win negotiations and opportunities. For near term revenue, we'll discuss how to get organized to win Annual Volume Negotiations, and for Design Wins, we'll discuss implementation of Miller Heiman's Strategic Selling process, the best of breed process for winning new business opportunities.

Job 1 is making sure the current revenue stream is protected, so the first topic is preparing for negotiations of current production business. This business can take many forms, from annual purchases of components, supplies or services to recurring software licenses.



Although the section below will use Annual Volume Negotiations for a components business as a model, the preparation process can easily be generalized to any business.

RECURRING VOLUME NEGOTIATIONS

Negotiations for your current production business are usually scheduled on a recurring annual or semi-annual basis. In these cases, current production volume is put up for rebid and the process culminates with suppliers receiving a share of the next period's business based on the results of the negotiation.

Objectives for Annual Volume Negotiations should be included in each Strategic Account Plan (see [Major Accounts: Account Planning](#)). If the Account Plan has received Executive approval, you'll be a step ahead as the organization will be aligned on the objectives for the negotiation before preparation begins.

Customers have their own pattern for preparing for negotiations, but it is common for each supplier to be given a package of information with the detail needed to make a bid, such as expected volumes and target selling prices for qualified products. The customer also sets a date for the negotiation.

Negotiation Calendar

Three milestones are relevant in the preparation for each negotiation, 1) development of the negotiating package by the Sales and Marketing team, 2) approval by the Executive team and 3) the closing the negotiation. Your negotiation calendar should include dates for each of these milestones.

The biggest enemy of good preparation is starting too late, so ensure the milestone dates allow for adequate preparation and publish them as early in the season as possible. Leave a buffer of at least a week between the Executive approval meeting and the negotiation. This extra time will often be needed to resolve any issues left unresolved at the approval meeting.

This calendar, along with folders to archive documents is an excellent application to integrate into your Customer Resource Management (CRM) platform. If you're not on a CRM, Microsoft Outlook is an acceptable option as well. Given the amount of work involved you may need an administrative resource to maintain the calendar and send out milestone reminders.

Key Point: *Creating and actively managing a calendar that includes the preparation milestones and negotiation dates for all of your Major Account Negotiations is more important than it might at first appear. A large number of milestones need to be tracked for each negotiation, and this is further complicated by the fact that many customers schedule these negotiations for the 4th calendar quarter, essentially creating a "contract season."*

All of those involved in the preparation or approval loop should have access to the calendar. With a calendar in place to drive the process, the next step is to build a data package based



on a standard template, which will ensure both the quantity and quality of the information provided.

Milestone 1: Sales and Marketing Preparation Package

Preparation of the package starts with the information provided by the customer. At minimum this should include forecasted volumes and the customer's price targets.

Significant negotiations have many of the aspects of a battle situation. To begin, both sides don't have all of the information they need. Thus, the key initial objective is learning as much as possible about the positions of your customer, and your management team; then navigating conflicts to an agreed settlement that works for both sides. Your negotiating strategy, like a good battle plan, must have clear objectives, have a considered opinion of the customer's positions and understand your relative strengths to leverage and weaknesses to minimize.

The Account Manager owns the Account Strategy and is therefore responsible to drive the process that generates the negotiating strategy. Marketing team members bring critical product specific knowledge and responsibility for their own P&L's to the discussion. Marketing must be very active in the process and take ownership of the strategies developed and the financial results for the product lines they represent.

Key Point: *As with any team process, it is important that roles are clearly defined. While it is true that the Account Manager has ownership of the Account Strategy, the preparation process and the overall outcome of the negotiation, each Marketing team member must take ownership for the preparation, strategies and results for their Product Line.*

The Sales and Marketing team works together to achieve the first milestone, that of building a Negotiation Package that they as a team are comfortable with. This milestone prepares them to achieve the second: Gaining Executive Approval for the Negotiation Package.

Creating a standard template for the Negotiation Package is an important way for you to control the quality and consistency of your team's preparation. The template should be approved by the other members of the Executive team so that it includes their view on what information is required for review in the approval meeting.

The Negotiation Package should include the following information:

- **Overview/Objectives** – The overview should open with the objectives for the negotiation, both yours and the customers. It should also summarize last year's revenues and margins with this customer and include target revenues, margins and corresponding market shares for the period under negotiation.

The objectives presented in the Overview are the overall or corporate objectives for the negotiation, which are total revenue, margin and share totals, compared with the current period. Include any strategic objectives that go beyond the top line financials, such as, share in new, strategic



products.

Indicate your place in the order of the negotiations as this validates where you fit in the supply chain and may affect your negotiating strategy. Less strategic, primarily price oriented suppliers are usually brought in first to generate aggressive (often unrealistic) price targets that can be used against more strategic suppliers scheduled toward the end of the negotiations.

