



THE ART OF INTELLIGENT AUTOMATED NEGOTIATION

Reimagining the price
negotiation game

WHITEPAPER



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I. INTELLIGENT AUTOMATED NEGOTIATION: CHANGE THE PRICE NEGOTIATION GAME

Imagine peering into the day-to-day pricing negotiations of a B2B company – whether it be an electrical products manufacturer, a high tech manufacturer, a shipping or transportation provider, a medical products distributor, an auto parts distributor, or even a staffing services company – what dynamics and processes could you broadly observe?

How many transactions take place daily? In which channels are pricing negotiations taking place? In person, on the phone, eCommerce, another self-service portal for customers or re-sellers? What's the average quote turnaround time? How long does it take to gain internal approval on a pricing exception request?

These questions are the tip of the iceberg in terms of the complicated, cumbersome and costly negotiation process. Of course, understanding what “typical” pricing negotiations look like broadly across B2B industries – of which eCommerce sales alone are estimated to reach [\\$1.8 trillion](#) by 2023 – can be something of a futile exercise.

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Company dynamics can vary widely, even within one industry, but some truths are universal. For those leading the strategic pricing, digital, eCommerce or sales initiatives of any so-called “typical” B2B enterprise, the pains (and potential opportunities) of internal and external negotiations are acute.

In this whitepaper, we'll cover the dynamics of pricing negotiations broadly across a business, how the art of negotiation is beginning to blend with the science of available technology, and share concrete examples of how a new, innovative approach – Intelligent Automated Negotiation – has turned the negotiation game on its head, empowering B2B companies of all stripes to reimagine what's possible in their businesses.

II. THE NEGOTIATION GAME: COMPLICATED, CUMBERSOME AND COSTLY

While defining the typical price negotiation process in B2B can seem like a futile exercise, our teams have been observing these dynamics broadly across the global market for nearly 20 years. As such, there are some universal truths when it comes to price negotiations in large enterprises.

B2B companies have grown to quite a large scale via mergers, acquisitions or natural organic growth. Larger companies are processing an incredible amount of order lines daily. It's not uncommon for 10,000 to 15,000 or more order lines to flow through one company in a day's time.

These transactions are numerous, to be sure, but they are also complicated. Numerous sales channels such as in-person sales reps, eCommerce, online self-service portals, and deal desks each factor into how quickly a new order can be routed, reviewed, approved and ultimately finalized. Within those channels, there can be many types of orders taking place such as project bids, distributor orders, partner reseller orders or bids, new orders, re-orders, and more.

Finally, the pricing negotiation process itself (aside from channel and order type) can be cumbersome and complicated. When customers request price exceptions, reps must route those to a manager or pricing team for approval. If pricing is broadly misaligned to the market, which is highly common in B2B, this pricing exception queue is all but guaranteed to bog down internal teams and slow down quote turnaround times, frustrating customers.

To improve quote turnaround times, companies commonly add more people to the internal teams, but quickly discover that adding more people doesn't get to the root of the problem. With complicated pricing approval and order processes and a lack of good, reliable pricing guidance, an already-cumbersome process is prone to human errors in judgement and calculation. The outcome is a large administrative overhead cost from a process perspective and pricing that fails to meet the P&L targets of the business.

Certainly, the costs of the price negotiation process can be significant. Compounding matters, customers grow frustrated with prices that are consistently misaligned to their expectations and long quote turnaround times.

Imagine, instead of the current inefficient and costly price negotiation process, taking an approach that blends leading data science and technology. By bringing science to the art of negotiation, companies stand to significantly reduce bulky processes and reserve high-skilled negotiators for the most critical deals.



III. HOW THE ART OF PRICING NEGOTIATION IS EVOLVING TO BE MORE SCIENTIFIC

Data points that the art of pricing negotiation is evolving to be more scientific continue to pile up. A recent [Supply Chain Drive](#) article summed up survey results pointing to this trend in its “Supplier Negotiation Could Become More Science than Art” piece. Findings included:

- Sixty-six percent of senior procurement decision managers said digital skills will overtake people skills in supplier negotiations in the coming years, according to a recent survey of 500 procurement leaders conducted by Barclaycard and shared with *Supply Chain Drive* via email.
- There was broad agreement that negotiation skills are critical, but 62 percent of respondents over age 55 preferred face-to-face interactions versus 33 percent of 18 to 34-year-olds. This is largely due to the growing role of technology in procurement in the form of video-conferencing with international partners to big data analytics offering improved insights into contracts and spending, according to the study.

The article went on to state that “While there will be a need for in-person negotiations, ‘it’s clear that the art of negotiation is evolving as a new generation of decision makers take the helm,’ Paul Fisher, program director of the Oxford Programme on Negotiation at the University of Oxford’s Saïd Business School, wrote in the report. Having accurate and timely internal data and external data from suppliers and partners is critical to optimal decision-making.”

From a pricing perspective, [McKinsey](#) notes that “a few cutting-edge companies have also invested in customer analytics that empower sales reps with price recommendations based on analysis of deals other sales reps have closed with the same customer in the recent past.”

