

Planning and Managing the Negotiation Process with Key Accounts

Bootstrappers Breakfast

Craig Shirley

June 16, 2009

Background

- Over 20 years of EDA Sales experience
 - 5 years: worldwide vice president
 - 3 years: vice president North America sales
 - 2 years: sales director
 - 9 years: salesperson
 - 4 years: applications engineer
- Contracts negotiated with key accounts: 100+

Scope of Talk

- A proven negotiation *process* to maximize revenue and profit generated from selling mission critical products to key (Tier I) accounts.
- *Tactics* are deemphasized today:
 - Pre-conditioning, serial negotiation, brinksmanship, etc.
- My expertise is in differentiating products on features other than price.

What is a “Negotiation Process?”

- A series of actions targeted at specific negotiated outcomes/goals.
- Example goals in key account negotiations:
 - Maximize short-term ASP (unit price)
 - Maximize long-term ACV (annual contract value)

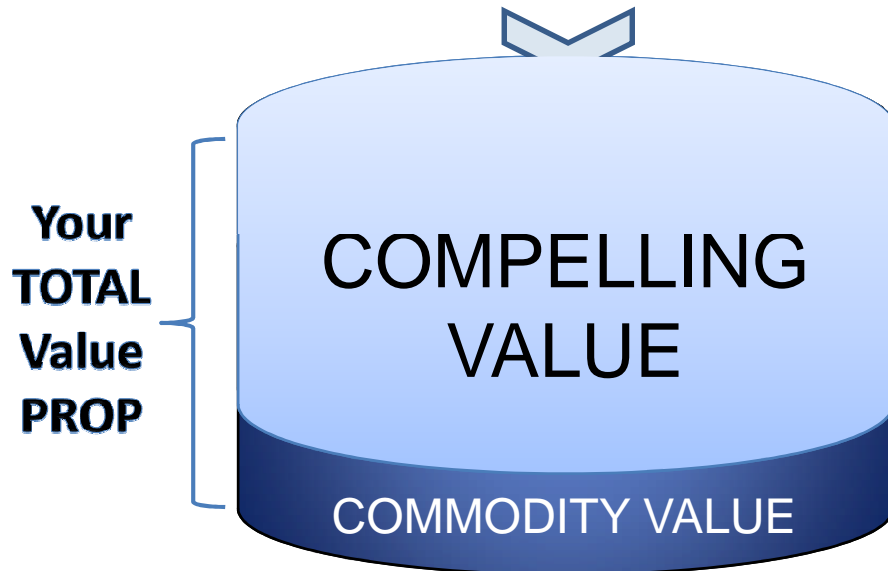
These goals should align with your overall company goals as key account negotiations will test them

Negotiation Terminology

- Compelling Event (Why the customer **must buy now**)
 - Taxes are due, Y2K 😊
 - Flagship project start – new challenge (faster, bigger...) 😊
 - Process migration – new technology (45nm, 32m,...) 😊
 - Manufactured by you: end of quarter discount 😞
- Dependency
 - The level a customer is dependent on your product/service
 - Must be built prior to negotiation to maximize outcome
- Compelling Value (next slide)

Compelling Value and Negotiation Tenets

*Customer can justify paying
a premium for
COMPELLING VALUE*



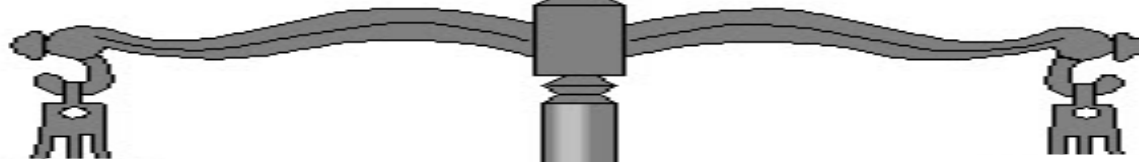
*Customer can't justify paying
a premium for
COMMODITY VALUE*

Craig's Negotiation Tenets

1. Focus on mission critical problems in mission critical projects (many if possible).
2. Eliminate competitors by maximizing customer's dependency on your **COMPELLING VALUE**.
3. Time the negotiation around the customer's compelling event.