Make clear any environmental changes that may drive the customer's objectives or that may affect the customer's objectives or the tone of the negotiation, such as, changes to their organization or business conditions.

The overview section should remain brief, no more than two or three slides.

- **Product Line Strategies** – Each product line should have a separate section that presents their strategy. Each product line analysis should begin with an overview slide, which includes the previous period's results (revenues/margins/shares) and the objectives for the period to be negotiated.

One or two slides should be prepared that provide a statement of the overall Product Line strategy and specific strategies for large revenue line items. This is the right place to state revenue, share, and margin targets.

Remember, a good strategy leverages strength and minimizes weakness. Therefore, products that may require relatively large concessions to hold share or where the company has leadership should be highlighted.

Specific strategies for high volume or otherwise strategic products should naturally follow. For example, the product line may be willing to provide more significant price reductions in the back half of the year, when cost reductions kick in, if the customer is willing to maintain share at higher prices in the early part of the year.

With the key product strategies documented, line item or "by product" detail on volumes and prices can then be provided sorting the largest revenue opportunities to the top.

The example below assumes a business with many products or line items, such as a components or pharmaceuticals business.

| Product | Current Year | | | | | Initial Position | | | | |
|--------------|--------------|-------|------------|----------|-------|------------------|-------|--------------|----------|-------|
| | Volume | Price | Total \$'s | Margin % | Share | Volume | Price | Total \$'s | Margin % | Share |
| Prod A | 800 | \$155 | \$ 124,000 | 50% | 40% | 2000 | \$175 | \$ 350,000 | 65% | 55% |
| Prod B | 1500 | \$110 | \$ 165,000 | 46% | 65% | 2400 | \$125 | \$ 300,000 | 55% | 70% |
| Prod C | 6000 | \$100 | \$ 600,000 | 36% | 50% | 10000 | \$110 | \$ 1,100,000 | 70% | 65% |
| Family Total | 8300 | \$365 | \$ 889,000 | 52% | 47% | 14400 | \$410 | \$ 1,750,000 | 60% | 65% |

| Product | Expected Result | | | | | Walkaway Position | | | | |
|--------------|-----------------|-------|--------------|----------|-------|-------------------|-------|------------|----------|-------|
| | Volume | Price | Total \$'s | Margin % | Share | Volume | Price | Total \$'s | Margin % | Share |
| Prod A | 1500 | \$150 | \$ 225,000 | 51% | 45% | 1000 | \$140 | \$ 140,000 | 45% | 40% |
| Prod B | 1700 | \$100 | \$ 170,000 | 45% | 65% | 1200 | \$100 | \$ 120,000 | 40% | 65% |
| Prod C | 8000 | \$90 | \$ 720,000 | 37% | 55% | 6500 | \$85 | \$ 552,500 | 32% | 50% |
| Family Total | 11200 | \$340 | \$ 1,115,000 | 52% | 55% | 8700 | \$325 | \$ 812,500 | 43% | 47% |

Figure 1. Example of Product Detail to be included in the Negotiation Package

Figure 1 presents an example of the product specific detail that should be prepared for each product line as part of the strategy review. This example presents a reasonably healthy business, where the Sales and Marketing team expects to grow revenues and share while maintaining margins.

The current year results should be presented alongside the Initial Position, the Expected Result, and Walk Away Position. Laying out the information in this way clearly presents the strategy by showing the team’s initial position, where they think it will end, and a potential worst case scenario that must be planned for.

To define terms, the Expected Result is the outcome the team believes they can close based on their current view of competition. The “walk away” position provides the worst-case scenario the team believes they may face during the negotiation.

Although one hopes not to run into these worst case or potential “walk away” situations, it is important to have alignment up and down the organization to ensure the team is prepared to handle any situation that may arise.

The Negotiation Package should be approved by all relevant Sales and Marketing management prior to review in the Executive Approval meeting.

Milestone 2: Executive Approval

The purpose of the Executive Approval Meeting is to approve strategies and negotiating positions that will empower the Sales and Marketing team to negotiate with confidence.

Of course, presenting good strategies is the most important prerequisite to a successful Executive review. Most negotiations will involve a few products where negotiating to an acceptable result will be difficult. Therefore, it is wise to publish the negotiating package early, allowing time for the Executive team to review the material, and for you to schedule



pre-meetings with relevant Executives with responsibility for products that may be difficult to negotiate.

Key Point: *There is always danger of not getting off the first page when presenting many numbers to a crowd of analytical Executives. Working difficult issues before the meeting combined with a well thought through Negotiation Package will increase the odds for a productive Executive Review.*

After completing the review of each Product Line strategy, the discussion should turn toward strategies that leverage corporate strength to grow share. Examples include bundles across product lines or corporate level rebate or service programs.

