

NEWDAWN BRIEFING

Coming Out of the Covid-19 Emergency

2020

Exiting Covid-19 will create the most colossal commercial pressure seen since WW2. So, gear your businesses up for the toughest negotiations!

COVID-19 is a different beast to the Great Recession of 2008 and the Middle East oil crisis, whose causes were financially driven. The fundamental driver of the pandemic is health and safety concerns. However, the repercussions of Covid-19 mean we are about to enter a very similar economic environment in 2020—only worse! Many customers and suppliers are in a survival situation. The message is writ loud and clear; you had better be ready for the toughest negotiations or your business will go down the pan. This a matter of survival first, and then emerging successfully to the new normal.

At the time of last major recession in 2007-2008, the IACCM conducted a Global 2000 survey which identified that those companies with formal negotiation processes in place did not just survive better—they benefited during the recession. Those businesses that did not suffered badly.

2007-2008 Global 2000 Survey reveals net income drops 31% over survey period, yet companies that adopt negotiation processes in line with best practice achieve a 43% increase.



+43%



The top quartile of companies who have defined negotiation processes in place recorded an average profitability increase of 43%!

-63%



Companies without defined negotiation processes in place suffered an average fall in bottom line profitability of 63% between 2007 and 2008.

The Headlines and Forecasts are grim!

- ⇒ “The economic fallout from this pandemic is likely to cripple even the most resilient of markets, threatening national and global growth”
- ⇒ “The latest Office for National Statistics figures on the UK GDP have just been released. In the month of April alone the economy shrank by 20.4 per cent. A fifth of the economy ground to a halt in just a few weeks.”
- ⇒ “The OECD and the International Monetary Fund (IMF) have warned that the economic shock from the virus is already larger than the global financial crisis of 2008.”

Most businesses will struggle—some will win through. Which are you?

1. Most businesses have no defined negotiation processes and fail to plan adequately for negotiations and therefore ‘plan to fail!’ 70% of businesses have no systematic approach to negotiating planning. Yet, there is strong evidence showing that those who do invest in defined negotiation processes do really well, whilst those who do not invest don’t:
2. Millions of pounds are being left on the negotiating table because negotiators under-prepare. 67% of businesspeople involved in B2B negotiations spend less than one hour in preparation, planning and rehearsals and 70% of B2B negotiators believe they under-prepare for their negotiations and would have had a better outcome if they had.
3. Most businesses fail to understand their real intrinsic value to each other. Understand this and you can control the ‘fear of loss’ which will help you to achieve your objectives in any negotiation. The balance of power in a negotiation may be fundamentally different to the relative commercial power of the two parties – the smaller party often holds enormous power (and may be supremely unaware of this fact), and ‘big is not necessarily beautiful!’.
4. Most Sellers are enthusiastic, accommodating and soft negotiators who are soft on both the people and the problem, and hence prefer to avoid confrontation. Most Buyers take a very short term, tactical approach to negotiations, hard on people and the problem. Neither is the right approach for this challenge.
5. Most negotiators do not understand nor utilise the science of persuasion during their negotiations. The situation is being exacerbated by the erosion of key free persuasion methods (particularly emotion and logic) as negotiators revert to digital and social media to conduct their negotiations. Our view is that these media merely allow you to state positions, not negotiate how to move the other party towards your position.

Some practical Tips and Techniques that will have a Profound Impact on your Negotiations

1. Spend much more time in **preparing and planning** for a negotiation.
2. Be very clear on the **aims and objectives** of the negotiation before you start.
3. Understand the relative importance and **balance of power** between your business and the other party.
4. **Do not negotiate on your own**
5. Establish what **'walk-away' or BATNA options** you have.
6. Do some **contingency planning**—'What if this happens?'
7. **Have a plan!**
8. Review the **quality**, not just the result achieved, in your negotiation

If you need some help...

We specialise in improving the performance of Buyers and Sellers by targeting those areas where they meet and do business together. At the core of the Buyer—Seller interface is negotiation.

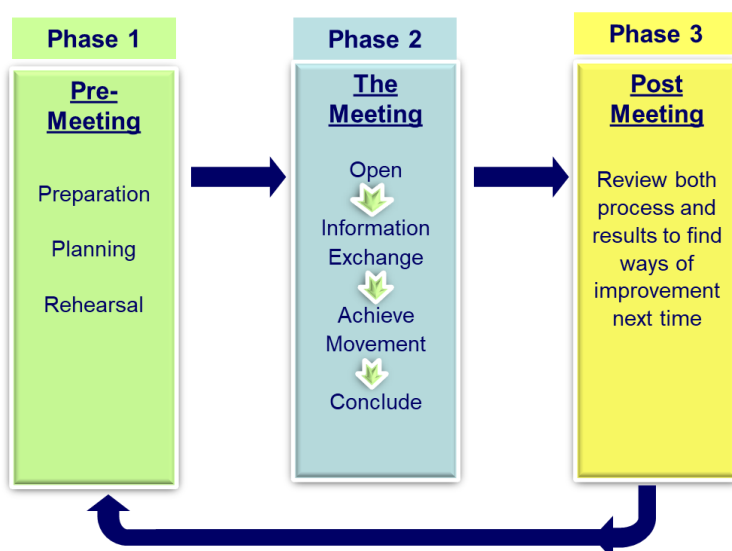
If there is one over-riding need in the current environment, it must be to ensure that your buying and selling teams are truly ready to negotiate on your behalf through the fallout from the Covid-19 pandemic. We are already seeing businesses opening their negotiations by demanding a 25%+ Covid-19 price change due to the impact of the pandemic—the 'Covid Discount'.

What will your teams do when:

- ⇒ **Their customers demand a 25%+ price cut due to the pandemic?**
- ⇒ **Their suppliers demand a 25%+ price hike due to supply chain shortages?**

If you don't know the answers, you need to start planning now, or you will be one of the Losers!

The Negotiation Process



All negotiations follow a basic 3-Phase process:

- Preparation, planning and rehearsals done before hand.
- The conduct of the negotiation meeting itself.
- A post-meeting review of the process and results.

Professionals and highly skilled experts follow the process and invest time, effort and resources appropriately. Amateurs and untrained practitioners don't—and get the results they deserve. If you follow the process, your results will improve.

Contact us:

<https://www.newdawnpartners.com>

- simon.buzza@newdawnpartners.com +44 (0)7860 545590
- alan.cooley@newdawnpartners.com +44 (0)7768 600735
- mark.henderson@newdawnpartners.com +44 (0) 7866 687317