Field guide to

NEGOTIATION PLOYS

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A guide to the tactics and ploys that may be encountered when negotiating.
Find out what they are and how to react- or how to use them yourself!

What it is

One party to the negotiation proposes a solution where the true cost of fees and / or ongoing support is 'backloaded' to disguise the total cost of the purchase over the lifetime of the acquisition

How to spot it

The cost of the initial investment is deceptively low however the ongoing support or cost of consumables cost recovers the 'lost' margin across the life of the contract.
A good example is a $100 printer which needs replacement ink cartridges that cost $25 each.
Ongoing costs are decoupled from the original purchase

Why is it used?

The purpose of this tactic is to depress the purchase price, with the aim of having a naïve or budgetary-constrained client commit to a low initial cost. The buyer may be unaware that the low price is cross-subsidised by the lifetime revenue flows of support or consumables.
This tactic can be deployed when a prospect has insufficient CAPEX budget, but adequate OPEX funding

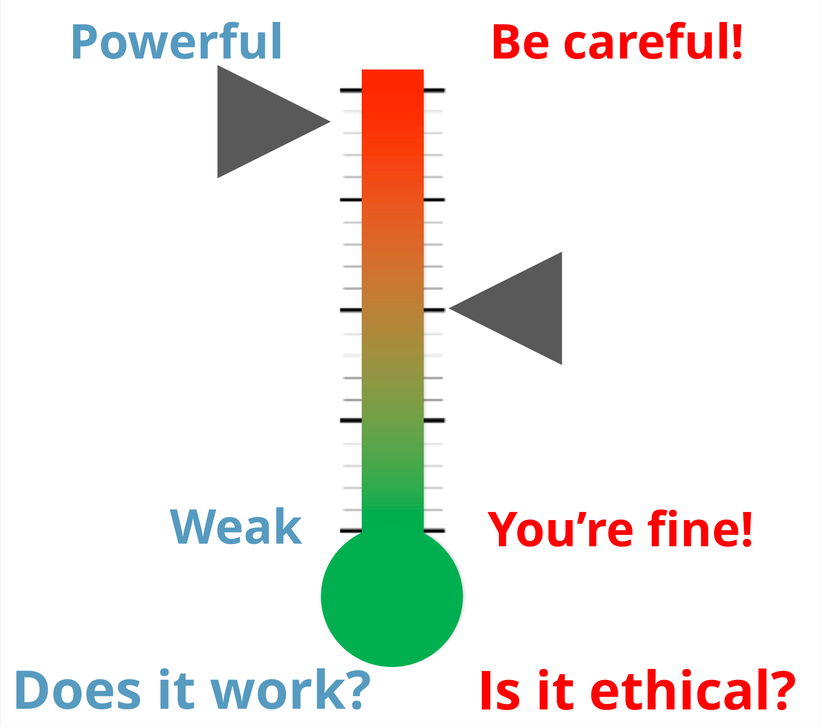
How to respond

Avoid being fooled by a low 'entry' price.
Calculate the total lifetime cost of the purchase.
A net present value calculation allows 'like for like' calculations taking into account the time value of money
Consider asking for a package deal or an operating lease as an alternative option if your CAPEX budget is not adequate

Tip

Make sure you understand all the ongoing costs of consumables and support by modelling total lifetime cost of the acquisition

Should you use it?



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One of a series of negotiation tactics and ploys designed to help procurement practitioners to be street-smart and match-fit for negotiation

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