Measuring Compelling Value

Value must be measurable



Risk mitigation

Cost reduction

Productivity/time to market

Value is offset by

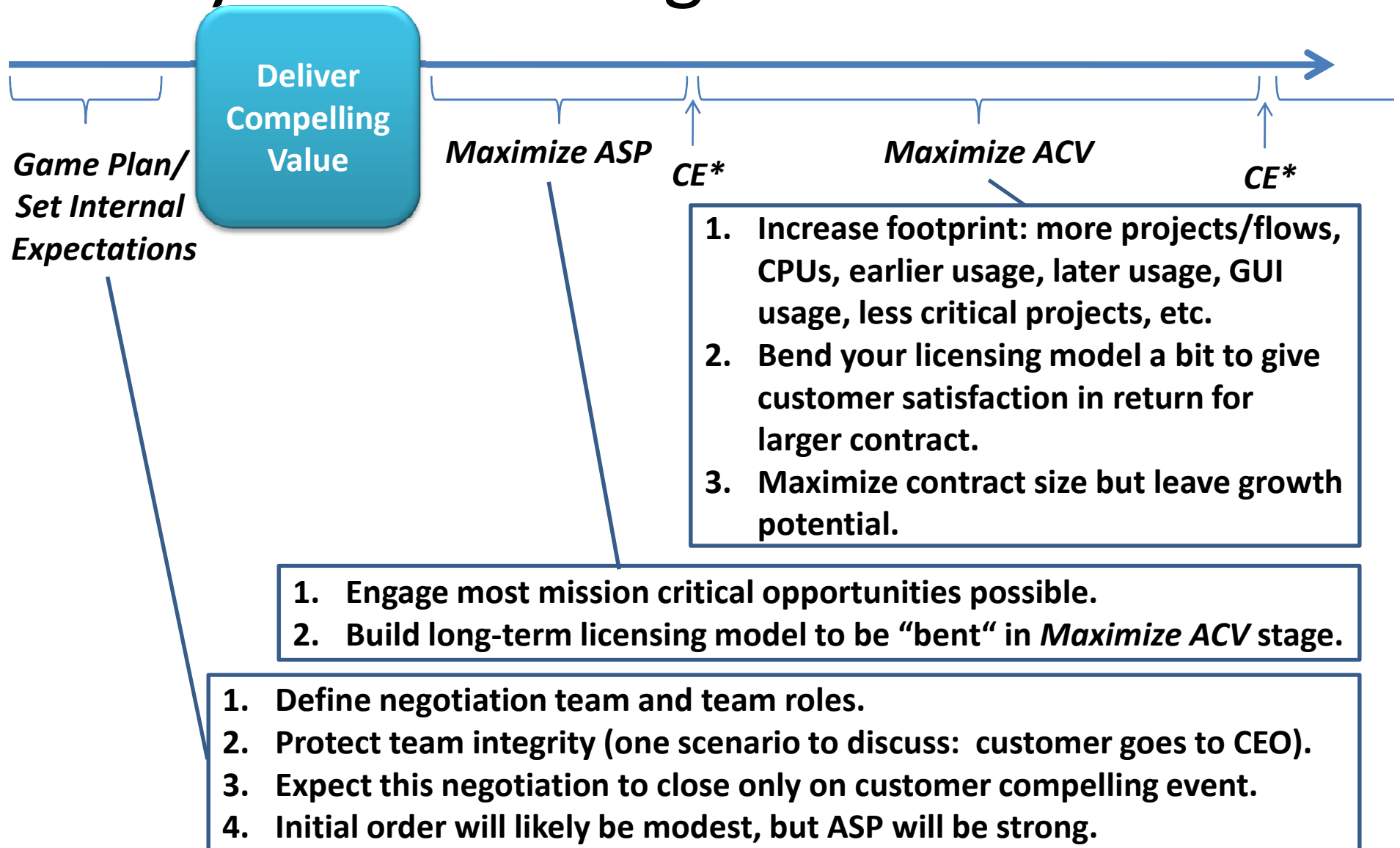
Product adoption risk

Learning curve

Total cost of ownership

Improved Quality is often difficult to prove in one sales cycle

Key Account Negotiation Process



**CE* = Compelling Event

High Initial ASP Enables Long-term ACV

- Why start with a high ASP?
 - Early indicator that your product has value to the customer
 - Enables price concession when building high ACV
 - Funds support required to maximize key account ACV.

