

Adding Value to Your Concessions

Reaching profitable agreement with the buyer is best achieved via a succession of concession exchanges, on a one-for-one basis.

Typical manufacturer concessions include delivering on Wednesday instead of Friday, granting an extra day's credit, organising a special pallet configuration etc.

To strengthen your negotiation stance, it is useful to be able to distinguish between cost and value of a concession (low-level negotiators exchange costs, high-level negotiators exchange values).

In order to ensure that a worthwhile concession is obtained from the buyer, it is important that we offer a concession of comparable value.

As a first step, it is essential to be able to calculate the cost of making that concession. Obviously (?) your system is capable of calculating the direct cost of any concession, but it is even more helpful if you can understand and appreciate the real cost impact on your company (and competitors) of making any such change to the standard way of doing things for the customer (i.e. a knowledge of Manufacturer Finance).

Ideally, your company will benefit in negotiation by offering those concessions which are cheap for you, but valuable to the customer.

This knowledge of cost and impact on the customer's business (Retailer Finance) enables you to add value to your concessions by helping the buyer understand and appreciate the benefit to his company of receiving the concession.

Customer Account Profitability analysis should provide all the costs necessary to help you plan and conduct effective negotiation sessions in addition to enabling you to business-manage the account over the long term.

Essentially, the customer can be helped to add value to his business by selling branded goods, heavily advertised and promoted; reducing costs via improved supply chain management, better use of working capital via lower levels of stockholding and better payment terms.

Ways of adding value to your concessions include:

- calculating and explaining the financial impact of the concession
- building up and demonstrating the cost elements of making the concession
- threatening to withdraw an 'unwanted' or 'undervalued' concession
- timing the concession i.e. a 2% over-rider payment has more impact if paid at the customer's financial year end

The real benefit of adding value is in enabling you to trade a concession costing you £300, talking its value up to £500, thus allowing you to bargain for £500 in exchange.

Meanwhile, your competitor, even if his system is capable of providing the costs of concessions and lacking the ability to add value, has to settle for a £300 concession from the buyer in exchange for every £300 put forward.