

Dealing With An Aggressive Competitive Negotiator

You are the Sales and Marketing Manager of a small firm that manufactures and sells industrial automation systems. These systems are micro-processor-based control units, which semi-automate large industrial machinery. This is a new technology.

Your sales and field service team consists of eleven women and men located in Raleigh Durham, North Carolina near the East Coast. Annual revenues are approximately \$10,000,000. Most of the orders for your equipment are for one or two units at a time. The average price of the units, although there are several models with numerous options each, is about \$15,000.

A bright young engineer in your firm has just developed a PC-based networking system that allows users of your units to link their units together to retrieve production information automatically from the production machines. None of these network systems has as yet been sold, nor have they been put into long term factory operation, though beta tests of the system show excellent results. The network system has been priced at \$35,000.

The industry to which you were selling does not have a great deal of new technology in it. As such, your products are likely to be greeted with skepticism and distrust. The customers in your market are very conservative and need everything proved to them. This typically means, for example, many trial installations of your equipment.

You have four competitors who have brought similar control units onto the market at about 70-80% of your price. This is very worrisome. Once has a customer has decided on a type of equipment, it is very unlikely that they will switch to another type, because of the learning curve required by the machinery operators. In other words, if you make the first sale you are almost guaranteed future sales. On the other hand, no one else is now selling a network system.

The negotiation in question involves a very progressive and efficient Seattle manufacturing company, privately owned by Mr. Canny. The company is located on the outskirts of Seattle on the West Coast, far away from North Carolina. Mr. Canny has approximately 50 machines that can be outfitted with your units. You have installed one

of your control units as a trial installation — and so have each of the four competitors. All five units have been operating on adjacent machines during the last 2 month period. Mr. Canny has decided that three of the competitors' units are undesirable; you remain in the running with one other competitor.

Your remaining competitor is located approximately 40 miles from Mr. Canny's Seattle factory, while you are located far away. Your competitor's pricing is consistently about 60% of your prices and their units are comparable. However, their units do not have the number of options nor do they have the flexibility that your units have. Nor do they have a continuous improvement engineer like your young colleague who built the networking system. Most important your competitor's control units do not have a networking capability. The networking system is clearly a point of major advantage; Mr. Canny seems very interested in being able to access real time information from the manufacturing machines. According to Mr. Canny, your competitor is claiming "the ability to provide a network," but you know they do not have one. You have brochures and literature to explain your network system, but you do not have any installed working system to show off. This will be your first.

You have made several trips to meet with Mr. Canny accompanied by your local sales representative, during the term of the trial installation. Mr. Canny is a physically fit, ex-Green-Beret drill sergeant who runs his business with an "iron fist". It is not unusual for him to interrupt a meeting with you to solve a problem brought in by one of his employees. It is also not unusual for him to scream at that employee regardless of who is present. Canny dresses in old Army fatigues. He walks tough, talks tough, and presses you hard with streams of difficult questions.

In an attempt to close this deal, you have made several visits to see Mr. Canny. Each time you have discussed the various options that your units make available to him. Each time you have gotten into a long discussion on which ones he actually needs. At the same time, Mr. Canny has been negotiating with your competitor, who is, as he says, "just down the road."

At each negotiation, you have tried to summarize all the technical points which have just been discussed — and then move to the financial points. You have offered a volume discount and have discussed the possibility of offering certain options for free. Each time Mr. Canny has pointed out that your competitor's price is much lower and that

your prices are just too high. He then just stops talking about financial issues — beyond demanding that your prices drop.

However, he is very interested in your networking system and wants to know what type of deal you could put together for half of his units with your networking systems. He explains this idea by saying that, if all goes well with that installation, he will put units on the remaining 24 machines in his shop. He continues to discuss this plan in great detail without making any move toward meeting your price.

Each time you meet you start from the point where you left off the time before. However, you have never been able to close the deal at the end of the meeting. Mr. Canny drives you to the airport each time asking more questions about the networking system.

This order is very important to you because of its size, the future potential of modelling the network and because it is in your competitor's backyard. Your competitor, meanwhile, has lowered their price to approximately 50% of your price and is apparently promising a networking system, at a price to be determined that is sure to be lower than your price of \$35,000.

Each meeting you have with Mr. Canny costs you about \$1,500 in expenses. This is a big drain for a small company. Each time you come back empty-handed your CEO gets more upset. You need to bring this "never ending" negotiation to an end. You need to win the order to avoid leaving the customer alone in Seattle with your competitor. You find Mr. Canny very intimidating and are wondering how to deal with him.