

VBA SCHOOL OF BANK MANAGEMENT

EFFECTIVE NEGOTIATIONS

“TEAM A” SKILL PRACTICE

BACKGROUND:

You are a business banker at YourBank, and Dykes Construction and Millwork is one of your best customers. The construction unit builds 25-30 “affordable” (from \$200,000 to \$250,000) homes per year, with steady business even during tough times. The millwork unit serves commercial businesses in 100-mile radius. You financed Zach Dykes’ first spec house loan and over the past 7 years he has turned to you for all his construction loan needs, as well as equipment financing for his millwork operation. His loans have boosted your portfolio by over \$3 million. You do not have any of his personal business, which are mostly with MegaBank and several investment firms.

You have rewarded his loyalty by waiving the \$400 appraisal fees on his loans. He mentioned, “I appreciate the fast service, and it helps that you don’t charge for the appraisal fees. No other bank offers this.” But he also chided you back in January, commenting pointedly about being ignored as a bidder on recent branch lobby upgrades. “We have an excellent reputation and your people won’t even return a phone call.” You told him you would look into it.

NOTES:

CURRENT SITUATION:

Because of new policy decisions, you can no longer waive appraisal fees. Your supervisor has given you some latitude in allowing 90 days to begin the new policy with this customer. She warned that you cannot make up this income by simply waiving fees in another area, swapping one income source for another.

She has also directed you to deepen the relationship, pointing out the lack of any personal or investment accounts. You are reluctant to pursue this because of the poor service level of other departments, plus many of the bank’s retail products are either flawed or very basic.

How will you communicate this decision? The new policy must be implemented in 90 days (your walk away point). You’ve asked for a meeting, telling Zach you want to discuss some possible options regarding his relationship. “Good, I want to meet with you too,” was his response.

NOTES:

YOUR MAIN NEEDS:

Appraisal fee: Increasingly important to the bank. Plus, your boss says, “do it.”

Relationship: Dykes’ loans have always been “safe” and a solid base in reaching your goals each year. They would be hard to replace.
In addition to loans, Dykes builders’ risk policy (\$2K+ annual income) is also with the bank, but does that really constitute a strong relationship?

Trust: How loyal is Zach? How will he respond to the appraisal fee, or your request for other accounts? Should you trust that Retail and Investments can provide good service for Dykes? And how badly are you diminishing Zach’s trust by not handing the branch bidding problem? Where is the tipping point in this relationship?

NOTES:

PERSONALITIES:

You are a combination of Influencer and Supportive, which makes you very approachable, but hinders you when facing opposition to your ideas.

Zach is a combination of Influencer and Dominance. He’s warm and friendly with you, but you know from observation that he can become very demanding when things don’t go his way.

NOTES:

THE MEETING:

Prepare for you meeting with Zach. Consider the main needs of both the bank and Dykes, as well as the negotiating strengths of both sides. Develop an opening position, a walk away point and at least one intermidiate option.

NOTES:

NEGOTIATION PLANNER

NEEDS

BANKER'S NEEDS	REASON	PRIORITY

STRENGTHS

BANKER'S ADVANTAGES	HOW TO LEVERAGE

DYKE'S NEEDS

DYKE'S NEEDS	REASON	PRIORITY

DYKE'S ADVANTAGES

DYKE'S ADVANTAGES	HOW TO COUNTERACT

OPTIONS

TO BE NEGOTIATED	OPTION A (OPENING POSITION)	OPTION B	OPTION C	OPTION D (WALK AWAY POINT)

CONSIDERATIONS