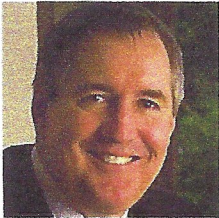




## The Value Proposition for Building Negotiation Competence and Capacity – Part 2

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### 3. Negotiating is fundamental to your success in the value network in which you participate

Around the world, and in every industry, the trend is increasingly towards competition between business networks. Strategic partnerships provide ways to create and capture value.

Toyota's ability to manage a network of parts and component suppliers, automotive design houses, manufacturing plants, transporters and shippers and dealer networks is what gives it the edge over say a Nissan or Ford. In software, SAP's ability to bring together a network of industry titans such as IBM, Intel, Cisco and Accenture to craft a customer solution is what gives it the edge over say an Oracle or an Infor. An insurance company's ability to work with its distribution channels is fundamental to its success. And so it goes in many different industries.

The basis for the networked value chain is each player finding their niche, (the place where they can add value better than anyone else based on some form of specialisation or scale) and then seamlessly bringing all players together in a synchronized and aligned fashion.

This is not easy to do. In many ways it goes against the grain of competitiveness and autonomy so prized in Western cultures and economies. At the heart of the problem lies each company's desire to capture as much value as possible for itself. If you cannot overcome this problem and make the economics work for everyone you will be beaten by those who can.

The secret to good partnering lies in your ability to negotiate. Good negotiators know how to formulate the negotiation problem and structure the negotiation process so that sustainable agreements can be reached quickly and effectively. Negotiating experts understand and consider the likely consequences for all parties and are thus better able to reach viable and sustainable solutions.

Your ability to negotiate with network partners may be all that lies between your success and failure in the networked, global economy.

### 4. The Influence on Customer Lifetime Value (CLTV)

Growth has always been high on the agenda for both the ambitious entrepreneur and the CEO of the largest listed company. The old axiom "if you are not busy growing you are busy dying" will continue to hold true for time to come. For most companies (whether you are in a Business-to-Business or a Business-to-Consumer market) current customers are the best source of revenue growth. According to many surveys, the cost of acquiring new customers runs 8 to 10 times more than the cost of keeping existing ones. So it makes absolute sense to hold on to the customers we have, BUT not at any cost.

Despite this need for growth many companies continually shoot themselves in the foot and build themselves a steeper and steeper hill to climb through their failure to negotiate the best possible terms for themselves – in effect they are sabotaging their own futures.

Perhaps driven by the pressure to meet quarterly revenue targets they give away value simply to close a deal now (normally, but not exclusively, in the form of discounts). What they fail to realise is that in doing so, they have established a precedent that will come back to haunt them in every future transaction with that customer. Today's discount becomes tomorrow's norm and sooner or later even this is not enough and we give away even more and so it becomes harder and harder to stand still let alone achieve profitable growth. Note the emphasis on "profitable growth" – giving away value may help you make this month's budget number but profitless growth leads to a downward spiral of more and more burden for less shareholder return. Even worse – as your reputation for easy acquiescence seeps out into the market (and it will because people talk and move around within an industry) any new business you write becomes subject to the same pressures.

Do you want grow your revenues? And do so profitably? Thought so. Well, the secret to building a profitable future for your organisation lies in the ability to build each deal that you do with an eye on both the immediate value and the long-term consequences.

Beefing up your ability to negotiate is the key to future success and maximising the value of every customer over the lifetime of that customer. Stop weakening your growth prospects by establishing precedents that will come back to haunt you. Your customers have long memories, and poor negotiations today will stay with you as long as the customer.

Good negotiating not only helps you extract maximum value now but it establishes you as a professional and trustworthy partner for the future and sets the boundaries for all future transactions with your customers.

Here's to your fruitful future based on excellence in negotiating.

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