**Cases for Small-Group Discussion**

Case 13–1. Negotiation and Technology

Jessie had just taken his second test-drive in the new three-quarter–ton pickup truck he was considering purchasing. The salesman had become his “best” friend in the past three hours, pampering him with warm introductions to every “manager” in the dealership, free soft drinks from the vending machine, curb service with two vehicles he had test-driven, and assurances that the salesman was “working for Jessie” and wanted to “earn Jessie’s business.” The salesman had barraged Jessie with a series of questions and baited him with “truck month” and “special deals” and “incentives for a short time only.” He had informed Jessie of the “special financing, rebates, and dealer incentives” that would expire very soon and that Jessie would miss out if he didn’t buy his truck today and that the dealership “seriously needed his trade-in and would offer top dollar.” The salesman had figured out Jessie’s payment for him, an amazingly low payment per month.

Then Jessie did the smartest thing he had done in a long time. He said, “I have to be somewhere in twenty minutes, but I might come back tomorrow—when do you open in the morning?”

The next day, Jessie called one of his professors from college, followed up their conversation with phone research, and within twenty minutes, returned to the dealer with estimates of his trade-in value from three used-car websites, a loan preapproval from his credit union, and a summary of the dealership’s actual cost of the truck he was interested in from another website. He greeted the salesman and made an offer for the truck, below the invoice for the vehicle. “We just can’t do that, Jess,” said the salesman. “That’s below what we have to pay for the truck.”

“Well, first, you have added charged items that aren’t even done yet, like the sprayed-in bed liner for $670 that I can have done for $230 from the same place you guys have it done. So I deducted that, and the special sealant extra charges that are included if a vehicle is painted, and all of them are (painted). . . . Here are some other items that are similar, and they come to $1,945. I deducted half of your destination charge, and then I deducted half of your holdback to arrive at this number.”

The shocked salesman took the information to his manager, who returned with another two managers to try to convince Jessie that his offer was not possible. The hard sell continued into a discussion of Jessie’s trade-in, and finally, Jessie told them he just needed a deal and might find it at another dealer, or even with a different make of truck, and that if they were interested in trying to meet his offer, to call him. And then he left again, for the second time.

The next day, Jessie received a call. The manager had agreed to his offer. When Jessie arrived, the truck had been cleaned, had a large SOLD sign in the window, and was parked at the front door. Jessie walked into the wrestling ring. The manager had agreed to Jessie’s offer on the new truck but had priced his trade-in at $8,000 less than the trade-in value Jessie had looked up. After another thirty minutes of hard-sell tactics, Jessie left the dealership for the third time.

An hour later, Jessie got a call that the used-car manager wanted to talk with him. After a visit with the used-car manager, it was apparent that the callback was for the purpose of talking Jessie down from his expected trade-in value. Again, Jessie left the dealership.

That evening, the general manager called Jessie. He said that he could come within $450 of Jessie’s offer and that if Jessie would come back to the dealership, the deal would be made. Jessie agreed and returned to the dealership the next day. The deal was indeed done, and written up, and the official “offer” reflected all of Jessie’s requirements. And it was exactly $450 more than the deal Jessie had proposed.

To a chorus of how much money the dealership was losing, he was hustled into the finance manager’s office. Another barrage of deals flew Jessie’s way. He was offered extremely overpriced credit, life insurance, gap insurance, extended warranties—and special deals on all three after he refused them all; he also refused the special deals on those items. The financial double-talk continued, but Jessie stood his ground, and the papers were finally finalized and signed.

That night, Jessie summed up the total additional costs the dealer tried to talk him into accepting. His truck would’ve ended up costing $42,360. The additional costs he could have incurred if he had given in to the hard sell totaled $19,763!

Jessie later acquired an extended warranty for 30 percent of the cost of the dealer warranty, and he had some custom touches added for a fraction of the cost the dealer had wanted to charge.

**Case 13-1 Questions**

1. *How important is it to be well informed about a negotiation before beginning the negotiation? Where would you go for guidance?*

As this case demonstrates, doing the research pays off. Online sources are readily available for all the information a customer needs to negotiate a good deal. As Jessie did in this case, it also is worthwhile to consult with experts and experienced negotiators in preparation.

1. *There was obviously a material cost of failing to negotiate effectively in this case. Can you think of other situations where costs of poor negotiation are high?*

The most obvious situation that should come to mind is when negotiating after a job offer. Although salaries are often negotiable (beyond entry-level positions), other elements in the compensation package are also worth asking about: benefits such as tuition reimbursement, retirement packages, travel, equipment and technology, paid time off, and training all might be negotiable.

Start date and relocation costs, including home sale and new housing expenses, typically also are negotiable for managers and executives. Even a sign-on bonus should be inquired about.

**Case 13-2. Purchasing and Accounts Payable**

Saul and Latisha are both administrative managers in a machine tool company. Latisha is the director of purchasing and has four purchasing agents and a secretary reporting to her. Saul is the director of accounts payable and has two people reporting to him. The secretary for the accounts payable group also works for the accounts receivable group, so in effect the accounts payable group has only a part-time secretary.

Saul and Latisha both have business degrees and graduated from college three and five years ago, respectively. They are both ambitious, and a high level of competition exists between them. The following discussion occurs in Latisha’s office, which is down the hall from Saul’s. Latisha is busy and has a lot of papers spread around on her desk. It is about 45 minutes before the normal quitting time, but it looks as if Latisha may not be able to get away on time.

Everything has been rather hectic lately because it is nearing the end of the month. Both Latisha and Saul have numerous activities that need to be completed within the next few days.