Key Point: *Don't let any of your Sales team flunk their IQ test by proposing a bundle where Gross Margin \$'s are sacrificed in one product line to take unacceptable business in another.*

You should also discuss any pre-positioning needed prior to the negotiation. It is usually better to alert the customer to any dramatic and unexpected positions you may take, rather than risk a surprise that derails the negotiation.

The issue of impasse or “deadlock” situations must be covered, and it is the responsibility of the Executive team to make sure there are clear running rules to handle these. Ideally, someone at the negotiation is empowered to make any decisions not previously agreed to during the Executive Review. Otherwise, someone designated by the Executive team needs to be reachable by phone during the negotiation.

Key Point: *It is the Executive's responsibility to clarify how deadlock or “walk away” decisions are to be handled. There is no better way to set the negotiating team up for failure than to send them into battle not knowing how the tough calls are to be made.*

Given the importance of the decisions made in this meeting, it is important to document the outcome, including any actions that still require closure.

Schedule these reviews for an hour. An hour is enough time to complete your objective and the tight schedule will keep you focused. If more time is required, it is better to regroup and schedule a follow-on session, if needed, so that people are fresh. Scheduling the initial review at least a week before the negotiation will allow time for any required follow-on meetings.

Milestone 3: Closing the Negotiation

There is a large body of literature on the topic of conducting negotiations, so I'll just touch on a few points that are important to consider when making your preparations.

Every customer has their own negotiating style. Some prefer to pre-negotiate as many line items as possible and leave only a few high value products for a formal negotiating meeting while others prefer to start and complete the negotiation in one session. These factors



obviously affect the attendees from your side and who plays which role. The customer sets the rules. Your role is to make sure your team is configured and prepared accordingly.

For the formal negotiation, the Account Manager attends, as well as a point person from Marketing for each Product Line or group of Product Lines. As with all negotiations, the more people involved, the harder it is to control the meeting, so it is generally good to keep attendees to only those required to make decisions within the negotiation itself. A pre-meeting with the negotiating team should be held the night before the negotiation.

Key Point: *The Account Manager should hold a pre-meeting just prior to the negotiation to provide late breaking news, review roles and ground rules. An effective pre-meeting will ground the team and ensure they are aligned for the negotiation.*

The Account Manager leads this meeting by providing real-time updates, reviewing the objectives, negotiating positions, and outlining how the negotiation is expected to flow. It is important to ensure that everyone understands their role for the negotiation, specifically who will lead which sections and how to call for breaks.

As mentioned earlier, the Account Team is responsible to organize the various Product Line strategies in a way that can be presented as a coherent corporate strategy to the customer. The customer will likely not want to give you many minutes to do this, but if possible, you should lead off the negotiation by presenting a brief description of the company's strategy and relevant information, such as, investments in strategic product categories, service guarantees, and market shares that demonstrate your corporate strength.

While the Account Manager leads the meeting and drives the pace, each Marketing team member should drive the discussion for their product portfolio and make specific decisions for their products.

The customer will likely dictate the flow and order of the negotiation, but to the extent possible, get the products most important to you to the front of the discussion when you have maximum flexibility and people are fresh.

After the negotiation is complete, it is the Account Manager's responsibility to make sure the results and any action items are documented both to the customer and to the marketing teams.

Successful Annual Volume Negotiations are critical to maintaining your current revenue stream, but winning those few high potential new business opportunities is also a must to drive the trajectory of next year's business.

Key Point: *Effectively managing the real time ebb and flow of a negotiation is a hallmark of your best Account Managers. Calling for breaks and recalibrating the team when the team gets misaligned, is digging a deeper hole, or is about to make a mistake, demonstrates real leadership. In any case, make sure the team member assigned to lead the negotiation brings these skills.*



CLOSING HIGH VALUE NEW BUSINESS

Earlier Newsletters titled [Closing New Business](#) and [Account Planning](#) presented processes to “track and drive” new business opportunities to closure.

It stands to reason that any tool that increases the odds of winning these opportunities by even a few percent is well worth the investment. Strategic Selling© from the Miller Heiman Company, is such a tool.

I have no formal affiliation with Miller Heiman. However, based on my experience using it to build winning strategies for high potential opportunities, I’m a big fan of this process. As you train and embed this process into your sales culture, you’ll build selling skills and, in the process, get a read of the Sales IQ of each member of the team.

Key Point: *Developing strategies through the Strategic Selling process increases the probability of closing deals. Driving Strategic Selling into your sales culture is the Sales Executives single highest leverage activity to closing new business.*

In this section, I’ll provide a very brief overview of the process and how to roll it out in your organization.

Strategic Selling Overview

The objective of Strategic Selling is to build a winning strategy for “complex” opportunities in an environment characterized by constant change. What makes an opportunity “complex” is the presence of multiple customer stakeholders in the decision process, each needing different results from your solution.