Of course, recognizing that an opportunity exists and having an action plan to seize that opportunity can be two vastly different things. In the next section, we’ll walk through how a new, innovative approach – Intelligent Automated Negotiation – has turned the negotiation game on its head, empowering B2B companies of all stripes to reimagine what’s possible in their businesses.

IV. CHANGE THE GAME WITH INTELLIGENT AUTOMATED NEGOTIATION

Instead of cumbersome processes, exposed to human error from start to finish, enterprising company leaders – in industries that range from electrical products manufacturers to shipping and transportation providers – have taken the lead in blending the art of negotiation with the science of data-driven decision making and leading technology. The outcome of this approach – Intelligent Automated Negotiation – automates internal and external negotiations in a more intelligent manner.

From a technology perspective, the approach connects leading price optimization, price management, and sales effectiveness solutions to your existing internal and customer-facing applications via a highly available, scalable REST-based API.

The outcome is an automated approach that sets pre-defined rules on what prices can be auto approved without human intervention – giving sales reps, partner resellers and customers the flexibility to negotiate within a range of prices that still maintain necessary margin levels, and escalates quickly and efficiently when needed.

From an experience perspective, Intelligent Automated Negotiation completely turns the price negotiation game on its head. Let's walk through one application.

Industrial Parts Manufacturer Enables Distributor Network to Move Deals Faster

This industrial parts manufacturer was feeling the pain points of the cumbersome and costly price negotiation process and instead deployed Intelligent Automated Negotiation to improve self-service on its distributor online portal. The company's distribution customers can now upload orders from their own end customers, and quickly see how the pricing offered to them by the manufacturer compares to list price line-by-line within the order. Additional recommended products are also served up, so the distributor can easily see if they are missing something or should recommend additional products to the end customer.

If, for example, the end customer is asking for a final price of \$14,000, the distributor can enter that final price offer and immediately see a counteroffer that has considered similar customer orders or active initiatives like aging inventory. Since the counteroffer still achieves an acceptable margin, the logic built into the manufacturer's Intelligent Automated Negotiation use case dictates that this offer is within acceptable bounds.

For this order, it wouldn't be worth the time to go through the whole process and do an internal evaluation. The deal is auto approved with no human intervention, freeing up the manufacturer's skilled reps to focus on bigger, more strategic deals. Not only does this reduce the manufacturer's costs, but also, the distribution customer is delighted that they didn't have to go through the traditional process of picking up the phone or sending an email to ask a sales rep for better pricing, which would have to be escalated to another internal person for approval, slowing down the distributor's ability to get the deal done with its own end customer.

Of course, some price exception requests will still require human intervention and approval if they fall outside of the bounds. In those cases, the distributor can click a button and send that order and request right to the manufacturer's deal desk. The deal desk team is notified and accesses the digital deal desk where they see an overview dashboard of auto-approved, countered, and rejected deals with handy KPIs like average response time and win/loss ratios. From there, they can focus on the escalated on special pricing request from the distributor and easily see the background of pricing and counteroffers. With an intuitive format, the deal desk team can change price line by line, while seeing how each price change affects the overall health of the deal. Once finalized, the approved pricing is immediately pushed back to the distributor.

Intelligent Automated Negotiation is flexible enough to be deployed across a wide variety of industries; possible use cases include:

- **High-tech manufacturers** can enable large partner reseller networks to register deals online, see special reseller pricing, and automate those price negotiations and counter-negotiations.
- **Building products manufacturers** can validate that orders match the agreed-upon pricing in real-time and route orders to the correct approver(s) based on approval levels that can be easily changed. If any pricing mismatches are detected, the order is sent directly to the appropriate point of contact to be approved or corrected immediately. The software functionality can process thousands of requests per day and make changes to the workflow and approval levels quickly and easily.

- **Auto parts distributors** can accelerate their eCommerce businesses to enable pricing consistency across their massive customer bases and mimic the shop counter negotiation process in the digital channel by escalating price exceptions and overrides when necessary in a more streamlined manner.
- **Medical consumables and life science distributors** can take full advantage of the eCommerce opportunity to ensure customers are presented with a market-aligned price and offer automated negotiation that easily discerns between customer-specific and list pricing, while keeping eCommerce prices competitive and moving deals faster for small transactional customers.
- **Shipping and transportation providers** can enable the deal desk to confidently offload a bulk of negotiation work to self-service portals for deals that fall neatly into the rate envelope. When human interaction is necessary, a deal desk rep or sales rep gets on the phone armed with valuable information about that customer and its recent interaction with the self-service portal.

The potential for B2B companies to remove the human element when not necessary and reserving that highly-skilled workforce to review, counter-negotiate and ultimately close the deals and proposals that fall outside of acceptable margin bounds presents an incredible opportunity.

V. CONCLUSION

By reimagining what's possible, there are significant operational and margin gains to be had from automating your internal and external negotiations in a more intelligent manner ... one that's informed by data science and significantly accelerated by technology.

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