

CASE 4.1

SOLEX-DIGITAL: EFFECTIVE NEGOTIATION STRATEGIES

Marilyn Boldt, a **sales rep** for Solex-Digital—a large semiconductor manufacturer—is negotiating with the chief buyer for National Computer Company (NCC). The buyer, Howard Logan, a thirty-year employee of NCC now nearing retirement, is such an **aggressive, greedy bargainer** that most salespeople hate to negotiate with him. He views each sales negotiation as a contest to be won, so he won't agree to sign a contract unless he feels that he's gotten the best of the supplier. Salespeople who do agree to the usual "seller lose-buyer win" agreement with Mr. Logan usually try to salvage a little profit on the contract by cutting some corners, usually on product quality or service. But this strategy often leads to dissatisfaction by NCC, so Mr. Logan usually moves on to another supplier for the next contract.

The NCC account could be very valuable since its annual purchases of semiconductors exceed \$4 million and are steadily increasing by about 5 percent a year. Mr. Logan, however, makes sales to NCC very dicey by insisting on squeezing out most of the profit margin and then switching suppliers if performance is less than fully satisfactory. Mr. Logan's assistant, Dale Mobley, seems to be much more reasonable; but he doesn't say much in negotiations since Logan always dominates. Most of the sales reps who call on NCC seem to be looking forward to the day when Mr. Logan retires because they often subtly ask receptionists about his retirement plans.

Mr. Logan has just demanded that Marilyn give him a whopping 20 percent discount on all NCC purchases—or, as he bluntly states, "I won't be buying anything from Solex-Digital." If the 20 percent discount is provided, Mr. Logan promises to give Solex-Digital all of NCC's semiconductor business this year. **Marilyn knows that her company can't make any profit if she agrees to a 20 percent discount, and she's quite sure that no other semiconductor supplier will offer such a large discount.** While Mr. Logan continues talking, Marilyn wonders how to respond to his demand.

Questions

1. Is it worthwhile for Marilyn to negotiate with Mr. Logan when his demands are so unreasonable—and unprofitable, if she agrees to the 20 percent discount? Explain.
2. Should Marilyn do like most salespeople who “win” orders from Mr. Logan—simply cut back on product quality and/or service and be relatively unresponsive to complaints, so that her company can make a little profit? If she follows this strategy, Marilyn realizes that she probably won’t get any orders from Mr. Logan next year, and it may hurt her company’s reputation—not only with NCC, but with other companies through negative word of mouth.
3. Marilyn wants to keep NCC as a customer because it could become a valued account when Mr. Logan retires. So she’s thinking about calling her sales manager to ask if she can offer the 20 percent discount and accept a loss on the contract in order to keep the customer relationship with NCC. As her sales manager, what advice would you give Marilyn?
4. What role, if any, does customer relationship management play when dealing with difficult buyers like Mr. Logan?

Case prepared by Dheeraj Sharma and Woodrow D. Richardson, Ball State University.

Case 4.1 - Solex-Digital: Effective Negotiation Strategies.

Response:

1. Marilyn should not agree to a 20% discount. If she does agree, the company she represents will not gain any profit. It is not worth it. Solex-Digital is surely a profit-oriented business, so, it would be useless if Marilyn will negotiate with Mr. Logan.
2. No, because the image of Solex-Digital will be affected. Marilyn’s company will have negative effect on clients, its reputation will be touched on. If she follows those strategies, she wouldn’t get any orders from Mr. Logan and from other company; many existing customers left from the company and they no longer acquire products from Solex-Digital. The trust of the customer from you will be broken.
3. As Marilyn's sales manager, I will advice her to let go Mr. Logan and don’t accept the 20% discount. The reason for my decision is that we don’t have any assurance that Mr. Logan will retire soon. Instead of focusing on one client, I will advice her to find another clients that are willing to have business with us, some one more profitable than Mr. Logan. There are a lot of clients on the market who are waiting to be recognized and to be entertained.
4. For me, Customer relationship Management or CRM has a big role in dealing with difficult buyers like Mr. Logan. It is because as the name CRM implies that CRM deals with managing relationships. So through CRM, salespeople can manage on how to deal with different customers.