For example, those who design a product will have different concerns than those who manufacture it. Strategic Selling organizes all of the relevant results for each of these stakeholders in one place and then brings your team together through a repeatable process to develop the best strategy for that moment in time.

Our instinct is to build our proposals solely to satisfy a customer’s stated business results, such as meeting the requested product specifications, price, and delivery targets, etc.

We tend not to consider the personal side of stakeholder decisions. One of the powerful truths which Strategic Selling drives into your strategy is that a stakeholder only advocates for your solution when you satisfy BOTH business results and their personal interests. In addition to building these business results into the strategy, Strategic Selling also takes the important, but usually forgotten, step of mapping out these personal interests of each stakeholder and folding actions that address those needs into the strategy.

The process also has a heavy focus on developing Coaches, i.e., key people positioned at your customer to provide critical information at crucial times. Coaching makes the difference early and late in the selling process. Strategic Selling provides an early and constant focus on building these Coaching relationships so they are available when needed.



All of the relevant information comes together in a one-page strategy document during a 60 minute, team based review meeting.

The team oriented nature of Strategic Selling is a real strength. Strategy reviews provide the opportunity for Account Managers to work collaboratively with Marketing and Sales Management to develop strategy and to align on actions.

To learn more about Strategic Selling beyond this brief introduction, contact Miller Heiman at www.millerheiman.com.

Key Point: *Holding an effective strategy review will increase your odds of winning but it does represent a significant investment of your team's time so limit its use to those few "must win" opportunities.*

Developing a Strategic Selling Culture

Training your team in the Strategic Selling process can be accomplished in a number of weeks, but making the process a part of your selling culture requires a long-term commitment from you, the Sales Executive.

Training your team is only the first step of the process, something you can arrange with the Miller Heiman team. Coming out of the training, the energy level will be high as your team sees the potential of the process. After the initial euphoria, you will encounter inertia, as the team struggles to develop new skills and make them part of their daily routine.

There are a number of actions you can take to make the Strategic Selling process a habit, the way your team builds strategy.

First, you must make clear that Strategic Selling is not a "program of the month", that it is not going away. Be very judicious about rolling out new business initiatives; limit the number of them to aid focus.

Be sure to agree on the initial set of opportunities that will be managed under this process and maintain a formal calendar for the Blue Sheet reviews. Embedding the process into the calendar sends a strong signal that the process is here to stay.

Your administrator should manage the calendar, but each Account Manager must own their strategy reviews. For each review, the Account Manager needs to determine which team members to invite to that review and ensure that the Blue Sheet is completed and distributed to all attendees prior to the review.

Early in the adoption of the process, Blue Sheet reviews will tend to capture the usual tactical actions, but will be weak precisely in the areas you are trying to improve, such as developing Coaches or in developing plans to meet the customer stakeholder that holds the purse strings (usually one of the customer's Senior Executives).

My first approach to drive improvement was to participate in as many reviews as possible, to lead by example, and demonstrate how to develop these aspects of the strategy. However, having the most senior sales executive in attendance tended to make some attendees self-



conscious and didn't contribute to the freeform, brainstorming feel that these meetings need. It just didn't work.

To get expertise into the reviews, without the distraction of the Sales VP attending, designate a few key members of the Sales team who have demonstrated skill with the process as Strategic Selling Champions. These Champions should be assigned to participate and coach strategy reviews.

Key Point: *Designating Strategic Selling Champions is an effective way to improve strategies and the team's strategy development skills. It is also an opportunity to provide recognition to the best members of your sales team.*

In addition to bringing needed expertise to the reviews, designating Champions provides an opportunity to recognize your best salespeople and reinforces the importance of the program to the rest of the organization. It also reinforces that effectiveness with Strategic Selling is valued in your organization.

You should hold a monthly call with the Champions to gauge progress and get their input on ways to better drive the process into your sales culture. It's a great way to bypass layers of management in your organization and improve your view of what is going on at the ground level.

Training your team is easy, but changing culture is hard. That is why many companies waste so much money on training that never sticks. As with all good things, patience and commitment are required. If you make that investment and develop a Strategic Selling organization, it will be a real differentiator for your organization.

SUMMARY

Like any good manager, you want to make sure you are spending your time on the things with the most leverage to drive your business.

Winning high potential volume negotiations and Design Wins require different processes, but they both benefit from early, structured preparation.

Successful implementation of these processes will drive positive change in your sales culture. Be prepared for a long, slow journey which will require significant commitment and patience on your part. It is the essence of leadership to have a clear goal and the patience and drive to make it happen.

The next and last Newsletter in this series will pull all of the processes together into a single management system. Just as the juggler keeps all of those plates spinning at one time, the Sales Executive needs to manage the team in a way that provides visibility and alignment with a reasonable time commitment by your team. After all, they can only sell if they are in front of the customer.