**Case 13-2 Questions**

1. *Analyze the following conversation and indicate what could be done to improve the effectiveness of this interaction.*

*Saul*: Latisha, could I use your secretary for a few hours tomorrow? We are really behind, and I’ve noticed that your secretary doesn’t seem to be too busy.

*Latisha*: What do you mean “too busy”? We all have work backing up on us.

*Saul*: Well, you have one secretary, but we have to share time with accounts payable.

*Latisha*: Well I’m sorry, we’re just too busy.

*Saul*: How about asking her to work some overtime but charge it to our department? Does she like to work overtime?

*Latisha*: She might want to do that. You can ask.

*Saul*: Would you please ask? That might be better because you’re her supervisor.

*Latisha*: No, you go ahead and talk to her. Also, remember you will have to pay the time and a half for overtime.

*Saul*: I really think you should talk to her.

As Saul says this, the telephone rings, and he walks out of the office.

1. *Return to Figure 13-1. What are the major variables presented in the figure that influence the communication presented in this case?*

Time and environment are vital components affecting communication. In this case, Saul chose an inopportune time of the day to negotiate. If he had approached Latisha at a better time of day, he could possibly have convinced her to talk to her secretary about working overtime. Latisha was in a good position to negotiate since both she and Saul had work that needed to be completed within the next few days. Since the secretary reports to Latisha, Saul is brought under pressure with the deadline approaching.

Also, he should have asked Latisha to speak to him some place other than her office, as the phone call may interfere with the conversation. Saul should have attempted to get Latisha to meet him in his office (home ground) or a conference room (neutral territory).

**Case 13-3. Negotiating a Purchase**

Reggie Blanchard’s delivery van was recently totaled when someone ran a stop sign and struck the van. The other person’s insurance company is going to pay Blanchard for the damages to his van, and for a week now Blanchard has been looking at new vans while he temporarily leases one. The following scenario transpired when Blanchard talked to Kelly, a salesperson who tried to sell him a new van.

*Kelly*: Yes, sir, may I be of service to you?

*Blanchard*: I recently lost my delivery van in an accident. I am temporarily leasing a van, so I would like to get one as soon as possible.

*Kelly*: What kind of van did you have?

*Blanchard:* A 1997 one like this (pointing to a low-priced van). It had low mileage and was in great shape.

*Kelly*: I know how you must feel. It is discomforting to lose a service van like that. And then you really don’t get enough money from the insurance company to buy a van just like the one you had, do you?

*Blanchard*: Yes, sir, that’s exactly right.

*Kelly*: How did the accident happen?

Blanchard then proceeds to explain how the other person ran the stop sign and demolished the passenger side of his van, and as he does this, Kelly nods his head in agreement with Blanchard’s every word.

*Kelly*: That sorry old soul must have had mud in his eyes not to have seen you in that intersection.

*Blanchard*: Ha, ha, I guess you’re right.

*Kelly*: Well, now don’t worry, because you’ve come to the right place at the right time. We’re making good deals on all this year’s models to be ready for the shipment of next year’s vans due any week now.

*Blanchard*: That sounds good. Let me ask you, how much for this one?

*Kelly*: Well, these models are going like hotcakes. They’re excellent vehicles and the prices are outstanding for the quality in the van. I can let you have this one for $37,000.

*Blanchard*: I hate to say it, but that seems a little high for this model.

*Kelly*: Oh, but this van has some great features, including our consumer protection package for $1,970 [smiling]. This includes paint treatment, a sound shield underneath the van, and a three-year rust prevention guarantee. It also includes a membership in our motor club plan, which has some excellent benefits for businesspeople.

This last sentence was spoken while Kelly put his hand on Blanchard’s shoulder.

*Blanchard*: Is that so?

*Kelly:* How much are you looking to spend?

*Blanchard*: I’m not exactly sure, but judging from what the book value of my old van is, and the amount of the notes I was paying on it, I’d like to spend not much more than $30,000.

*Kelly*: Well, like I say, I can give you this van for $37,000. We’ve already lowered the sticker price by $2,500. It normally sells for $39,500 [pause]. If you can spend $30,000 then $7,000 more won’t add that much to your payment. Besides, we’re the only dealer in town that offers the consumer protection plan, and we feel that the benefits far outweigh the cost. It’s a steal, I tell you.

*Blanchard*: Oh well, in that case I guess $37,000 is fairly reasonable. Let me think about it, but it sounds good.

**Case 13-3 Questions**

1. *What negotiation style did Kelly use to move Blanchard toward this sale?*

The salesperson used a “parent” style of negotiation to make the sale. Kelly sympathized with Blanchard about the loss of the van. He also sided with Blanchard in blaming the other motorist involved in the accident. By showing support and emphasizing that he is giving Blanchard a good deal on a new van, Kelly is acting like a parent who is trying to help his child in an unselfish manner.

1. *List some things Blanchard could do to improve his own position at the beginning of the* *negotiation.*
2. Blanchard should not have revealed to Kelly Blanchard’s great need for a new van.
3. Blanchard also could have improved his position by pointing out that he would like to check other dealers and other models before deciding on a purchase.
4. Blanchard should have established his MSO and LAO before he made an offer for the van.
5. *Discuss some negotiation strategies that Blanchard should have used as the negotiation proceeded.*
6. Blanchard could have bluffed, saying that he had an offer from another dealership on a similar van at a more reasonable price.
7. Blanchard could make a “take-it-or-leave-it” offer to Kelly. However, the offer will possibly be rejected.
8. Blanchard could use a “screen” strategy by saying that his wife needs to look at the van before a decision can be made. Such strategy will yield more time and take away some of the pressure put on by Kelly.